

The Final Report

of the National Commission
on Severely Distressed
Public Housing

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The Final Report

*of the National Commission
on Severely Distressed
Public Housing*

*A Report to the Congress and the
Secretary of Housing and Urban
Development*

*August 1992
Washington, D.C.*

National Commission on Severely Distressed Public Housing

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Representative
U.S. House of Representatives
State of New York

Vincent Lane
Chairman
Chicago Housing Authority
Chicago, Illinois

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*Resigned in September 1991.

**Resigned in October 1991.

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Special Acknowledgment

The cover and text illustrations throughout the Final Report were developed and executed by Derek Horton, a talented young Washingtonian.



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Carmelita R. Pratt
Administrative Officer

August 10, 1992

The Honorable Dan Quayle
President
United States Senate
Washington, D.C.

Dear Mr. President:

When the Congress in 1989 established the National Commission on Severely Distressed Public Housing by enacting Public Law 101-235, it charged the Commission with proposing a National Action Plan to eradicate severely distressed public housing by the year 2000.

I report to you, Mr. President, that Members of the Commission have worked diligently since we first convened to carry out that mandate. For the past 15 months, we have traveled throughout the United States to find out for ourselves the conditions under which residents of severely distressed public housing live.

More importantly, we have witnessed first-hand the remarkably inventive and appropriate solutions that residents and local officials offer to the problem of severely distressed public housing. We often hear in government and industry that those closest to the problem usually see the best solutions, and our experience with public housing residents and local officials bears out the wisdom of that approach.

The Commission's National Action Plan will not be easy or painless or cheap to implement. The Congress tasked the Commission to find answers, and we have found answers. Severely distressed public housing exists in America, and it did not arise overnight; it will not be

The Honorable Dan Quayle

August 10, 1992

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eradicated overnight. But it can be eradicated by the year 2000, and we offer our best plan for how to accomplish that end. In confidence that frankness and forthrightness are needed in debate on important national issues, we recommend strong action by the Congress and the Executive Branch, especially the Secretary of Housing and Urban Development, as well as by State and local officials and other key participants, including public housing residents, to solve the problem.

Mr. President, pursuant to the provisions of Public Law 101-235, we have the honor to transmit to the Congress herewith the final report of the National Commission on Severely Distressed Public Housing.

Respectfully submitted,



Bill Green
Member
U.S. House of Representatives
Co-Chairman



Vincent Lane
Chairman
Chicago Housing Authority
Co-Chairman

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August 10, 1992

The Honorable Thomas S. Foley
Speaker
United States House of Representatives
Washington, D.C.

Dear Mr. Speaker:

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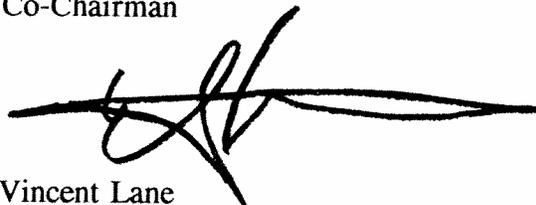
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August 10, 1992

The Honorable Jack Kemp
Secretary of Housing and Urban Development
U.S. Department of Housing and Urban Development
Washington, D.C.

Dear Mr. Secretary:

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Preface

“We have listened to residents, housing authority management, public officials, HUD officials, private citizens . . . this Report speaks the truth of what we have heard . . . This National Action Plan provides the blueprint by which we, working together, as a Nation can realize our goal of providing decent, safe, and sanitary public housing by the year 2000.”

*The National Commission on Severely Distressed
Public Housing*

"The Final Report" aptly and simply describes the conclusion of the National Commission on Severely Distressed Public Housing. This *must* be the final report; as a Nation we must act immediately to eliminate conditions that cause the families—men, women, and children—living in approximately 86,000 units of severely distressed public housing to reside in physical, emotional, social, and economic distress.

Congress established the Commission by enacting Public Law 101-235. Members of the Senate and the House of Representatives and the Secretary of the U.S. Department of Housing and Urban Development appointed Commissioners. The Commissioners are a bipartisan group from many parts of the country. They have varied backgrounds and professions. They all, however, came to this task with a strong and abiding commitment to continue to build on the strengths of this Nation and to preserve—and as necessary revitalize—its public housing resources, both human and physical. Clearly, the Commission's mandate to develop a National Action Plan to alleviate the conditions that contribute to severely distressed public housing by the year 2000 presented a challenge, but not an insurmountable one. In some cases, the Commission believes that an appropriate and realistic work plan may need to extend beyond the year 2000. (For example, funding is proposed for planning and rehabilitation over a period of 10 years.) Recommended time frames for major actions are identified in the National Action Plan. (Appendix A contains biographies of the Commissioners, and Appendix B contains the Commission's definition of severely distressed public housing.)

Over the past 18 months, the Commission and staff have visited public housing developments in more than 25 cities; held 20 public hearings; spoken extensively with residents from some of the most and the least livable public housing developments in America; and conducted thorough interviews with the boards of directors and staffs of public housing agencies, and with industry leaders. In conducting this research, the Commission found many things:

- Residents afraid to move about in their own homes and communities because of the high incidence of crime
- High unemployment and limited opportunities for the meaningful employment of residents
- Programs designed to address distressed conditions with too little, too late
- Programs designed to assist residents of public housing that provide disincentives to self-sufficiency

- Families living in physical conditions that have deteriorated to a degree that renders the housing dangerous to the health and safety of residents

But most significantly, the Commission found that the combination and pervasiveness of all of these factors—and more—have begun to cause almost unimaginable distress to a segment of this Nation's most valuable resource, its people. Among the residents of severely distressed public housing, there is an increasing sense of hopelessness. The Commission categorically concludes that neither the human nor the physical conditions are hopeless; after all, we are a resourceful and innovative Nation that understands and encourages the hopes and dreams of all of its people.

Continued discussion and debate will clarify issues and heighten awareness; they will not repair broken windows, brighten unlit hallways, or restore hope. *Working* partnerships are essential in eliminating severely distressed public housing. Together, public housing residents; Federal, State, and local governments; housing authorities; and other public and private community-based organizations can change the landscape of severely distressed public housing developments. Separately, at best, each group can only make such housing more palatable.

This Final Report of the Commission promotes long-term revitalization in its National Action Plan and abridged versions of longer working papers, or chapters. Copies of the full chapters are available on request from the Commission. The research of the Commission was so extensive that all documents could not be included in the Report. However, the Commission feels that the information gathered, particularly the case studies, is of such significance to the public housing industry that it is currently preparing the case studies so that they can be disseminated on request starting in early October 1992.

It should be noted that following the release of the Preliminary Report and National Action Plan the Commission invited public comments. The Commission considered all public comments carefully and this Final Report reflects consideration of all comments received.

This Report would not have been possible without the assistance and commitment of hundreds of people nationwide, particularly the public housing residents who welcomed us into their homes and communities and the boards of directors, executive directors, and staffs of many public housing agencies, who provided us with volumes of information and assisted in coordinating our visits to their cities. The Commission also extends sincere appreciation to the numerous public officials and community leaders who took the time to testify at public hearings or to participate in extensive interviews.

The Commissioners' appreciation also extends to the U.S. Department of Housing and Urban Development for providing necessary research documentation, particularly on modernization, as well as to the following industry groups: the Council of Large Public Housing Associations, the National Association of Housing and Redevelopment Officials, the National Association of Resident Management Corporations, the National Tenant Organization, and the Public Housing Directors Association, all of which provided forums to share ideas and information and provided constructive and sincere criticisms of the Commission's recommendations and work in progress.

Finally, the Commissioners wish to thank their families, who understood the importance of their mission, and business associates who assumed an extra workload because of necessary Commission travel.

The Commission recognizes that over the next several months this Report—especially the National Action Plan—will be vigorously discussed and debated. The Commission welcomes the debate. However, its most fervent hope is that the National Action Plan will be swiftly adopted so that the ultimate goal of this Commission's mandate—to eliminate severely distressed public housing by the year 2000—can be accomplished. The residents of America's public housing need to know that they, too, are the intended beneficiaries of this "... kinder, gentler Nation."



D.H

Introduction

Severely Distressed Public Housing—A National Disgrace

“ . . . In those areas of our Nation where there is such a tremendous need for physical improvements, economic development, and family support services, a much more comprehensive approach combining public and private resources is needed. We must look not only at the condition of housing . . . economic opportunities, and . . . infrastructure, but also at the needs of families involved, the strength of neighborhood organizations, the impact of crime, the availability of family support services, and recreational opportunities and the quality of education.”

Robert Armstrong, Executive Director, Omaha Housing Authority, Omaha, Nebraska; Senior Vice President, National Association of Housing and Redevelopment Authorities

Congress created the National Commission on Severely Distressed Public Housing and directed it to develop a National Action Plan to eliminate severely distressed public housing—unfit, unsafe, unlivable—by the year 2000.

Severely distressed public housing is a national problem—a national disgrace. Such housing imposes an unacceptable, nearly unlivable environment on its residents and also corrupts the public perception of all public housing and all its residents. The Commission (see biographies of the Commissioners in Appendix A) believes that severely distressed public housing is a testament to the public failure to

- Recognize the needs of individuals and families living in distressed conditions
- Prevent this valuable national resource from falling into such a state of disrepair that in its current condition, it cannot adequately serve even the most desperate or disenfranchised families
- Invest in its own housing infrastructure
- Address the problems created for the organizations that must operate this housing

This Commission offers this National Action Plan and the entire Final Report to support a program of strategies to correct conditions that affect severely distressed families living in severely distressed conditions throughout America. Although only 6% of the public housing stock is estimated to be severely distressed, this percentage represents approximately 86,000 units. Thus, clearly a significant number of families are living in extreme poverty in almost unimaginable and certainly intolerable conditions. The Commission thus believes that in human terms, only 6% is 6% too many.

It is important to note that if 6% of the units are severely distressed, approximately 94% of the units are not in such a state; thus, the public housing program continues to provide an important rental housing resource for many low-income families and others. However, research indicates that unless corrective actions are taken immediately, the number of units that meet the definition for severe distress will increase. (See Appendix B for the Commission's definition of severely distressed public housing.) For this and other reasons the National Action Plan must be adopted. The research has been conducted; the definition, developed; and the plan, provided.

In its research, public hearings, and discussions held with residents and resident leaders, the Commission found three conditions common to most of the severely distressed developments observed:

- Residents living in despair and generally needing high levels of social and support services
- Physically deteriorated buildings
- Economically and socially distressed surrounding communities

(Appendix C contains a list of the locations that the Commissioners visited for site tours, public hearings, and case studies.)

Developments that exhibit a combination of these conditions are extremely difficult to manage because of (1) the presence of criminal activity, obsolete building mechanical systems that require enormous maintenance resources, and high vacancy rates and (2) the need for greater resident security. Once a development begins to deteriorate, it often falls into a downward spiral as the cost to operate the buildings increases and the funding remains level or even decreases. In some cases, public housing agencies (PHAs) lose control of buildings. (Appendix D is a glossary of acronyms.)

These severely distressed developments have far greater needs than stable developments do; addressing a single need will not resolve the multitude of problems. Thus, severely distressed developments require a comprehensive treatment approach.

The Commission hopes that its research and resulting recommendations will significantly influence programs designed to eliminate severely distressed public housing. And, the Commission believes that these programs and activities will not succeed unless components that make education and training opportunities available, assist residents to become job-ready, provide permanent job opportunities, and put money into the pockets of residents are prominent.

Traditional approaches to revitalizing seriously distressed public housing have too often emphasized the physical condition of the developments without addressing the human condition of the residents. The absence of economic resources among and assistance to public housing residents is a consistent, pervasive, and inexorably destructive contributor to distress. The Commission unequivocally believes that a true and long-lasting solution requires equal and significant attention to both the human and the physical conditions.

Funds for the physical revitalization of public housing have not been available at the level needed despite earlier studies that indicated modernization needs for the public housing program well above appropriated amounts. Modernization funding has increased in recent years; however, unfortunately the increase in funding has not necessarily resulted in an increase in the level of attention given to severely distressed public housing developments.

The Commission's research indicates that the number of high-need housing developments may actually be increasing because of a higher percentage of modernization funds being directed toward

“Public housing is becoming the housing of last resort for low-income families and very low-income families, families that need the most support services to become part of the community.”

Sister Jensen, Director, Community Development and Housing, St. Alphonsus Rock Church, St. Louis, Missouri

housing developments with lower capital needs. Because of funding constraints and the current design of modernization programs, severely distressed public housing developments may in a sense be undergoing a "triage," where housing agencies are directing funding toward developments that can have conditions corrected most easily and thoroughly rather than toward severely distressed public housing, which can drain the limited funds available without having a significant lasting impact. Thus, families residing in severely distressed public housing face increased deterioration of already substandard conditions.

Understanding that the purpose of public housing is to provide homes and a safe living environment for those people most in need, the Commission emphasizes that distressed public housing has to do with *residents* living in severe distress as well as with the actual physical conditions of the sites, buildings, and units of the developments. Therefore, the Commission's definition of severely distressed public housing encompasses a range of both *social and physical* characteristics that capture the conditions observed.

Many residents of severely distressed public housing are the most vulnerable members of our society, and they survive on very limited incomes. They are too often the victims of crime and drug abuse and are further demoralized by the very programs that the Federal Government established to assist them. For example, current rent regulations discourage work and savings, and increases in earned income trigger the loss of public assistance benefits. Crime and drugs can flourish in severely distressed public housing just as they do in other settings with the same population characteristics, housing type, and other conditions resulting from public and private institutions abandoning or disengaging from a community.

Resident needs and desires for change are a primary concern of the Commission. From public hearings and interviews with residents during case study research, contributions of Commissioners who are residents of public housing, and a series of resident leadership roundtable discussions, the Commission identified several major concerns of residents:

- Lack of involvement and active participation in decisionmaking concerning their communities
- Security services and building facilities that do not enable residents to protect themselves
- Lack of sufficient social and support services
- Lack of economic development opportunities and assistance

(Appendix E contains an unedited draft of the case study of the San Francisco Housing Authority. It is presented for the readers' convenience as one example of the many case studies conducted by the Commission.)

Residents are becoming increasingly more organized, and many resident groups manage their developments. However, they are still not consulted on or involved enough in making decisions regarding their communities. Residents must be consulted early, often, and continuously on the physical and management needs of a property to revitalize it and to sustain its long-term viability. And, they must form partnerships with others in the private and public sectors.

Personal security was also raised frequently among residents interviewed, and PHAs must be provided with the resources needed to secure the living environments that they manage.

To address the complex conditions at severely distressed developments and to provide social and support services, PHAs require an increased level of funding. They also require institutional support in terms of funding and regulatory flexibility. The channels for funding social, health care, job training, police, day-care, and other services have largely bypassed severely distressed public housing and its residents. Thus, new approaches to coordinating services and providing funds to PHAs to help fill the gap between needs and services are essential.

Finally, for strategies to be truly effective, PHAs must assist residents in becoming more economically secure. PHAs are in an excellent position to act as coordinators, for example, by helping to facilitate job and financial management training, but they need the resources to do so and also to have their own programs structured to provide incentives for seeking employment. Current rent determination and income eligibility regulations create gross disincentives for working families to live in public housing.

The policy solutions affecting severely distressed public housing must be comprehensive and coordinated and so must the response of all agencies and organizations involved. Clearly, severely distressed public housing is not simply a problem of “bricks and mortar”—a little plaster and a few pipes won’t fix it. The U.S. Department of Housing and Urban Development (HUD) and PHAs can respond to many elements of distressed living conditions in public housing, but they require support and action from Congress, other Federal agencies, and State and local governments and, of course, the active, meaningful participation of residents and community-based organizations.

Certain critical aspects of the laws, regulations, and administrative practices of the public housing program do not meet the requirements identified by this Commission as necessary to address “unfit” living conditions in severely distressed public housing. The Federal Government cannot expect to apply the same laws, regulations, and administrative practices effectively to more than 3,000 different PHAs and approximately 1.4 million units of public housing nationwide.

“... We began the Housing Training Institute. It trains public housing residents in occupational skills, job readiness, and GED. And, it is really an exciting program because it lets our residents obtain skills and access job markets. And, I am really proud of this because it has worked, and it gives our residents a future, and that is what empowerment is all about.”

*John Zipprich, Vice Chair,
Commissioner, Houston Housing
Authority, Houston, Texas*

In preparing this Report, the Commission has done more than simply emphasize the urgency of addressing the human and physical conditions in severely distressed public housing and of placing the issue higher on the national agenda; it has developed a plan that describes *specific actions* to treat the conditions in severely distressed public housing and thus to guide the national agenda on this issue.

The Commission used the case study research, public hearings, and site tours to gather facts and to develop solutions to complex and serious problems. The National Action Plan provides, in some cases, for detailed changes to existing laws, regulations, and administrative practices. In other cases, the Plan describes new programs and approaches to correcting the observed and researched conditions. It is designed to be implemented by Congress, HUD and other Federal agencies, State and local governments, PHAs, and public housing residents.

The Congress instructed the Commission to develop a plan to eliminate "unfit" living conditions in public housing; such a plan and supporting chapters follow.

As a Nation, we must act now to eliminate the public failure, the national disgrace, that we almost euphemistically call severely distressed public housing.



The National ● Action Plan

“ . . . we are all to blame: Congress, the Administration, us bureaucrats, public housing management, local government, the court system, and residents . . . there must be a national-level policy and direction that puts it all together. There is a solution for public housing; however, if you have to narrow your focus and keep it at public housing—and I think you’ve already recognized this—it does rest with the residents. We all have to be a part of it, but the residents must lead the way out.”

A Midwest Government Official

“I have to be home when my sons get out of school because the shooting starts around 4:00 p.m. everyday.”

A 30-year-old Chicago resident who indicated that she was unable to work because she could not leave her children unprotected in the development

This National Action Plan of the National Commission on Severely Distressed Public Housing calls for coordinated actions by the President, Congress, U.S. Department of Housing and Urban Development (HUD), public housing agencies (PHAs), State and local governments, public housing residents, and others. Severely distressed public housing is a national concern that requires a significant and sustained commitment of both public resources and public attention. This Plan is not simply an empty call to action; it is a call to action with a clear set of steps to guide the Nation in correcting conditions in severely distressed public housing not primarily out of concern for the physical structures but more out of concern for the people who live in and near them.

The entire Final Report and Commission working papers—some already issued separately—provide extensive information and analysis to support the National Action Plan.

ADDRESSING THE NEEDS OF RESIDENTS

Chapter 2 of this Report, “Resident Initiatives and Support Services,” covers social and support services for public housing residents as well as resident initiatives to promote increased resident involvement. The Commission found that the residents of severely distressed public housing are also severely distressed and that the service needs of many of the households are extensive. Research conducted by the Commission indicates that the public housing population overall has changed in recent years to consist of families that are increasingly poorer and more in need of social and support services. These families also tend to be more vulnerable to the activities of gangs, drug dealers, and other negative elements that have a profound destabilizing influence on the lives in and property of public housing communities and on safe and healthy family life.

Many social and support services exist in localities where severely distressed public housing is located. However, the sense of isolation from the surrounding community separates severely distressed public housing from other public housing developments as well as from other forms of assisted housing operated in both the public and the private sectors. Severely distressed housing developments have experienced many years of disinvestment in terms of management and services provided and the funds targeted for physical rehabilitation. Residents often find themselves living in housing units that continue to deteriorate because of the lack of funding, and they find themselves unable to gain access to existing services that are available but not targeted to their housing developments. The Commission found a significant lack of coordination of existing services

available at Federal, State, and local levels. Services may be available but are not effectively and consistently delivered to residents of severely distressed public housing.

The Commission notes that although public housing operating budgets include line items for tenant services, the funding provided for public housing overall is simply inadequate to cover social and support service programs. Funding and strategies to eliminate severely distressed public housing and thus to save severely distressed lives must consistently and predictably address both the need to coordinate existing services and the need to provide special targeted services for the residents of severely distressed public housing developments. Just as the Comprehensive Grant Program (CGP) is designed to offer year-to-year consistency in funding levels for public housing modernization, so must operating funds be offered to provide predictable funding for the specific social service needs of the residents of severely distressed public housing.

The Commission has reviewed the resident initiative programs promoted by HUD and believes that the Secretary of HUD has achieved an important objective by giving heightened attention to the needs of public housing residents, having recently implemented programs created and targeted for them. These and other programs for treating severely distressed public housing must address the needs of the residents and involve them in every aspect of planning and implementation.

Resident initiatives cover activities dealing with the management of public housing and with economic development to promote employment opportunities for residents and enhance their ability to become homeowners. Each of these major areas covers a number of program initiatives that should be promoted as part of any strategy to address the needs of severely distressed public housing. The Commission believes a strong emphasis must be placed on resident needs and programs implemented at the public housing development. Public housing residents must also be afforded maximum feasible and meaningful participation in planning, designing, and implementing the programs recommended by the Commission to address the conditions of severe distress.

The action steps for addressing the needs of the residents in severely distressed public housing are an integral part of the programs recommended by the Commission. The resident and social service recommendations are presented first because the Commission believes that it is imperative that resident needs and concerns receive the highest priority.

Objective 1: To provide increased funding for support services to residents of severely distressed public housing developments. Funding must be made available to support the provision of social

services as part of public housing operations. Funding would be for those social services that could be justified in a PHA management plan for the property along with the services described in Chapters 2 and 3 of this Report. The funding should accompany changes in the way social services are provided and in the way residents participate in providing the services.

Step 1: The Commission calls upon Congress to authorize changes in the use of operating funds for social services and in the calculation of the Allowable Expense Level (AEL) for severely distressed public housing.

- a. Resident Management Corporations (RMCs) should receive direct training to provide resident assistance and peer training, and all unexpended PHA funds for resident services should revert to the developments for which funds were originally allocated and are controlled by qualified Resident Councils (RCs) or by the PHA in direct consultation with the RCs.
- b. PHAs should be encouraged to use funds to implement paid internship programs for residents to manage and form businesses.
- c. The social and support services required by the PHA and residents as well as the costs for coordinating delivery or targeting existing services (provided by other organizations) to the needs of severely distressed public housing residents should be included in a management plan approved by HUD.

Step 2: The Commission calls upon Congress to authorize changes to other funding programs as indicated here to benefit public housing residents—especially those residing in severely distressed public housing—more directly.

- a. Drug forfeiture funds should be directed to severely distressed public housing developments, and priority for their use should be to train residents to be drug counselors and community organizers, as well as to fund community programs such as education and drug abatement.
- b. Resident organizations should be permitted to receive Public Housing Drug Elimination Program and Youth Sports Grants directly from HUD.

Additional Appropriation: Funds for Step 1 are included with funds listed under Objective 1 under "Addressing Management Needs," which discusses the costs covering changes to the Performance Funding System (PFS) AEL. No new funds are proposed because each step provides for changes in the allocation and program control over existing funds.

Objective 2: To create (1) a system at the highest levels of the Federal Government to coordinate social and support services for public housing and (2) an outline for delivering services to severely distressed public housing developments. The President is called upon to appoint one or more members of the White House staff to work, in a manner similar to that of the Domestic Policy Council, with Federal agencies to coordinate the delivery of social and support services to residents of severely distressed public housing.

Step 1: The Commission calls upon Congress to authorize HUD to develop a system that provides for coordinating with other Federal agencies for delivering support and human need services at the public housing development level.

- a. The President is called upon to appoint one or more people from the White House staff to work with all of the Cabinet offices to coordinate activities of the U.S. Departments of Labor, Commerce, Health and Human Services (HHS), Agriculture, Justice, and Education and the Armed Services with HUD.
- b. HUD should issue regulations governing the system for the delivery of services to severely distressed public housing using the Commission recommendations (such as the creation of social services councils at developments) as a guide for developing the regulations.
- c. The emphasis of the delivery program should be on the development of a comprehensive, integrated, holistic system.

Step 2: The Commission calls upon Congress to authorize HUD to develop regulations that require PHAs to solicit resident input prior to eliminating any social or human need program.

Additional Appropriation: No new funds are proposed; however, each agency listed under this objective should be required to designate within its budget funds for services to severely distressed public housing.

Objective 3: To promote economic development opportunities for residents of public housing by creating (1) programs and workshops to encourage the formation of resident businesses, (2) opportunities for PHAs to contract for services with residents, and (3) jobs with the PHA for residents in severely distressed public housing communities. The steps required to increase the formation of resident businesses, contracting opportunities, and employment opportunities are essential to promoting homeownership opportunities for residents of severely distressed public housing.

Step 1: The Commission urges Congress to authorize HUD to amend regulations to give preference to contracting with resident-owned businesses.

- a. HUD amends regulations regarding "Other program requirements" under subheading "Minority and Women-Owned Business Enterprise Opportunity" to include PHA resident-owned businesses.
- b. HUD amends procurement regulations to allow sole-source contracting with qualified resident businesses.

Step 2: The Commission calls upon Congress to authorize start-up and business development funds to be used for resident-owned and resident-operated businesses.

- a. Congress requires HUD and the Small Business Administration (SBA) to enter into an interagency agreement to provide a small business development grant and/or revolving loan fund for start-up and business development funding for resident-owned and resident-operated businesses.
- b. Congress encourages periodic conferences with HUD, SBA, HHS, and union leadership to stress economic opportunities for residents.

Step 3: The Commission calls upon Congress to authorize HUD to issue regulations giving preference to residents of severely distressed public housing for employment in public housing.

- a. Regulations must require PHAs to conduct outreach efforts to inform residents of and identify residents for employment opportunities.

Step 4: The Commission calls upon Congress to authorize HUD to include severely distressed public housing developments in enterprise zones in localities where these housing developments are located.

- a. HUD should issue regulations that require that severely distressed public housing developments be linked with enterprise zones even if the housing development is not located within the service area of the enterprise zone.
- b. The regulations also must include language that encourages PHAs and residents to develop strategies and partnerships to pursue allocations of Community Development Block Grant (CDBG) funds during local public hearings where allocations for these funds are made.
- c. HUD should issue regulations that include, as part of a feasibility study of the implementation of homeownership programs, language that requires the affected resident group and the PHA to devise alternative strategies for marketing the development of new units resulting from programs such as Homeownership and Opportunity for People Everywhere and Section 5(h) of the U.S. Housing Act of 1937, as amended by the Housing and Community Development Act of 1974.

Additional Appropriation: Funding is to be covered under existing agency budgets and through other steps recommended for directing funding provided by the agencies cited in this objective.

ADDRESSING THE PHYSICAL CONDITIONS

Chapter 4, "Capital Improvement Programs and Physical Conditions," and Chapter 5, "Assessing Housing Viability," address the physical condition and viability of severely distressed public housing developments. The Commission used a study of national modernization needs to estimate the number of housing units in the public housing program that can be considered severely distressed under its definition. (Appendix B contains the Commission's definition of severely distressed public housing.)

The Commission conducted case studies and site tours of some housing developments currently believed to be severely distressed as well as some that were once severely distressed but have been treated through efforts by PHAs, residents, HUD, and State and local governments. These case studies and independent research, conducted using information from a national study of modernization needs and one on occupancy in distressed public housing, supplemented findings from public testimony and site tours undertaken by the Commission.

The Commission estimates that approximately 86,000—6% of the total 1.4 million public housing units—are severely distressed. This estimate is based on the number of units that require modernization improvements at 60% or more of HUD's total development cost (TDC) guidelines.¹ The Commission believes there are housing developments with units that have modernization needs below and above 60% of TDC that are not severely distressed; however, it has noted a strong relationship between severe distress and modernization needs and considers the level of modernization needs the appropriate basis for estimating the number of severely distressed units.

The total estimated modernization cost for addressing the capital improvement needs of these 86,000 units is \$5.6 billion in 1992. This estimate includes 11% for administrative and related costs involved in operating a public housing modernization program. The Commission estimates that an additional 34%—\$1.9 billion—is needed to address related costs—architectural and engineering expenses (7%), planning (2%), stabilization efforts (8%), relocation (2%), construction phasing (5%), and a standard contingency (10%)—involved in addressing physical conditions at severely distressed public housing developments.

The Commission believes that a separate unit within HUD should be established to administer programs for severely distressed public housing and that the major funding program for revitalizing such

“There are great problems with exterior and interior plumbing, electrical power, construction vices, [plus] land and sidewalks which creates waste water . . . the quality of life of the residents is deteriorating as fast as the project.”

Carlos Figueroa, Administrator, Las Margaritas, San Juan, Puerto Rico

housing should provide both for rehabilitation and for replacement of units. The program could be a modified Major Reconstruction of Obsolete Public Housing (MROP) program or a totally new program funded separately by the Congress.

In planning to replace units to be demolished or disposed of as a part of a comprehensive treatment program for severely distressed public housing, the Commission believes that PHAs must be exempted from impactation restrictions in neighborhoods. That is, PHAs should be allowed to construct or rehabilitate the replacement units in the same neighborhood that contained the original units, even if there are "anti-impactation" restrictions. Research indicates that many severely distressed public housing developments cannot be renovated or redeveloped because of limitations on funds available to cover the cost of replacement housing and other factors (including local resistance) that have contributed to a PHA's inability to locate replacement housing sites outside of the neighborhood in which the severely distressed public housing is located. The Commission supports funding for new "hard" public housing development units and 15-year Section 8 project-based assistance for use as replacement housing for units demolished or disposed of as part of an overall revitalization strategy.

It is important for PHAs to have the flexibility to construct replacement housing on or near the site where the severely distressed public housing is located. This flexibility will allow PHAs to construct replacement housing in a timely manner when other acceptable or accessible sites for public housing are not available. As part of the overall strategy to promote neighborhood improvements, the Commission recommends an increase in the funding appropriated for 15-year project-based assistance to promote the rehabilitation of housing in the neighborhoods as replacement housing for eligible households. This replacement housing must be used as a method of promoting an income mix in the neighborhood, and the units supported by the 15-year assistance should be available for long-term lease or for ownership by the PHA. Special attention should be given to continuing to use the recently enacted Home Investment Partnership Act (HOME) program, low-income tax credits, and CDBG funds as part of a comprehensive plan for redeveloping a distressed site and economically integrating the neighborhood. The Commission believes that PHAs need access to these funds to expand the choices and resources available for developing effective revitalization strategies that can provide maximum benefits to the residents and increase the likelihood of sustained improvements to the housing development.

The action steps for addressing the physical condition of severely distressed public housing are discussed here. Each step describes the actions recommended by the Commission to develop a program and process for treating the physical conditions in severely distressed public housing.

Objective 1: To provide sufficient funding to enable PHAs, in cooperation with residents and other public and/or private entities, to eliminate unfit living conditions in severely distressed public housing. Many severely distressed public housing developments have reached a level of physical deterioration at which they no longer provide safe, sanitary, and decent housing for low-income families. Such substandard conditions fail to meet basic building and sanitary codes and contribute to a sense of systemic failure.

Step 1: The Commission calls upon Congress to authorize through new legislation a separate funding program specifically targeted to severely distressed public housing.

- a. The program should be based on a redefined MROP program.
- b. The program should be limited to the rehabilitation and replacement of that portion of the public housing stock that meets the criteria of severe distress as defined by the Commission.

Step 2: The Commission calls upon Congress to authorize funds earmarked for the program to be usable for rehabilitation or replacement of existing units, allowing significant latitude to PHAs on that decision.² Where an RMC exists in a severely distressed public housing development, the RMC plan must be given preference with regard to proposals offered for the development of replacement housing.

- a. The legislation should waive restrictions regarding the location of new public housing units within affected areas, because these units would replace units lost through demolition or disposition.
- b. The funds should be usable for a broad range of rehabilitation and replacement purposes, including residential and community service facilities designed as an integral part of public housing turnaround plans as well as project administrative and "soft" costs such as planning, architectural and engineering service (including construction inspection), stabilization, construction phasing, and relocation costs.

Step 3: The Commission calls upon Congress to authorize HUD to prepare and promulgate regulations and a handbook for the revised MROP program that would define the process for designating public housing as severely distressed, planning and approval requirements, standards and criteria to be used in reviewing applications and proposals, and procedures to be followed in each phase of the process.

Step 4: The Commission calls upon Congress to make the replacement of units lost through all forms of demolition or disposition as well as through homeownership uniform, with no diminution in the total number of units to accommodate the homeownership program. If a PHA is unable to implement a replacement plan because of judicial or governmental actions, the 6-year deadline should be extended.

Additional Appropriation: Congress should appropriate \$7.5 billion over a 10-year period for the capital improvement and related needs of the estimated 86,000 severely distressed public housing units. The \$7.5 billion in 1992 dollars should be appropriated in annual increments of approximately \$750 million.³

Objective 2: To provide effective national leadership and guidance to PHAs in the planning, design, and ongoing operations required to turn around and manage severely distressed public housing developments. This effort will require, within HUD, an adequate administrative capacity and substantive knowledge on distressed public housing.

Step 1: The Commission calls upon Congress to authorize the establishment of a new administrative unit within HUD to direct all efforts dealing with the rehabilitation of severely distressed public housing. The scope of this unit would include but not be limited to the following:

- a. Administration of all HUD funds provided for severely distressed public housing
- b. Establishment of a roster of severely distressed public housing based on the applications submitted by PHAs using the criteria established in the Commission's definition
- c. Promulgation of regulations and appropriate administrative procedures related to rehabilitating and replacing severely distressed public housing
- d. Collection and dissemination of data on severely distressed public housing developments, the rate of progress in eliminating distress, and successful methods for treating severely distressed conditions
- e. Establishment of a network of PHA, resident organization, and consultant resources to share ongoing experience with turnaround efforts
- f. Evaluation of completed projects

Step 2: The separate HUD unit for severely distressed public housing should be directed to complete data collection and evaluation of the record to-date in turning around severely distressed public housing using the extensive information

gathered by the Commission⁴ and other sources. This task is to be completed within 18 months of enactment of the revised MROP program. The effort is to include

- a. Identification of those severely distressed housing developments that have been substantially rehabilitated and/or replaced
- b. Collection of data regarding methods of rehabilitation and/or replacement, including the process of decisionmaking and construction
- c. Postoccupancy evaluation of revitalized developments to determine the effectiveness of actions taken, including the ability to sustain improvements, resident satisfaction, and effects on security

Additional Appropriation: HUD administrative costs associated with establishing and maintaining this separate unit are estimated to be approximately \$800,000 for the first year.⁵

Objective 3: To establish a model planning process to be used by PHAs in eliminating the causes of severe distress in public housing, ensuring that appropriate issues and options are addressed and used as input to the recommended actions in each local development. The rehabilitation of severely distressed public housing requires substantial skills and knowledge beyond those needed for standard modernization activities. Critical decisions and considerations facing PHAs include the general causes of distress; the organization and mobilization of a planning process that involves the appropriate actors and leads to timely decisions; identification of the magnitude, location, and severity of planning and design problems; definition of the level of intervention and treatment approaches necessary to eliminate root causes of distress; and management of a complex, multiyear sequence of actions to improve and eliminate conditions.

Step 1: The Commission calls upon Congress to authorize a separate funding allocation within the modified MROP program for planning activities related to the redevelopment needs of severely distressed public housing developments. Through a separate application process, these funds would be made available to PHAs with developments designated as severely distressed.

Step 2: Congress calls upon PHAs, with HUD support, to enter into a memorandum of understanding (that defines roles and responsibilities and gives a schedule for decisionmaking) with key participants in each turnaround effort. Key participants include PHA staff, resident organizations, local service providers, and representatives from local government as well as the immediate neighborhood and funding agencies. Resident participation and involvement at all stages of the turnaround

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effort is a basic requirement. The planning process should include activities that can be used to promote homeownership opportunities as part of the overall revitalization of severely distressed public housing.

Step 3: Congress calls upon PHAs to develop and implement interim procedures to stabilize severely distressed public housing developments during the planning and design phases.

Additional Appropriation: 2% of the total estimate of \$7.5 billion in 1992 dollars will be available for planning, and 8% will be available for stabilization activities.⁶

Objective 4: To provide encouragement and incentives to achieve coordination among government programs that support the rehabilitation of severely distressed public housing, strengthening HUD and PHA capital investment efforts. Severely distressed public housing developments are typically located in deteriorated, service-poor neighborhoods that also suffer from general disinvestment. Because the long-term viability of a turnaround development depends to some extent on the health and vitality of the larger community, it is critical that supportive community investments occur in tandem with the rehabilitation of severely distressed public housing.

Step 1: The Commission calls upon Congress to authorize HUD to provide coordination, through the separate unit, for Federal programs in the neighborhoods immediately surrounding or abutting severely distressed housing developments. HUD should make information and materials on relevant programs available, including private residential development, economic development, and commercial revitalization opportunities. Resident participation in these programs should be a priority. Coordination should be undertaken (1) by ensuring that HUD programs are consistently and compatibly conducted and (2) by requiring that HUD assistance be based on evidence of coordination and cooperation with other organizations including other Federal agencies.

Step 2: The Commission calls upon Congress to increase the availability of 15-year Section 8 project-based assistance through appropriations to be used as replacement housing in the neighborhood in which the severely distressed public housing is located to support the rehabilitation or creation of privately owned (or nonprofit) housing for low-income families.

Additional Appropriation: This component requires a separate allocation of \$10 million to support neighborhood revitalization. In conjunction with a program for treating severely distressed public housing, these funds will be used as "incentives" to communities in which this housing is located.⁷

Objective 5: To address the limitations imposed by the using of HUD TDC guidelines for severely distressed public housing and to provide opportunities for waiving these guidelines to support the successful turnaround of severely distressed public housing. Some of the most successful turnaround efforts have required expenditures in excess of 100% of TDC.

Step 1: The Commission calls upon Congress to authorize wide latitude to HUD in granting waivers for sound revitalization programs that require expenditures in excess of 100% of TDC.

Step 2: The Commission calls upon HUD to develop a set of administrative guidelines to establish criteria for waivers and the granting of waivers for revitalization of severely distressed public housing developments with projected costs in excess of 100% of TDC.

Additional Appropriation: *These programs are to be supported with the funds estimated under Objective 1 and under Objective 2 for the separate unit within HUD.*

ADDRESSING THE MANAGEMENT NEEDS

Chapter 3, "Management and Operation," covers the ways in which housing management operations can control or at least mitigate conditions in severely distressed public housing developments, and Chapter 7, "Evaluation and Performance Standards," recommends the implementation of a national accreditation system for organizations that manage public housing. This section of the National Action Plan addresses the content of both chapters.

A PHA's primary function is to provide decent, safe, and sanitary housing for its residents. When a PHA fails in that goal and loses control of its properties, the result is often severely distressed public housing. Although factors external to a PHA certainly influence the extent to which it can address severely distressed developments, a PHA's operations and service delivery system can have a tremendous impact on the efficient use of resources and the maintenance of internal controls to ensure continued effective delivery of services. To determine which systems and practices are most effective in treating severely distressed public housing, the Commission conducted a series of case studies and solicited comments and suggestions from groups that represent organizations involved in managing and operating public housing.

The profile developed from the Commission's research indicates that severely distressed public housing is strikingly different from stable public housing. At some severely distressed public housing developments, buildings are now in their sixth decade of use, have obsolete mechanical systems that require enormous amounts of mainte-

“As far as maintenance is concerned, there are things that we cannot do, so we do have to call maintenance in for it. But in calling maintenance, we want them to do a good job. We want them not to come in and haphazardly do the work because if they do haphazard work the apartment is still going to be rundown.”

*Aretha Edwards, Resident,
Columbus, Ohio*

nance time, and have received limited modernization. Some old and even some relatively new housing developments (those less than 25 years old) that appear to be severely distressed seem to suffer from conditions resulting from inappropriate design and related factors. A study conducted by the Commission indicates that residents of these developments are poor and getting poorer. And, many housing developments no longer provide adequate protection and living facilities for residents; physical deterioration makes the buildings accessible for drug dealing and other criminal activities.

Because of a combination of factors ranging from a history of neglect to changes in the resident population, severely distressed developments present management challenges that point out the weaknesses in traditional housing management. The causes of severely distressed public housing are numerous, and the Commission believes that a PHA should not be penalized for problems that it did not create or that are beyond its control. Thus, the Commission makes a distinction between a "troubled PHA" and a "severely distressed development" and focuses on ways to treat severely distressed conditions at housing developments because the problems are often site specific and, therefore, should be addressed at the public housing development level.

The Commission finds that HUD micromanages PHAs to the extent that there is little flexibility in the public housing program. For example, certain PHAs that own and operate severely distressed public housing have little or no flexibility to change or modify the line items in the operating budget without first obtaining HUD approval. The process for obtaining approval is often long and the ability of the PHA to respond to needs at its housing developments, especially severely distressed ones, can thus be impeded. PHAs need the authority to make decisions and to allocate funds in ways that they feel will best meet the needs of the housing developments they own and operate.

Management operations can be broken down into field and central operations that must be mutually supportive. All of a PHA's central operation should be geared to support its field staff because the actual delivery of maintenance and property management services occurs in the field where residents come into contact with PHA staff. Commission research indicates that the most successful efforts at revitalizing severely distressed public housing are site intensive, where a PHA takes control of its distressed public housing developments "literally" building by building.

To implement site-intensive management improvements, a PHA must have sufficient funding to address needs that have long been neglected. The PFS for PHAs does not provide sufficient funding to support the activities required to address the management needs of severely distressed public housing. The proper operation of such

housing requires much more than basic real estate management activities; the definition of management services needs to include social and support services as essential operating services.

The Commission has found that for severely distressed public housing, it has been difficult to mobilize outside agencies to provide the social and support services needed to treat existing conditions effectively. Therefore, the Commission believes PHAs must take steps to ensure that essential social and support services are delivered to the residents of severely distressed public housing. Clearly, resources to support additional security and social services must be available for severely distressed public housing.

The following action steps are recommended to Congress and to HUD to provide PHAs with the management flexibility and support needed to provide essential services to severely distressed public housing.

Objective 1: To adjust the PFS to reflect the current needs of severely distressed public housing. Living conditions in severely distressed public housing developments are such that funding is needed to support security and other services for which funds are not generally available. Also, the performance contracting rules promoting private investment in energy conservation improvements should be modified to benefit certain high-vacancy severely distressed public housing developments.

Step 1: The Commission calls upon Congress to authorize that the PFS be modified to include the provision of security services for severely distressed public housing developments.

- a. HUD should issue regulations that provide the funding of security services as an allowable add-on to the AEL.

Step 2: The Commission calls upon Congress to authorize HUD to change the method for determining AELs under the PFS for severely distressed public housing so that AELs will be calculated based on a management plan for the housing developments.

- a. HUD issues regulations governing the setting of AELs based on a management plan that outlines the cost of operating services required for full management services, including social and support services. The costs for services should be limited to essential services that are unavailable in an acceptable manner to severely distressed public housing development as well as the coordination and "mobilization" of existing services available in the locality.

Step 3: The Commission calls upon Congress to authorize a change to the Housing and Community Development Act of 1987 to allow PHAs and HUD to estimate energy costs for

vacant units and buildings to establish a baseline utilities expense level for severely distressed public housing to promote performance contracting.

Additional Appropriation: The estimated cost of additional security services is \$93 million per year.⁸ The other additional cost for the revisions to the AEL is \$52 million per year.⁹

Objective 2: To develop a new system to appraise the performance of housing organizations. HUD's evaluation of performance is too narrowly focused on agencywide operations and not the operation of individual public housing developments. Management indicators covering such areas as vacancy rates and modernization spending can give the appearance that the PHA is poorly administered or has organizationwide problems even though they result primarily from conditions at one or more—but not all—developments within the PHA. Monitoring systems should also be directed toward the operation of housing developments to address more effectively the problems with severely distressed public housing.

Step 1: The Commission calls upon Congress to authorize a newly funded program specifically established to provide for management improvements so that the PHAs do not have to choose between funding management or capital program expenses, as often happens under the current modernization program.

Step 2: The Commission calls upon Congress to reauthorize the requirement for implementing Project-Based Accounting and to allow PHAs an additional year if requested for implementing a cost center or development-based accounting system. Such a system would be extremely useful in developing the management plan and justifying the costs of services discussed under Objective 1 of this section.

Step 3: The Commission calls upon Congress to authorize HUD to alter its current policy of prohibiting PHAs from reserving public housing developments for the elderly.

Step 4: The Commission calls upon Congress to authorize the establishment of an independent accreditation body in accordance with the recommendations in Chapter 7 of this Report.

Step 5: The Commission calls upon Congress to provide Federal funds to PHAs that have resident representation on the Board of Commissioners and to withhold Federal funding for PHAs that fail to have such representation.

Additional Appropriation: The funding level required for these programs is estimated to be \$130 million for the first year.¹⁰

Objective 3: To amend public housing rent calculation and income eligibility regulations to promote income mixing at public housing developments and to encourage residents to seek employment. Efforts need to be taken to implement the working household deduction authorized under the National Affordable Housing Act of 1990.

Step 1: The Commission calls upon Congress to authorize HUD to modify the regulation governing maximum rent levels.

- a. HUD should allow maximum rents to be determined based on local conditions in severely distressed public housing developments based on the "true market" condition at the housing development.
- b. HUD should eliminate time limits on the application of maximum rents based on the proposed program for treating the severely distressed public housing development.
- c. HUD should establish, in addition to maximum rents, a requirement that a minimum rent level be set to ensure that all residents pay rent in some amount but that the amount not place an inequitable burden on families. This amount is to be proposed by the PHA and approved by HUD.

Step 2: The Commission calls upon Congress to authorize HUD to modify income eligibility regulations to allow mixed income developments and raise effectively the percentage of low-income families in proportion to very low income families. To promote stable housing communities, provisions of Title VI of the Civil Rights Act should be amended to allow greater flexibility in using local preferences in selecting households for severely distressed public housing as a part of an overall revitalization strategy.

- a. The process for implementing changes of the income mix in severely distressed housing developments should be undertaken in conjunction with a review of appropriate changes in Federal preferences for selecting households that apply for public housing.

Additional Appropriation: *These programs are to be administered by a separate unit within HUD for severely distressed public housing, covered under Objective 2 of this section and Objective 2 under "Addressing the Physical Conditions."*

OTHER STRATEGIES

Chapter 8, "Nontraditional Strategies," covers ways in which PHAs and others can undertake new programs and initiatives to address conditions in severely distressed public housing. The Commission's research and analysis uncovered a number of areas in which public

housing providers must take on responsibilities that will enable them to interact with other housing providers and the private sector. The problems of severely distressed public housing developments are enormous and require a dynamic view to be treated effectively. The Commission is concerned with treating these housing developments effectively so that improvements made will be sustained. During its site tours and research, the Commission found cases in which significant public investment in housing resulted in only short-term improvements. Moreover, the Commission is concerned that many programs for addressing human and housing needs have been eliminated during the past decade, some without adequate assessment or evaluation; these programs need to be re-examined to determine whether any should be re-established. Appropriate research and data (to be used in the conduct of this research) are needed to examine these programs, to establish indicators that provide evidence of the need for certain programs, and to provide a basis for evaluating program success or failure.

The Commission's site tours indicate that severely distressed public housing developments are often located in severely distressed neighborhoods. And, there is no indication that a housing development will not be affected adversely by the conditions of the surrounding neighborhood. Many of these housing developments are located in older urban areas that have problems just meeting the basic service needs of the overall general population. The investments made in severely distressed public housing must be used to leverage other support and investment in the housing development and in the overall neighborhood. The revitalization plan for a housing development cannot be limited just to the residents of the development and the staff of the PHA but must include neighborhood organizations and individual residents, local government, Federal and State agencies, and the private sector.

The Commission recommends a more entrepreneurial approach to meeting the needs of severely distressed public housing; such an approach will address conditions that go beyond the direct rehabilitation and management needs of the properties. The Commission encourages using revitalization programs to increase the delivery of services in the overall neighborhood and to attract additional private and public investments in a communitywide revitalization effort. For example, the Commission recommends that funds be provided as incentives to promote neighborhood revitalization activities to complement the reconstruction of a severely distressed public housing development. Many of the recommendations and action steps in this Report also emphasize the need to leverage other investments in the housing developments and in the neighborhoods. These recommendations are designed to provide an overall approach and framework for addressing severely distressed public housing that is not confined within the physical boundaries of the housing development or within the PHA structure.

There is much criticism of the public housing program for being operated in a manner that is too rigid and inflexible. Chapter 6, "Regulatory and Statutory Barriers," attempts to cover some of the areas where regulations, administrative practices, and even legislation can be modified to increase the effectiveness of housing organizations and to provide greater flexibility in the operation of public housing. A number of the changes discussed in that chapter are covered in this Plan. The Commission believes that greater flexibility in operating conventional programs and increased resources and capability of PHAs to address conditions in severely distressed public housing are needed. Programs for treating severely distressed public housing will need to be developed in ways that best meet the needs of the individual public housing developments. Therefore, it is important that PHAs and others involved in the revitalization program have the ability to choose among a wide range of options and thus to "craft" a program that will have the greatest chances for success.

Action steps for strategies not covered in other sections of the Plan are provided here.

Objective 1: To encourage PHAs to pursue private and nonprofit management of severely distressed public housing developments where such approaches will result in improved operation of the housing units. (Many PHAs find that housing developments characterized as severely distressed have different management needs and problems than the other housing developments in the programs they operate.) These approaches should be investigated further.

Step 1: The Commission calls upon Congress to authorize a demonstration of alternative management techniques to study further the cost-effectiveness of private management companies, nonprofit corporations, and RMCs managing severely distressed public housing.

- a. The demonstration program must be based on actual management experience by organizations operating public housing developments.
- b. The program must measure both the operating costs of the housing developments and factors relating to the condition of the property, satisfaction of the residents with the management services, and perception of the community and the funding agencies with regard to the success of the alternative management effort.

Step 2: The Commission calls upon HUD to develop a process for measuring the effectiveness of the management of public housing by non-PHA providers and within 2 years to provide a report to Congress on its findings and recommendations for managing severely distressed public housing.

- a. HUD's separate unit on severely distressed public housing, working in conjunction with its Office of Policy Development and Research should administer the demonstration and coordinate the evaluation.
- b. Because the time frame is quite short, the Commission proposes that a follow-up review be conducted and that the assessment system established (to meet the requirements of Step 1) for the demonstration be maintained as needed to conduct the follow-up review and evaluation. A second evaluation report in Year 4 or 5 of the demonstration would be appropriate.

Additional Appropriation: The programs are to be supported under the funding for the study of indicators for severely distressed public housing described next.

Objective 2: To address the serious lack of data on public housing in general and on severely distressed public housing developments specifically. Any efforts to attract support and to identify the service needs of severely distressed public housing will be limited because of the lack of extensive data and information available through HUD. Many organizations concur that there is a lack of important data and information needed to conduct evaluations of severely distressed public housing and to assess in detail all of the treatments required to address unfit living conditions in these developments. The Commission conducted extensive research to supplement the limited information that was already available. In its definition of severely distressed public housing (see Appendix B), the Commission indicates the need for further research and for a database to continue to assess and identify severely distressed public housing developments.

Step 1: The Commission calls upon Congress to authorize and fund the HUD Office of Policy Development and Research to undertake a study to determine the appropriate methods for gathering and maintaining information on the categories of indicators contained in the Commission's definition of severely distressed public housing. The Commission believes that HUD's study of indicators must also include a review of programs in the area of human services and housing, relevant to the proposals being made in this Plan, that have been successful in the past but have been eliminated over the past decade.

- a. HUD's analysis should cover a review of the indicators proposed by the Commission and other indicators identified by HUD's research to determine a way of maintaining information that can be used over time in assessing conditions of severe distress in public housing.
- b. A review of how to maintain data on the indicators chosen should be developed by HUD so the information can be

maintained and made available to those who request it to study or develop strategies for addressing the needs of severely distressed public housing.

Step 2: The Commission calls upon HUD to provide a report within 12 months of the authorization of the study on data maintenance. The report should include any changes to the indicators proposed by the Commission. Until the indicators in the definition and issues pertaining to data needed to support designating a housing development as severely distressed are developed and finalized, PHAs should be permitted to use narrative justifications, based on qualitative measures, for designating a particular development as severely distressed.

- a. The report should be considered by the Congress after a 60-day public comment period on its findings and recommendations.
- b. A determination should be made on which quantifiable measures should be modified or discarded depending on the availability and appropriateness of the measures.

Step 3: Congress calls upon HUD to take steps to establish a system for gathering information and maintaining data on indicators of severe distress as described in the HUD report to Congress.

- a. HUD's separate unit on severely distressed public housing should implement a system for maintaining and analyzing data on severely distressed public housing.
- b. A set of procedures and a work plan should be developed for sustaining the database and for distributing information generated from the review and analysis of the data. This information is to be made available to PHAs and other interested organizations.

Additional Appropriation: Congress should appropriate \$2.5 million for this entire effort.¹¹

Objective 3: To have Congress authorize HUD's new unit on severely distressed public housing to review and examine the steps that can be taken to promote private sector and other public organization support for addressing the needs of severely distressed public housing. Barriers impeding the access of PHAs to other funding and support need to be investigated along with steps to eliminate certain impediments already identified by the Commission. As indicated in Chapter 6 of this Report, the Commission has already identified a number of areas in which action is needed and this Plan includes a number of proposals to address problems posed by existing laws, regulations, and administrative practices.

Step 1: The Commission calls upon Congress to authorize HUD to undertake a study, in conjunction with that described under Objective 2 of this section, to examine the regulatory and statutory barriers to addressing the needs of severely distressed public housing. The study should start by using the information provided by the Commission in this Report.

- a. HUD's new unit for severely distressed public housing should conduct a review of all statutes, regulations, and administrative practices that may pose a barrier to the effective treatment of severely distressed public housing using as a guide the items identified in this Report for which specific changes or remedies have not been identified. Special emphasis should be given to identified items that promote the leveraging of private sector funding and funding from sources other than the public housing program. These programs include the HOME program, low-income tax credits, and CDBG funds.
- b. The review should include the participation of a task force consisting of representatives from the Council of Large Public Housing Authorities, the National Association of Housing and Redevelopment Officials, the Public Housing Authorities Directors Association, the National Tenants Organization, and the National Association of Resident Management Corporations.
- c. HUD's new unit should develop recommendations for changes to statutes, regulations, and administrative practices and include these in a report to Congress.

Step 2: The Commission calls upon HUD to submit its report to Congress within 18 months and to recommend a time frame for implementing the changes to statutes, regulations, and administrative practices contained in the report.

- a. The report should contain areas that may not require legislation or regulatory action but may require a different HUD policy with respect to granting waivers and other requests to promote effective strategies for addressing the needs of severely distressed public housing. The Commission is especially concerned with the enactment of legislation or the promulgation of regulations, covering severely distressed public housing developments nationwide, that may impede certain strategies that may be appropriate in one or more localities.

Additional Appropriation: This objective is to be supported by funds allocated under Objective 2 of this section and for the new HUD unit on severely distressed public housing covered under "Addressing the Physical Conditions."

Objective 4: To have Congress authorize a new partnership program between PHAs, nonprofit organizations, the private sector, and residents to attract additional resources and involvement in treating severely distressed public housing. The program would permit the sale and lease back of public housing and the use of a separate allocation of tax credits to support the rehabilitation of severely distressed public housing developments or portions of these developments. The PHA would lease the buildings from a limited partnership created to rehabilitate the property with the use of tax credits and other funds. The PHA would be expected to retain the ownership of the land on which the buildings are located. PHA ownership of the land will help ensure that the PHA can exercise an appropriate measure of control over the rehabilitation program while not interfering in the ability of the limited partnership to “package” resources to revitalize the units as well as actually to carry out the program.

Step 1: The Commission calls upon Congress to authorize HUD to undertake on a demonstration basis the sale and lease back of severely distressed public housing developments or buildings to private and/or nonprofit community development corporations in consultation with the residents of the development.

- a. The PHA would enter into a contract to sell the buildings to a limited partnership while retaining title to the underlying land.
- b. The limited partnership would rehabilitate the buildings in consultation with residents and the PHA and use available CGP funds, HOME funds, and other Federal resources comprehensively to address the needs of the development.

Step 2: After rehabilitating the buildings and/or developments, the limited partnership would lease the buildings or development back to the PHA for the applicable holding period required by the Federal Tax Code, so investors who purchase tax credits would not be adversely affected.

- a. During the investor holding period, funds would be allocated by the PHA and limited partnership to train residents in property management so that after sufficient training, if the residents desire, they could ultimately manage the property.

Step 3: After the tax credit holding period, the limited partnership would sell the property to the residents or back to the PHA.

Additional Appropriation: This objective requires \$21.8 million in additional tax credits so that privately assisted housing production would not be affected.¹²

Endnotes

1. In summary, HUD's estimate of TDC is based on the amount required to replace a unit of public housing. For low-rise units the guide has been 62.5% under HUD Comprehensive Improvements Assistance Program Handbook (7485.1, REV 4) for unit rehabilitation that is an estimate of the cost of replacing a unit without soft costs and other related costs such as those pertaining to site acquisition and restoration. Please see Chapter 4 of the Report and 24 CFR Part 941.
2. HUD is to give full consideration to local concerns and the priorities established by the participants in the revitalization planning process in evaluating the plan and considering it for approval.
3. The estimate is derived from "Modernization Needs of Severely Distressed Public Housing," prepared for the Commission by ICF, Inc., dated April 15, 1992. The amount for public housing units requiring modernization at a cost of 60% of TDC or above is increased by 34% to cover other costs as described in the Plan and in Chapter 4 of this Report. Please note that in the first years of the program it is expected that higher amounts will be allocated for revitalization planning to help ensure that projects that receive capital funding are near the stage where construction can begin.
4. Data can be taken from Chapter 7 of this Report and the working papers issued by the Commission.
5. This annual estimate is based on an amount to cover eight person years at a cost of \$100,000 per person year.
6. The cost is included in the estimate provided under Objective 1 of this section of the Plan.
7. This amount is proposed to be an annual allocation of funds to support economic development as well as to help stimulate the production of affordable housing in the immediate "targeted" neighborhood.
8. The costs of additional security services were estimated by taking the highest per capita sworn police officer personnel expenses for the 10 largest police departments in the country for 1987 and multiplying the amount by the number of public housing units estimated as severely distressed, using a hypothetical average household size of 3.5 persons per unit.
9. This initial estimate for the costs for revisions to the AEL is based on an amount equal to approximately \$50 per unit per month for non-utilities expenses only for the number of units estimated to be severely distressed. In accordance with the Commission recommendations, the actual costs will be based on a management plan developed for each severely distressed public housing development that is approved by HUD.
10. This estimate covers the costs of supporting additional management improvement efforts as well as the first-year implementation and operating costs of a national accreditation organization.

11. This amount is intended to cover the cost of undertaking all steps outlined under Objectives 1, 2, and 3 and is based on a combined level of effort approximately equal to 21 person (research) years.
12. The amount is per year and is based on a level of participation of approximately 5,000 units over a 10-year period.

Chapter 1

Overview

“ . . . the goal of this Commission is to attempt to find a way to reduce and eliminate distressed public housing . . . the most sensible way to start that task is to examine why it’s distressed, which has to do with the problems facing the people who live in it, and figure out how we can help them redress their own distress . . . the housing, at that point, will improve along with the quality of life and opportunity for the people.”

Ed Schwartz, former Director of the Office of Housing and Community Development, Philadelphia, Pennsylvania

Public housing exists to serve people—people in need of subsidized shelter, people who are generally without many options in terms of safe, clean, adequate housing. The Nation's public housing program fails almost totally in its responsibility to the residents of severely distressed public housing developments.

Congress created the National Commission on Severely Distressed Public Housing and charged it with the legislative mandate to define and identify public housing developments that are severely distressed, to assess the most promising strategies for eliminating severely distressed public housing, and to develop a National Action Plan to eliminate unfit living conditions in severely distressed public housing developments by the year 2000.

In accordance with its mandate, the Commission has reviewed case studies and the status of public housing developments nationwide; conducted extensive site tours and literature searches; and held roundtables and other forums for the exchange of information and views. Thus, it has examined and developed strategies for addressing this national disgrace called severely distressed public housing. This Final Report presents the National Action Plan, summary chapters of the Commission's findings and recommendations, and a comprehensive definition for severely distressed public housing.

The National Action Plan expanded on the recommendations provided at the end of most chapters, listing the basic steps that must be taken for their implementation. It thus provides a clear blueprint for treating severely distressed public housing and its equally severely distressed resident population.

In this Report, it will become clear that recommended physical rehabilitation and management strategies are always framed within the context of providing for the social and support service needs of the resident population. After all, the Nation is concerned about the physical plant and management of public housing only because it is concerned about the people whom these physical plants and management systems were created to serve.

The approach to addressing the needs of severely distressed public housing consists of many components, and results in an integrated program that encompasses management, capital improvements, support services, and resident initiatives. It also involves a wide range of participants, including local governments, the private sector, Federal agencies, and, of course, public housing residents. This part of the Report is organized into chapters that address the major areas of concern related to severely distressed public housing:

- Chapter 2 discusses (1) issues regarding the support and social services needed by the residents of public housing and (2) resident initiatives to promote increased resident involvement and participation in the revitalization of severely distressed public housing.
- Chapter 3 covers housing management activities and essential components in delivering services to severely distressed public housing developments.
- Chapter 4 examines approaches that have been used to address the modernization and design needs of severely distressed public housing developments.
- Chapter 5 examines the factors (1) often used to assess the viability of public housing developments and (2) considered in developing a property workout plan.
- Chapter 6 reviews the regulatory and statutory barriers to addressing the needs of severely distressed public housing.
- Chapter 7 covers management standards and the evaluation of the operating performance of housing organizations, both important in determining whether essential operating services are being provided effectively.
- Chapter 8 examines nontraditional strategies for meeting the needs of severely distressed public housing.

Each chapter of this Report provides an overview of research conducted by the Commission and offers strategies for resolving the problems associated with severely distressed public housing developments.

OPERATION OF SEVERELY DISTRESSED PUBLIC HOUSING

Many severely distressed public housing developments are located in deteriorating neighborhoods of large urban areas, and in most cases, the public housing authorities (PHAs) are providing housing services for individuals and families who are not significantly served by the private sector. These PHAs experience problems unknown to other housing providers.

Severely distressed public housing developments can place an enormous strain on the overall operation of a PHA and can have an adverse effect on the ability of a PHA to provide services to its other sites. Unless conditions in severely distressed public housing are addressed, the severely distressed developments will further strain a PHA's ability to direct modernization funds to other sites and further impair its ability to manage nondistressed developments. Research conducted by the Commission indicates that approximately 6% of the public housing stock can be considered severely distressed and suggests that this number may be increasing. This

important to note that approximately 94% of the public housing stock does not appear to be severely distressed; therefore, it is appropriate not to confuse or intertwine the programs and approaches for treating severely distressed public housing with the programs and approaches for addressing the needs of the nondistressed portion of the public housing stock. However, the Commission recommends that some of the programs and initiatives in this Report be applied to all public housing. Moreover, after implementing other programs specifically developed to treat severely distressed public housing, we might find that they are appropriate for application to other aspects of the public housing program.

Most PHAs do not contain severely distressed public housing developments; they tend to be found in PHAs that operate a larger number of housing units. The conditions found in severely distressed public housing often appear to be related to the conditions found in distressed urban communities.

Poverty, physical deterioration, and crime in surrounding neighborhoods contribute to conditions of severe distress. For example, crime and drugs are problems that are perpetuated by only a few individuals—both public housing residents and the residents of surrounding neighborhoods—but that affect many residents in both public and privately owned housing. Where severely distressed public housing is located in distressed neighborhoods, the revitalization of the development must be undertaken in conjunction with the revitalization efforts in the surrounding neighborhood and community.

The Commission notes that conditions in severely distressed public housing do not relate only to distressed physical conditions but also to the distressed conditions of the households residing in the developments. These conditions of distress are characterized by poverty brought on by high unemployment, an unstable family structure, high incidence of crime, lack of education, and lack of support services.

PHAs find it increasingly difficult to address the capital improvement, management, and support service needs of severely distressed public housing: therefore, the Commission sees a clear need for a separate program to treat severely distressed public housing.

The complex regulatory and social environment of public housing requires PHAs to ensure that essential on-site operating services are provided at the housing development level and still meet other regulatory and statutory requirements. PHAs should operate in a manner consistent with local needs but must follow nationally established rules based on congressional legislation and regulations promulgated by the U.S. Department of Housing and Urban Development (HUD). The laws and regulations governing PHA operations have increased substantially over the past 25 years to include

rules ranging *from* how rents are established and households selected *to* how funds can be obtained to cover operating and modernization costs. The flexibility afforded PHAs is considered quite limited based on the information and testimony provided to the Commission. The environment in which PHAs operate impedes their ability to address effectively and efficiently conditions in severely distressed public housing.

Many large urban PHAs are among the largest real estate operators in their local areas. The level and complexity of their operations are important to consider when determining the management systems and controls necessary for effective operation of public housing. PHAs must balance the need to maintain sound management systems organizationwide with the need to provide essential services at the development level. The ability to balance becomes increasingly difficult when the housing portfolio contains severely distressed public housing.

At the national level, significant effort and attention has been given to public housing resident initiatives. These initiatives are designed to empower public housing residents by increasing opportunities and the choices that they have in the operation of their public housing developments. Although some resident initiative efforts have been exemplary, the need still exists to create delivery systems for support services that are comprehensive, well coordinated, and designed to affect each family member residing in public housing developments, especially those developments considered to be severely distressed.

FINANCIAL SUPPORT FOR THE OPERATION AND MODERNIZATION OF PUBLIC HOUSING

PHAs are required to give preference to public housing applicants who have the greatest need for housing. The significance of this overall practice is that an increasing number of residents receive public assistance, and thus the rental income PHAs can obtain to cover the cost of operating public housing is reduced. Households with very low income and housing developments with large numbers of uninhabitable vacant units cause the subsidy required to operate public housing to increase. For most PHAs, operating subsidy is provided through a formula established under the Performance Funding System (PFS). Many PHAs and housing organizations are concerned with the level of funding that supports public housing operations under the PFS.

The other major source of funding that supports the public housing program is modernization funding. Until recently, all PHAs received funding under the Comprehensive Improvement Assistance Program (CIAP). For PHAs with 500 or more units (250 or more

beginning in fiscal year 1993), a new program called the Comprehensive Grant Program (CGP), which provides funding through a formula, is used. The CGP is designed to provide a higher degree of flexibility for PHAs by allowing them to have a better idea of the level of funding they will receive to support the modernization needs of public housing developments. The Commission's review of modernization needs indicates the funds (using the formula) to be provided to PHAs is often substantially less than those needed by PHAs as indicated in their capital improvement plans. The Commission believes that this gap between need and funding may result in a lack of funding for severely distressed public housing developments, which usually have high modernization needs.

Congress has provided funding for the Major Reconstruction of Obsolete Public Housing (MROP) program, a program designed to address the needs of certain public housing developments with high modernization needs. The MROP program, offers a separate source of funds to support the major rehabilitation of what the Commission would consider to be severely distressed public housing with high modernization needs. Thus, after reviewing this program, the Commission recommends that it be modified and expanded to support the rehabilitation of severely distressed public housing and that the funds be available for the construction of replacement housing units when there is too little funding to construct new public housing development.

CONCLUSION

Many factors affect the operation of a severely distressed public housing development. Any program designed to treat such a development must address the physical conditions of the housing, resident services, the manageability of the housing, and programs to complement improvements in a distressed neighborhood surrounding the development. The Commission recommends that a separate program be developed for treating severely distressed public housing that allows greater flexibility in the public housing program. Proposed changes to existing approaches and new approaches form the basis for this Report.

The operating service needs of severely distressed public housing are not adequately funded under the current method for setting PHA expense levels. In fact, the operating costs of a severely distressed public housing development can drain the resources of a PHA and result in a lower level of service being provided to other developments under its management.

To correct the conditions that cause distress, alternate or expanded sources of funding must be found. The Commission examines ways that existing funding programs can be used or adapted to meet the

needs of severely distressed public housing and recommends new programs or program changes where new or different funding approaches are needed.

To identify severely distressed public housing developments the Commission offers a definition of severely distressed public housing (Appendix B contains the definition.) The definition is based on a point score or rating system of indicators in the following categories:

- Families living in distress
- Rates of serious crime in the development or the surrounding neighborhood
- Barriers to managing the environment
- Physical deterioration of buildings

The Commission is aware of and concerned about the lack of data within and outside of HUD on the indicators in some categories of distress. The Commission, thus, recommends that a research program be launched to examine ways to establish indicators and to collect data in the evaluation categories, especially for the rates of serious crime and families living in distress.

In areas where adequate data cannot be collected and presented by a PHA, the Commission suggests that a PHA use a qualitative assessment to determine whether a development should be identified as severely distressed. A qualitative assessment can be used to supplement the data that can be collected by the PHA in lieu of the data that cannot be collected. The process for qualitative assessment needs to be incorporated into the application package developed for a PHA to use in requesting that a public housing development be designated as severely distressed. The Commission does not anticipate a strong reliance on qualitative presentations of information on a long-term basis. After the research and data collection program proposed by the Commission, qualitative presentations will be replaced by more quantitative ones.

The Commission believes that PHAs will want to apply to participate in a responsible, properly funded, and well-organized program for treating severely distressed public housing. Without a sound program for treating these housing developments, there will be little incentive for the PHAs to identify the properties that fit the Commission's definition. Failure to initiate a program for severely distressed public housing developments is tragic for the individuals currently residing in them and for those who desperately need decent, safe, and sanitary low-income housing.

Far too often, HUD, PHAs, and others have been hesitant to actively address conditions in severely distressed public housing, the result being worsening conditions. Thus, almost any action is preferable to no action.

The Commission believes that a program that provides for comprehensive human services, management improvement, capital rehabilitation, and, where needed, a replacement component, will result in long-term sustained improvements to the participating housing developments. Additionally, such a program will make it more difficult, if not impossible, for HUD and PHAs to defer—in some cases indefinitely—the activities needed to eliminate the intolerable conditions observed at the severely distressed public housing developments visited by the Commission.



Chapter 2

Resident Initiatives and Support Services

“... people don't even listen to people in public housing when they cry out. We have a community with service providers that don't even listen to us. They give us our needs according to the way they have been trained, not the way we ask or we present ourselves. Now in my community, we see a whole group of people without jobs that want jobs, and I feel like this, first, you've got to give them faith. That faith will bring hope. The hope will supply the need, and the need will be a positive thing.”

*Jacqueline Massey, President, Valley Green Resident Council,
Washington, D.C.*

*We don't have no other
ice to go . . . You must
ve jobs, some types of
is for [poor people],
nothing outside the
ool for those that drop
t of school, some kind
programs and staff
ere that can provide
s-on services.
omething where they can
ake that door-to-door
ntact and individual
ntact to encourage
ople to participate in
ings.”*

*zabeth Wright, Resident Council
sident, Baltimore, Maryland*

In conducting its research, the Commission found that severely distressed public housing is not simply a matter of deteriorating physical conditions; it is more importantly one of a deteriorating—severely distressed—population in need of a multitude of services and immediate attention. Traditional approaches to revitalizing severely distressed public housing have too often disproportionately emphasized programs to “fix” the physical conditions of the developments at the expense or the exclusion of the human condition of residents. No successful strategy for addressing the conditions in severely distressed public housing can ignore the support service needs of public housing residents. The Nation must recognize and then address the conditions of the individual households that reside in severely distressed public housing developments.

Much attention has been given to correcting management and physical conditions; equal attention must be directed toward rehabilitating housing developments in a manner that

- Promotes family living
- Provides needed space for resident services
- Creates a comprehensive services plan that meets the needs of the residents and is based on a sound assessment of the service requirements of the households residing in individual developments

The Commission believes unequivocally that a true and long-lasting “fix of what’s broken” requires equal and sufficient attention to both the human needs and the physical plant.

This chapter covers (1) resident needs as demonstrated by their demographic profile, and (2) the need for resident participation in the planning and all other phases of the treatment of severely distressed public housing. It also considers how HUD’s resident initiatives can be used to address severely distressed public housing environments.

Although this Report covers virtually all aspects of treating severely distressed public housing, the substantive chapters appropriately and logically begin here with the discussion of resident needs and resident programs. No element of a revitalization effort is more important than the people, so the Commission’s focus throughout this Report is on public housing residents. All recommendations given in this and other chapters assume maximum and meaningful resident participation in every aspect of any program designed to eliminate severely distressed public housing.

Severely distressed public housing affects both the public housing residents and the overall surrounding communities; thus, strategies for addressing the needs of severely distressed public housing must consider and account for the needs of the total community. Treatment cannot occur in a vacuum. Public housing is a community resource, and the revitalization program for such housing must reaffirm this notion, not only restoring severely distressed public housing as a valued resource to the community but also changing the negative perceptions of it and its residents.

To assess resident needs the Commission conducted public hearings and case study research that examined resident needs and programs at selected PHAs and housing developments. It held a 2-day resident roundtable and a teleconference that provided a forum for residents to express their concerns and ideas and to comment on early drafts of the Report. The Commission also developed and disseminated a survey form to gather information from residents living in severely distressed public housing developments.

This chapter and the entire Report address the concerns of residents and include specific recommendations made by them and adopted by the Commission.

As has already been stated, most severely distressed public housing is located in distressed areas of large cities. A full discussion of the human condition in America's cities would require far more time and analysis than this Commission was given to accomplish its goals. Moreover, so much has already been written on the subject and so many program ideas already developed that the Commission can add little to the storehouse of knowledge. However, the Commission notes that in pursuing information and in preparing this Report, one issue seems to appear on top of every list: the absence of economic resources among public housing residents is a consistent, pervasive, and inexorably destructive contributor to distress.

RESIDENT DEMOGRAPHICS

The research indicates that most public housing residents are very poor and getting poorer. In most large PHAs, average household income is declining, more than 80% of nonelderly households now live below the poverty threshold and most households have incomes below 20% of the local median. In large PHAs, approximately two-thirds of nonelderly families are now headed by single women. Seen as a percentage of only those families with dependent children, the preponderance of female-headed families is even more overwhelming. The national average in PHAs is 85%, and it surpasses 95% in some cities. In 1991, more than 86% of such female-headed families with children had incomes below the poverty threshold. These trends identify a population that is extremely vulnerable both economically and physically. Because public housing is required to

...and the special responsibility to shelter the poorest of the poor, the developments contain an aggregation of particularly vulnerable households in many family developments.¹

Public housing was not initially designed to house the poorest of the poor, and the rules governing the selection of public housing residents have changed over the years, with the households residing in public housing changing most dramatically since the early 1980's. There has been an especially marked increase in public housing households that have incomes below 10% of local median, a key indicator of extreme economic disadvantage. In 1981, this group constituted only about 2.5% of the total public housing population, but by 1991, this figure had increased to almost 20%.² Other research indicates that there is great similarity in the composition of households that reside in family public housing. Importantly, there appears to be a relatively strong relationship between the income of the residents of a public housing development and the level of rehabilitation needs of that development.³

Severely distressed public housing developments are differentiated from other public housing developments by the tremendous isolation and lack of attention that the former receive in virtually all areas of service delivery. These public housing communities are often abandoned by the very institutions that exist to serve the overwhelming needs of low-income families. Some institutions apparently believe that the service needs of these residents are primarily the responsibility of PHAs or HUD, while other institutions tend not to provide services in the neighborhoods surrounding the developments because the neighborhoods also seem to be severely distressed. Institutional abandonment in the areas of police protection, health care, employment and training, education, counseling, and youth programs has been noted by the residents and documented through the Commission's research.

SERVICE DELIVERY SYSTEMS

Many programs already exist for addressing the needs of low-income families and thus also public housing residents. The lack of coordination and availability of support services to the residents of severely distressed public housing developments is a major concern. HUD has initiated an agreement with the Department of Health and Human Services (HHS) to cooperate in meeting the service needs of public housing residents. Such steps are important but require a service delivery mechanism and a coordinated approach to be effective.

Although the Commission understands that nondistressed public housing needs and deserves attention, severely distressed public housing developments require a significantly higher degree of attention and services to improve the condition of the people who

*Support services
for youth in
public housing, yet
often missing, yet
essential and
critical services for
youth in public
housing are practically
impossible to
provide.*

*Executive Director, Boys
and Girls Clubs of
Houston, Texas*

live in them. This level of attention is needed for rehabilitation efforts to be successful and for the investment made in improving these properties to be sustained. The failure to meet the needs of the people living in severely distressed public housing will eventually result in the failure of any physical rehabilitation and housing management improvement program.

An integrated, holistic system for delivering human services is needed to address the service needs of households living in severely distressed public housing. Such a comprehensive approach must involve residents in the planning, administration, and delivery of social and support services. The basis of any service delivery program must be a partnership between the PHA, other government agencies (local, State, and Federal), community organizations, service institutions, and HUD. And, the planning and service delivery network must involve residents at every level. Too often, the organizations that control the programs designed to serve distressed households do not allow maximum participation and involvement of the population served. The residents are often the best source of information on the needs of the housing development and must be given full opportunity to participate in planning any service delivery program.

The Commission is not recommending a substantial increase in the amount of funding appropriated nationally for human and support service programs. It does, however, recommend that every level of government takes steps to ensure that programs that exist to meet the needs of households in severely distressed public housing developments be more directly targeted to those developments and that every government agency appropriately direct its programs and budgets to a coordinated service delivery system for severely distressed public housing. The Commission even recommends that one or more persons from the White House staff be appointed to coordinate the delivery of social and support services to the residents of severely distressed public housing.

RESIDENT PARTICIPATION

In meeting the social and support service needs of the residents of severely distressed public housing, PHAs must facilitate resident participation at every level—needs assessment, program development, service delivery, and program monitoring—and give resident organizations adequate opportunity to participate in developing and delivering social and support service. Social service councils should be established in every development and, where possible, be subsets of the Resident Management Corporation (RMC), Resident Council (RC), or designated organized entity. Council members should be elected by residents and the existing resident organizations should be responsible for developing the social service council. The residents could create a “Comprehensive Planning and Services Coun-

cil” where PHA staff, community representatives, the private sector, and human service agencies join in a partnership with the residents to become engaged in a process to address human and support service needs as part of a “turnaround” effort for a severely distressed public housing development. This approach provides a workable local framework for delivering services; it can be made possible through efforts at many levels of government. It is important to note that planning and coordination must be integral components of the proposed framework, and needs assessment and program design must be products of the planning process.

The framework described here is intended to give PHAs an opportunity to promote interaction between the residents of the housing development and the larger community. Such an opportunity must be created to address the institutional abandonment and isolation of severely distressed public housing. The Commission recognizes that PHAs require resources and support if these efforts are to be undertaken and addresses issues regarding the formula funding levels provided PHAs in other chapters of the Report. A process is described in Chapter 3 for revising the Allowable Expense Level (AEL) for severely distressed public housing to provide funding for essential operating services. The operating budgets for PHAs contain line items for tenant services but sufficient funding for these line items is not necessarily made available through the PFS. Resident support services are essential and must be accounted for in establishing the AEL for a severely distressed public housing development. This recommendation supports funding for the PHA role in the activities proposed here.

Residents must be involved not only in the planning and delivery of human and support services but also in decisions pertaining to when changes to a service program are to be made or when a service program is to be eliminated. Steps to involve residents must be complemented by activities that give residents the resources to address human service needs. Qualified resident organizations need access to funding that is appropriated to address public housing conditions. For example, Public Housing Drug Elimination Program (PHDEP) funds and Youth Sports Grants should be available to resident organizations just as they are to PHAs. And, drug forfeiture funds should be directed toward severely distressed public housing communities. The priority for the use of these funds should be to train residents as drug counselors and community organizers. This redirection of existing resources can result in improved allocation of funds to better meet the service needs of severely distressed public housing more effectively.

In keeping with the need to redirect existing resources to severely distressed public housing, PHAs and residents need to work together to make their funding needs and priorities known, so that they can take advantage of Federal funds made available at the local

*The residents in Denver
are empowering
themselves by being a key
factor at all levels,
including program design,
feasibility, training, and
implementation.”*

*Charles Thompson, Resident
Commissioner, Denver Housing
Authority, Denver, Colorado*

level. PHAs and residents should be required to be actively involved in decisionmaking and to participate in hearings regarding the allocation of CDBG funds. The Commission recommends that enterprise zones be linked with severely distressed public housing developments so that the developments can benefit from assistance made available through this program. Severely distressed public housing developments should be linked to an enterprise zone even when the developments are outside of the physical boundaries for the enterprise zones.

HUD RESIDENT INITIATIVES

Residents have consistently told the Commission that the availability of jobs for residents (especially teenagers and young adults) would provide important options to drug use and gang-related crime in severely distressed public housing. Often a lack of real options and role models result in members of a severely distressed public housing development turning to drug use and other forms of criminal activity. Programs to support economic development and empowerment are needed to address poverty and isolation.

In recent years, HUD has taken steps to promote resident initiatives designed to empower public housing residents. The Housing and Community Development Act of 1987 contains provisions designed to promote resident management and resident involvement in the operation of public housing developments. This legislation also provides for residents to be able to purchase public housing units and become involved in homeownership programs.⁴ HUD has created an Office of Resident Initiatives and has funded Resident Initiatives Coordinator positions in each HUD Field and Regional Office to help implement resident programs. Resident management, economic development, and homeownership are the three basic components to HUD's resident-based initiatives.

Through the development of strong resident organizations and the creation of economic development opportunities, certain critical steps can be taken to address the problems of poverty and isolation that are experienced by residents. Economic development is part of the HUD program for promoting homeownership opportunities. By increasing resident incomes, homeownership can become a more attainable goal for public housing residents. Homeownership should be considered part of a planning program for revitalizing severely distressed public housing. To help ensure the widest possible opportunities for homeownership, PHAs and the resident groups should devise alternative strategies for marketing the development of new units. These strategies should be included as part of a feasibility study for implementing homeownership programs.

A major benefit of the Housing and Community Development Act of 1987 and HUD actions has been the redirection of the focus of public housing programs on the needs of residents. The Commission's

recommendations build on this redirected focus. The programs initiated and administered by HUD seek to promote opportunities for residents to become involved in the management of public housing and to undertake economic development programs to promote business and employment opportunities for residents. With increased capacity to manage housing and improved economic conditions, residents have a greater chance to achieve homeownership. The Homeownership and Opportunity for People Everywhere (HOPE) program was enacted as part of the National Affordable Housing Act (NAHA) of 1990. This program provides planning and implementation grants to PHAs, RMCs, and other eligible groups to encourage homeownership among residents of public and other types of housing.

The Technical Assistance Grants (TAG) program is one form of assistance that has been made available to public housing resident organizations to receive training and support in the areas of management and finance. This program offers direct grants to resident organizations and allows these organizations (1) to pursue training programs in key areas needed to operate effective resident organizations and (2) to develop the skills needed to manage housing effectively. The maximum amount provided to eligible resident organizations is \$100,000—a significant amount. However, assistance from other areas and the PHA is needed for the successful development of resident and economic development programs in severely distressed public housing developments.

HUD has issued regulations that allow resident-owned businesses to be hired on a sole-source basis without public bidding or other forms of competitive solicitation, thus providing important opportunities for resident-owned businesses to develop further and providing employment for public housing residents. The Commission supports this regulatory change designed to benefit residents. However, additional steps are needed to create economic development opportunities for residents in severely distressed public housing. For many new businesses that are in the early stages of development, it is difficult to obtain the necessary financing and technical assistance required to undertake the business venture successfully. Another possible step that HUD can take is to amend its rules to give preference to PHA resident-owned businesses competing for contracts supported with HUD funds.

Starting a business enterprise in a distressed public housing development or outside of a public housing development in a poverty-ridden community can be overwhelming even when there is significant public and private support. Such communities often lack lending institutions, and those institutions that do operate in the area are likely to be very cautious in supporting the start-up of a new business enterprise. In addition, generally there is an overall lack of institutional presence of any kind that could give lenders and

others the confidence that their assistance is indeed a sensible and profitable investment. Direct intervention by the Federal, State, and local governments is needed to assist in developing both nonprofit and privately operated business enterprises in severely distressed public housing communities. A strong and healthy business climate will not only assist in improving the economic condition of public housing residents but it will also contribute to increasing the level of attention and, hopefully, investment in the overall public housing community both by public and by private institutions.

A program to support funding for start-up and business development is needed. HUD should take steps to promote the use of Small Business Development (SBD) grants and/or revolving loan funds for start-up and business development for resident-owned and resident-operated businesses. Targeted assistance should also be made available through the Small Business Administration (SBA) to provide assistance in developing business plans and in providing residents with the skills needed to manage a business enterprise. Some such programs already exist through SBA, but outreach efforts are needed in addition to the start-up funding.

Employment and training programs that promote the acquisition of job skills are critical to improving the economic condition of public housing residents. PHAs need to consider seriously programs and activities they can undertake to promote economic development. In case study research, the Commission found that some PHAs have initiated programs such as business incubator programs and employment programs for residents. CGP funds can be used to help support the start-up of these types of programs. Private fundraising is also an option for obtaining financial support for employment and training activities. PHAs should take steps, within budget limitations, to implement employment and training programs—such as paid internship programs to train residents to manage and form businesses. These programs should provide reasonable job training experience in areas such as property and financial management. The internships would also provide residents with the skills needed to obtain jobs that become available through the PHA as well as ones more likely to be available through other employers. Whatever program is developed should provide residents with the greatest possible opportunity to attain marketable employment skills.

In keeping with this recommendation and as previously stated, qualified residents should have preference for employment when jobs with, or under the auspices of, PHAs become available. Residents should to be made aware of employment opportunities by outreach efforts designed to inform them of job openings and to identify qualified residents for job opportunities.

Conducting conferences and workshops is one method of providing both outreach and training to promote business and employment opportunities. PHAs and residents should be encouraged to con-

“There’s one young woman . . . she is a resident . . . And, she had painted, just about like anybody else does, a room or two . . . When I met her, she asked me, ‘Well, am I going to get a chance to work?’ . . . When we were down in the union office she was sitting there . . . she looked at me and said, ‘Please give me a break.’ Today, she is one of our better painters. She told me being a painter was the answer to dreams she’d had since she was a young girl. She was raised in public housing. Today . . . she’s getting ready to buy her own home.”

Paul Greenleaf, Chief Union Steward (Painters), Cuyahoga Metropolitan Housing Authority, Cleveland, Ohio

duct periodic conferences with HUD, SBA, HHS, union leadership, and others to stress economic opportunities such as employment for residents, apprenticeship programs, job banks, enterprise zones, resident-self sufficiency programs, and day-care. Economic development for the residents of severely distressed public housing is one of the most difficult undertakings for HUD, PHAs, and residents, but economic development is critical if the residents of severely distressed public housing are to have viable options in employment and business creation.

In the near and more distant future, experts will design and implement programs and activities to reverse the deterioration that has beset many of the Nation's most seriously distressed public housing developments and the lives of their residents. The Commission hopes that its research and resulting recommendations will significantly influence the nature of those programs and activities. The spectrum of programs and activities will not succeed unless prominent among them are ones that

- Make education and training opportunities available
- Assist residents to become job-ready
- Provide permanent job opportunities
- Offer a sound and predictable framework for the delivery of essential social and support services

The Commission makes the following recommendations to encourage residents to participate in human service delivery, housing management, economic development, and homeownership.

RECOMMENDATIONS

2-1. Funding for resident support services.

The Commission recommends that expenses for resident support service be added to the AEL for PHAs so that operating subsidy eligibility can be adjusted to support these costs. The method for revising the AEL to cover these costs is described more fully in recommendations in Chapter 3 pertaining to the change in the establishment of the AEL for severely distressed public housing developments. To bring about changes in severely distressed public housing developments, the needs of residents and their efforts to improve their living conditions must be addressed as primary considerations. The PFS, developed in the early 1970's, and never substantially modified, does not provide sufficient funding for PHAs to offer or to coordinate the human services delivery program described in this chapter.

2-2. Overall approach to human service delivery.

A comprehensive, integrated holistic system for delivering human services, using guidelines developed by the residents and covered in this chapter, should be developed. The planning network should involve residents; PHAs; Federal, State, and local governments; and the private sector. Although these guidelines establish the involvement of RMCs, RCs, and the resident population, this very important involvement is not intended to replace the need for and responsibility of PHAs to provide sufficient human and support service delivery PHA-wide. The goal is to have resident participation at every level.

2-3. Guidelines for the establishment and implementation of development-level human services that will meet the needs of the residents of severely distressed public housing developments.

It should be mandated that where qualified resident organizations or most residents who are not formally organized desire to participate in either the development or actual delivery of social and support services, the PHA must facilitate such participation. However, ultimately the PHA is responsible for ensuring that social and support services are delivered to severely distressed developments. Even when residents do not choose or do not have the capacity actually to deliver these services, the PHA must seek and consider input from residents.

Social service councils should be established in every development and should be subsets of the RMC, RC, or designated or organizable entity. Council members would be elected by residents. If there is an existing resident organization, it should be responsible for developing the social service council. Development-level social service councils may include outside professionals to serve as advisors but not as decision makers.

Existing RMCs or RCs with established social service programs should receive direct training to provide resident assistance and peer counseling training.

All unexpended PHA funds for resident services and initiatives should revert to the developments to which they were allocated and be controlled either by qualified RCs or by the PHA in direct consultation with residents.

RCs and RMCs should design the social service programs for their developments and submit budget requests to the PHA for inclusion in the PHA operating budget. Budget line items for these programs should not be modified without resident approval.

Drug forfeiture funds should be redirected to distressed public housing communities. The priority for the use of funds should be to train residents as drug counselors and community organizers as well as to fund community programs such as education and drug abatement.

Qualified or eligible resident organizations should be able to receive direct PHDEP and Youth Sports Grants from HUD in excess of current limitations.

Residents should participate in the local development and the monitoring, evaluation process, and setting of criteria for current PHA service delivery.

2-4. Devise a system that requires the PHA to solicit resident input prior to eliminating needs programs.

This recommendation applies to all programs designed to meet resident needs.

2-5. PHAs should not only encourage interaction between the residents and the community-at-large but should also promote a system that facilitates such interaction.

2-6. Subject to budget limitations and/or private fundraising, PHAs should implement paid internship programs to train residents to manage and form businesses.

The programs should include staff as well as high school and college students and should provide training in property, resident, and financial management.

2-7. PHAs and residents should conduct periodic conferences.

These conferences should be with HUD, SBA, HHS, and union leadership to stress economic opportunities such as employment for residents, apprenticeship programs, job banks, enterprise zones, resident self-sufficiency programs, and day-care.

2-8. The President should appoint one or more people from the White House staff to coordinate social and support services to be delivered to severely distressed public housing. The structure for this coordination should be similar to that used by the President's Domestic Policy Council.

The activities of all Federal agencies, such as the Departments of Labor, Commerce, HHS, Agriculture, Justice, Education, and the Armed Services, need to be coordinated with HUD. Even though new funds are not being requested, each agency should be required to designate existing funds in its budget for activities pertaining to severely distressed public housing.

2-9. Qualified residents should have preference for employment in public housing jobs.

PHAs should be required to conduct outreach efforts to inform residents of and to identify them for job opportunities.

2-10. Start-up and business development funding.

HUD should enter into an interagency agreement with the SBA to provide an SBD grant and/or a revolving SBD loan fund for start-up and business development funding for resident-owned and resident-operated businesses.

2-11. Support for PHA resident-owned businesses.

HUD should amend its rules and regulations, "other program requirements," under the subheading "Minority and Women's Business Enterprise Opportunity" to include PHA resident-owned businesses.

2-12. Sole-source contracting for qualified resident-owned businesses.

HUD should modify procurement rules and regulations to allow for sole source contracting with qualified resident businesses (24 CFR Part 963). The Commission believes that efforts to promote economic development are needed to provide homeownership opportunities for public housing residents.

2-13. As a part of the feasibility study of the implementation of homeownership, the resident group and the PHA should devise alternative strategies for marketing the development of the new units.

2-14. All RCs and RMCs should have access to copies of all HUD regulations and codes of Federal regulations and be allocated office space so that they will have a legal place of business and a mailing address.

2-15. PHAs, along with residents, should make their case for community development block grant funding during public hearings where allocations are made.

2-16. Link severely distressed public housing with enterprise zones.

Enterprise zones should be linked with severely distressed public housing developments so that the developments can benefit from the planned economic development assistance to the area and can be part of a coordinated planning effort. Severely distressed public

housing developments should be linked to the enterprise zone even when the developments are outside of the physical boundaries of the enterprise zones.

Endnotes

1. This information is from a research report entitled *Occupancy Issues in Distressed Public Housing: An Outline of Impacts on Design, Management and Service Delivery*, prepared for the Commission by the Massachusetts Institute of Technology (MIT).
2. These data are from the MIT report cited earlier.
3. This section contains information from *The Modernization Needs of Severely Distressed Public Housing*, prepared for the Commission by ICF, Inc., dated April 15, 1992.
4. Section 122 of the Housing and Community Development Act of 1987 covers public housing resident management, and Section 123 covers public housing homeownership and management opportunities.



Chapter 3

Management and Operation

“ There is good public housing and bad public housing; there are good directors and bad directors. There are good residents, and there are bad residents, also. I have always said since I’ve been a part of the struggle . . . we have to continuously remind residents also that they have a contractual obligation to maintain where they live, as well as the government and the housing authority has a contractual obligation to maintain their portion of it . . . ”

Kimi Gray, President, Kenilworth-Parkside Resident Management Corporation and National Association of Resident Management Corporations, Washington, D.C.

As authorized under the Housing Act of 1937, a PHA's primary function is to provide a decent, safe, and sanitary home for its residents. When a PHA fails in that goal and loses control of its properties, the result is severely distressed public housing. In property management terms, "losing control" can mean not being able to control who has access to the buildings; sustaining high vacancy rates and thus losing rental income; or suffering from high levels of crime on the property. The housing management tools with which PHAs fulfill their mission are (1) the strength of their functional areas, such as property management, computerized systems, internal checks and balances, and (2) coordination between the planning and field operations departments.

Public housing management is a combination of services provided at the site level, including maintenance (buildings, grounds, and units) and assistance to residents in all areas related to their living conditions. Although severely distressed public housing is usually caused by factors not necessarily related to PHA actions, or the lack of action, sound management practices mitigate, if not control, problems with "hard to manage" distressed developments. Conversely, poor management operations such as the lack of controls over purchasing, the lack of accountability in financial management, and lack of communication between property management staff and maintenance staff certainly contribute to public housing developments receiving inadequate attention and thus falling into disrepair.

Traditionally, public housing operating concerns have centered on "bricks and mortar" issues. However, the increase in the poverty level among public housing residents is accompanied by social service needs. Again, the Commission recognizes that "severely distressed" refers not only to the physical condition of public housing developments but also to the social environment within which its residents live. This change in focus from the physical aspects of property management to the social concerns of its residents calls for a change in the definition of public housing management. "Public housing management" by definition should be a full-service operation and should also include the provision of, or arrangement for the third-party provision of social services for families living in severely distressed conditions.

MANAGEMENT DIFFICULTIES AT SEVERELY DISTRESSED DEVELOPMENTS

The Commission's case study research revealed a strikingly different profile of severely distressed developments from that of stable public housing developments. Because of a combination of factors

ranging from a history of neglect to changes in the resident population, severely distressed developments present management challenges that point out the weaknesses in traditional public housing management. Severely distressed public housing also suffers from neglect by local governments and unresponsiveness by HUD.

Clearly, the causes of severely distressed public housing may be numerous, and the Commission believes that PHAs should not be penalized for problems that they did not create or that are beyond the PHA's control. Thus, the Commission makes a distinction between a "troubled PHA" and a "severely distressed public housing development" and, in its research and this Report, has focused on ways to treat severely distressed conditions at housing developments, because often the problems are site specific and must be addressed at the development level.

The Commission's definition of severely distressed public housing thus reflects an orientation toward assessing living conditions at a specific development. The definition uses indicators that are meant to measure, to the extent that quantifiable indicators are appropriate, living conditions at the development level. The measures are meant to be indicators of the symptoms of severely distressed public housing, not factors that identify the cause of the conditions. (Appendix B contains the Commission's definition of severely distressed public housing.)

Living conditions at severely distressed public housing developments prevent a PHA from performing its primary function—providing acceptable housing—by rendering its basic administrative systems inoperable. The conditions identified by the Commission—high levels of distress among families, high crime rates, barriers to management and deteriorated buildings—are clearly not all attributable to poor PHA management, but they do contribute to management difficulties and can strain a PHA's operating system. The following elements of severely distressed public housing are the most difficult to overcome:

- **Deterioration of buildings.** A growing number of public housing developments are now in their third, fourth, fifth, and sixth decade of use although a comprehensive modernization program was not implemented until the 1970's; the buildings are being used beyond their normal viability cycle. A number of, but not all, severely distressed developments sustain high vacancy rates, which have been demonstrated (1) to result in squatters and drug traffickers moving into vacant units and in turn (2) to lead to vandalism and physical abuse; these buildings are often operating on obsolete mechanical systems requiring enormous amounts of maintenance staff time to operate, especially the elevators where present.

- **Relationship to local government and surrounding neighborhood.** The public housing program has a history of being treated in isolation from other local government services and planning activities. Developments are constructed at undesirable locations, which are removed from the city center and thus community services; public transportation, police protection, and institutional facilities such as schools and health services are often severely lacking in these communities and the level and type of services offered to severely distressed public housing developments are insufficient.
- **Resident population.** Most public housing residents are poor and getting poorer. The Commission's research indicate that the number of family households residing in public housing with incomes below 20% of the local median is increasing.
- **Building design.** The large, monolithic buildings designed in the 1950's and 1960's offer many access points and large indefensible common areas; residents cannot protect themselves or control access to the buildings, which are thus open to criminal activities. These buildings were designed for smaller families than currently live in them; household size has increased over the past two decades. High-rise buildings, with their high density levels, require particularly intensive attention from property management.

Under these conditions, severely distressed public housing developments are much harder to manage and operate successfully than are other developments. These severely distressed developments require higher on-site staff levels, increased funding for modernization of physical facilities,¹ and greater attention to the needs of residents to enable them to live in a "decent, safe, and sanitary" environment in these developments and to improve their economic security.

TOOLS FOR RESTORING CONTROL

PHA operations are typically divided into two categories: (1) field operations, which encompasses all the property management functions; and (2) central operations functions, which are the financial management, computer, planning, purchasing, and related functions that support housing managers in their site offices. Residents call their property manager, the person whose office is in the building or on the same site as their building, when there is a roof leak or they need extermination services. Field operations cover the actual delivery of services—maintaining property, collecting rents, turning units over, preparing units for reoccupancy, or referring residents to social services agencies—on a day-to-day, person-to-person level.

Severely distressed public housing exists *when some or all of these operations do not exist or function properly*. When field operations cannot function, vacant units remain vacant uncollected rent and

drug dealers are ignored, graffiti is left on walls, and access to buildings is open to anyone. Thus, the most successful approaches to eliminating severely distressed public housing are intensive, site-based efforts. Under the site-based model, PHAs take control literally building by building. This effort targets a distressed building, in some cases controlled by gangs, drug dealers, and/or illegal squatters, for a sudden, unannounced “sweep” by PHA operations staff and/or security forces. Physical barriers to unauthorized entry by nonresidents are quickly erected. The conditions of units is inspected, and work orders are prepared for maintenance staff follow-up; common areas and elevators are cleaned and painted to remove years of graffiti and debris; and broken light fixtures, locks, and windows are replaced. All first floor entries are secured, and security screens and perimeter fencing are installed to maximize security. The Commission observed the results of this model approach in several forms during the case study research. For this approach to work, PHAs need greater management resources, including more emphasis on management improvements (as opposed to greater focus on physical improvements), flexibility in funding, emphasis on resident services, and the use of maintenance services as a tool for preventing distress.

FUNDING AND RESOURCES

PHAs have little discretion in how they may use their funds. One of the biggest limitations of PHA funding is that the PFS² and modernization funding have always been biased toward providing funding for servicing buildings. However, as the residents’ needs change and as the buildings become obsolete in design, funds are needed to make changes in the way that the public housing program is administered. HUD limits the amount of funding allowed for management improvements to 10% of a PHA’s modernization allocation, and typically operating budgets are insufficient to cover the costs of operating public housing today. The Commission finds that HUD micromanages PHAs and tends to apply policies in an inflexible manner. PHAs should be allowed more flexibility in how they may spend their funds because PHAs’ local needs vary greatly in terms of building conditions and population needs. Although some PHAs may need to concentrate on rehabilitating their buildings, others may have maintained their buildings well but need to provide new social services programs for their residents.

To make changes that will be accepted and respected among residents, PHAs should increase the presence of on-site staff at severely distressed developments. The Commission finds that severely distressed public housing developments tend to require significantly more resources than nondistressed sites, which can result in less resources being made available to stable housing developments. Among all of the PHAs in the Commission’s case studies, a definite trend toward decentralized property management operations, and

“... the lack of operating funds has led to underfunded management and maintenance staff... The residents have to put up with a delay to fix things such as kitchen sinks, clogged toilets (backed up), loose door hinges, and more, and also the grounds.”

Nancy Shorts, Resident, Houston, Texas

thus more decisionmaking authority at the site level, was observed. PHAs with large developments found that their management staff simply was not effective with only one property manager working at a large site.

All of the deteriorated developments studied had a history of little on-site management presence; one PHA formerly operated developments of as many as 2,000 to 3,000 units under the responsibility of one property manager who had assistance from clerical staff. At some very large PHAs, developments now have their own management teams of housing managers, housing assistants, clerks, and a maintenance crew to complement the management staff. For management to maintain control over its properties, a development must have sufficient staff on site who are aware of trends in vacancies and who know which families are having problems; staff at this level can then make decisions on resource, staff, and maintenance time allocation far more effectively than systems staff working from a central office.

TENANT SELECTION AND OCCUPANCY

Residents in severely distressed developments consume enormous PHA resources in terms of staff time because of the extra attention needed of property management staff. Careful and thorough screening of tenants at the beginning of the application process can save PHAs staff time and resources during and after tenancy. Because of strong advocates for tenants' rights, Federal and State tenants' rights laws and pro-tenant court systems, PHAs that inadvertently admit families with drug-abusing or drug-trafficking members or with poor histories of rent payment or housekeeping have a very difficult time evicting these families once they are residing.

PHAs can establish some norms for good tenancies through tenant selection and occupancy policies. Screening prospective tenants and selecting actual tenants involves reviewing applications for income eligibility, and checking tenant references, credit, and criminal history records.

After individuals and families are selected to be tenants, the PHAs have to enforce occupancy, or lease, policies. The policies include issues such as unauthorized tenants (often a problem with spouses who are not on a lease to avoid having to report income), drug activity, annual income recertifications, and grievance procedures. At developments that have been revitalized, PHAs have implemented much stricter policies than previously existed to ensure that tenants who are selected will contribute to a responsible and stable resident community. Some PHAs are working with residents to establish resident screening councils to convey to prospective residents that current residents are concerned about activities in their community and that certain types of behavior will not be tolerated.

A property manager in one PHA in the case studies reported that this approach has resulted in less “recycling” of households that are poor tenants. At the roundtable discussions, resident leaders advocated for buildings reserved solely for elderly residents.

Income mixing is another way that PHAs could enhance the living environment at public housing developments. It is generally accepted that in communities with a range of incomes, as opposed to a concentration of very low incomes, social norms are more widely respected; that is, crime is not tolerated to a high extent and property, both common and individual, is not abused or vandalized. With access to jobs and thus chances for improved economic circumstances, people are less likely to be despondent and abusive of their environment.

One PHA conducted a study using data from its own resident households and compared the disposable income of families receiving public assistance with that of families with employment income. The PHA compared a family of three receiving Aid for Dependent Children (AFDC) whose monthly assistance income was \$663 and monthly rent was \$175 to an employed family whose gross monthly income was \$1,946 and monthly rent was \$560. This study found that the “disposable income remaining after rent for the family on [receiving] AFDC is \$488 per month compared with the \$467 per month for the employed family.”³ Earned income is factored into the rent calculation so that for every increased dollar in income, rent increases a proportional amount because rent is calculated on a percentage of income basis. PHAs should set minimum rent levels that ensure that all residents pay rent but do not place an inequitable burden on employed families.

BENEFITS OF SITE-BASED MANAGEMENT

Although PHAs should not be asked to duplicate the services provided by local agencies such as the department of public health, they should be encouraged to coordinate with such agencies because public housing management can no longer primarily focus on the physical plant. Public housing developments are more than clusters of units; they are communities of individuals and families that strive to improve the quality of their lives through services and activities that help them more fully participate in their community and become more self-sufficient. Two PHAs cited in the case studies are developing comprehensive service models for residents because the PHAs recognize that targeting one aspect of residents’ needs at the expense of others is insufficient and may be counterproductive. For example, providing a substance abuse treatment program alone is insufficient; while in such a program, people need follow-up medical care and assistance in managing their affairs and providing for their families.

Finally, to maintain a PHA's stock of public housing and to ensure the longest possible life span for it, a thorough and comprehensive maintenance system is essential. Good, consistent maintenance can considerably prolong the life of buildings and mechanical systems; taking care of roofs can make them last 15 to 20 years, while neglecting them and not cleaning gutters can lead to leaks (interior unit water damage) and deterioration of roofs. Thorough maintenance also contributes to a good appearance and demonstrates that a PHA has control of and cares about a building. Also, vandalism and graffiti are likely to be less prevalent. Maintenance systems can be a tool for cyclical capital improvement and should be used to identify modernization or replacement needs.

In addition to seeking regulatory and statutory changes that give PHAs more local flexibility and autonomy, PHAs need to direct more attention to strengthening management operations and need to be given the proper tools to do so. Strong management operations are crucial to revitalizing severely distressed public housing. It is not by chance that severely distressed public housing is considered developments where the PHA has lost control and the residents have lost hope. The descriptions are accurate in pointing to a breakdown in PHA management systems. Property management is the link, or intersection, of all housing management day-to-day activities that can go on because they are supported centrally. But, when there is no effective on-site management or when property managers cannot do their job, the system crumbles and properties are neglected—thus, the onset or worsening of distress.

To assist PHAs in strengthening their management capacity and their focus on specific strategies to address severely distressed public housing, the Commission recommends that an accreditation system be established to assess and advise PHAs. This system would develop performance standards based on property management industry standards, and would provide PHAs with strategic technical assistance so that they could achieve specific PHA-identified objectives. The proposed accreditation system is discussed in greater detail in Chapter 7.

Following is a list of the Commission's recommendations in the area of the management and operation of public housing.

RECOMMENDATIONS

3-1. Public safety as an eligible expense for public housing operations.

An overwhelming number of those providing testimony and those interviewed in the case study research emphasized the importance of providing funding and support for security services. The Com-

mission believes that funding for security expenses should be available on a regular and consistent basis for severely distressed public housing.

- a. The Commission recommends that security and other related public safety activities not associated with drug-related crime be funded separately by HUD and that funds be available for regular program-operating activities much the same as they are available for maintenance operations.
- b. PHAs receiving such funds should be encouraged to subcontract with qualified RMCs to administer these funds for security.

Congress and HUD initiated the PHDEP as a method of addressing the problems associated with drug abuse and drug-related crime in public housing; however, this program is funded year-by-year and is a separate grant for PHAs.

This change in funding statutes and regulations could be accomplished through an increase in operating subsidy eligibility without necessarily modifying the formula for setting the formula expense level under the PFS by requiring public safety to be an allowable add-on to the formula AEL.

3-2. Authorization for a separate program for management improvements.

The Commission identified a strong need to promote improved management of and support to management initiatives in public housing. Under the modernization program, the PHAs must often choose between funding management and funding capital programs. For severely distressed public housing, a separate appropriation could be made for management improvements and related management system enhancements. This program, or separate funding authorization, would enable organizations to apply for and receive funding support for needed management changes including support for development of a resident management component or programs for the housing development to be redeveloped. This management improvement program should be fully funded in addition to current public housing program funding levels.

3-3. Allow for a greater mix of incomes in severely distressed public housing developments.

Families that live in public housing units tend to have very low incomes and to receive public assistance. It appears that public housing communities are less difficult to manage and that it is easier to provide greater benefits to all residents if there is a mix of incomes to include a greater number of households with members who are employed. Over the past decade, there has been an emphasis on having the program serve those who are very low income and more in need of housing assistance. The reduction in the development of

new public housing also appears to have resulted in a desire to be sure that the limited public housing units be available for those with the greatest need. Congress in the NAHA provided that an additional deduction be allowed for working residents. However, because of inadequate funding to cover the loss of income that would result, HUD has not implemented the granting of this deduction.

Because higher-income residents would pay higher rents, increasing the income mix could have a favorable impact on the amount of funding required to cover the PFS operating subsidy eligibility needs of the public housing program. The higher potential rental income could help offset the cost of the additional deduction just referenced for working households. This increase should be permitted when the PHA believes that a greater income mix in severely distressed public housing developments and would contribute to an improvement in the management and livability of a development.

The Commission is concerned about the lack of flexibility that most PHAs have in selecting households for severely distressed public housing. There is a need to take steps to promote stable communities in severely distressed public housing and to promote the idea that this housing is a valuable community resource. The Commission recommends that Title VI of the Civil Rights Act and HUD rules governing Federal preferences be amended to allow greater flexibility in using local preferences in selecting households for severely distressed public housing as a part of an overall revitalization strategy.

3-4. Maximum rent system for severely distressed public housing developments.

A system for permitting maximum rents exists but is restricted in a number of ways and can only be in effect for 5 years. As a strategy for promoting more diverse and stable public housing communities, the Commission recommends a more flexible system for setting maximum rents to promote the retention of working families and others in severely distressed public housing. Rather than setting maximum rents at a level equal to the market rate in an overall city or neighborhood, PHAs that operate severely distressed developments could be allowed to set rents at levels calculated to retain working families. In effect, a rent that results in the retention of residents may be closer to the true market value level for a severely distressed public housing development.

When the maximum rent is higher for working families than it is for families receiving public assistance, less funding might be required to meet future operating subsidy eligibility requirements. The use of a more flexible or a less restrictive method for setting maximum rents could improve a PHA's ability to manage a development and result in a stronger public housing community.

3-5. Reauthorize requirement for implementing project-based accounting.

The NAHA required that all PHAs with 250 or more units implement a Project-Based Accounting (P-BA) system by 1993. HUD has issued proposed regulations for implementing P-BA that will allow many PHAs only approximately 1 year for implementation. The Commission recommends that the time allowed for full implementation be extended on a case-by-case basis for 1 additional year to allow PHAs to plan properly and to adjust for the internal changes required in their financial management systems.

The NAHA gave the Secretary of HUD discretion in allowing reporting by project number or by cost center, which is the way that most PHAs manage and report their operations internally. The Commission proposes that in the reauthorization the PHAs always be permitted to use cost centers rather than a project number or other similar designation as their basis of reporting. Project-based financial information is critical in evaluating the operating condition of severely distressed public housing developments, and sufficient time and flexibility are needed for implementation.

3-6. Change in the establishment of the allowable expense level for severely distressed public housing developments.

PHAs should be allowed to identify the services needed by residents in severely distressed public housing and to seek the funding to cover the costs of providing these services. Calculation of the AEL for each development should then be based on the identified service needs. The current process under the PFS for establishing a PHA's AEL is not based on a housing development-based formula but instead on an agencywide formula. Applying the formula to a specific housing development is inappropriate. Currently, PHAs often must choose between the needed services to support basic management operations. Although many PHAs seek alternative funding sources for these services, such funding is not always reliable. HUD permits RMCs to develop AELs based on actual costs. HUD should modify this method for use by severely distressed developments. Moreover, the AEL for a severely distressed development should not be bound by any upper limit based on per unit costs.

For developments designated as severely distressed, the PHA, in consultation with residents, should develop an AEL that defines and fully accounts for the operating service needs of the severely distressed public housing development. To define a development's service needs, PHAs or existing RMCs would develop a management and cost plan as the basis for the new AEL. This process will result in a needs-driven, cost-based management plan. Further modifications could be allowed during a period of comprehensive

modernization. An AEL would be established before, during, and after construction. The postconstruction AEL would be the permanent AEL for the revitalized severely distressed public housing development.

The PFS should also be modified in applicable cases to allow PHAs to use an estimated Utility Expense Level (UEL), thus permitting PHAs to take advantage of the performance contracting provisions in the PFS. With an estimated UEL for buildings that are or previously were severely distressed (and are in the process of being rehabilitated), a PHA can estimate energy costs instead of using a UEL distorted by high vacancy rates or similar conditions that have a downward effect on energy consumption. PHAs can thus estimate a more realistic baseline for a UEL that encourages performance contracting. This change would increase the likelihood of attracting private investment in the rehabilitation of a severely distressed public housing development.

3-7. Minimum rent system.

Minimum rent should be set by the PHAs at a level designed not to place an inequitable burden on families but instead to ensure that all residents pay rent in some amount. The Commission believes that it is important to have a relationship with a household that requires some payment in return for management services.

3-8. Elderly housing reservations.

Congress should pass legislation that requires HUD to alter its current policy, which does not allow public housing developments to be reserved for the elderly. The Commission believes such a change would promote stable public housing developments that have been designed for occupancy by elderly households.

3-9. Increased participation on a policy-making level.

The Commission recommends that no Federal funding for PHAs be provided unless the PHA has resident representation on the Board of Commissioners. Residents are encouraged to work with legislators and PHAs to ensure participation in the selection process.

Endnotes

1. The Commission observed that some developments operated in the Caribbean Islands require the use of high-cost materials and equipment because the developments are so far from the U.S. mainland.
2. The administrative and regulatory requirements for the PFS are covered in HUD Handbook 7475.13 REV and 24 CFR Part 990.
3. The quote appears in "Study on Employment Versus Welfare in the Public Housing Program," San Francisco Housing Authority, October 15, 1991, p. 4.

Chapter 4

● *Capital Improvement Programs and Physical Conditions*

“ We also have endured an era of neglect by the Federal Government. Some dramatic examples of this, which not only affect us but other housing authorities, were reported in a congressionally mandated study, which documented . . . a backlog of modernization needs in public housing nationwide.”

Dr. Robert M. Hearn, Executive Director, Baltimore Housing Authority; Commissioner, Baltimore City Housing and Community Development, Baltimore, Maryland

Severely distressed public housing suffers from several conditions that add to distress. An important condition or problem is the underfunding of modernization needs. The living conditions in these developments are extremely poor, with residents living in an unsafe and an unsanitary environment. With the deterioration of buildings often comes escalating vacancy rates. Once vacancies reach a certain level, it is common for the rates to escalate rapidly. Maintenance staffs cannot keep up with the number of units to prepare for occupancy and management staff are busy with tenant selection, leaving vacant units open for illegal activities. Finally, occupancy characteristics tend to change in severely distressed developments. Even residents on waiting lists will turn down dilapidated units, leaving them for the most desperate applicants.

Only a small percentage of the Nation's public housing stock has high modernization needs, and most of the of the high-need stock is family housing. (Only about 12% of the housing stock are elevator buildings.) Although there is no real difference between the age of residents at developments with low and high needs, there is a significant difference in the average income and percentage of families receiving public assistance between the two types of developments. And, the prevalence of drug problems stands out as the biggest problem in severely distressed developments.

Research conducted by the Commission indicates that housing developments with high modernization needs account for approximately 19% of total funding needs. It is important to note that the share of modernization funds received by high needs housing developments was only about 8% of total modernization funds provided from 1985 through 1991. During that period, housing developments with modernization needs of less than 20% of total development costs received approximately 40% of modernization funds. This research indicates that housing developments that the Commission considers to be severely distressed receive a disproportionately low share of modernization funding. The Commission believes that unless immediate measures are taken to correct the disproportionate funding, the number of severely distressed public housing developments will increase. The Commission's research supports this assertion; it appears that the number of housing developments with high modernization needs has increased since 1985.¹

FUNDING SOURCES

There are several types of funding available to PHAs for modernization efforts. In 1980, Congress established CIAP, by which time there was a significant backlog of developments requiring modernization assistance. Under CIAP, a PHA applies for annual funding

on a competitive basis and must work according to a 5-year plan. The plan encompasses comprehensive, emergency, and special purpose modernization. Funding can also be used for management improvements. Currently, CIAP funds are reserved for smaller PHAs.²

The CGP was established to fund larger PHAs, providing them with more local control in planning and implementing modernization activities. The CGP has several advantages over CIAP. CGP reduces the submission and reporting requirements for the PHA and raises the threshold of viability to 90% of total development costs (TDCs).³ It also allows greater flexibility in the amount of funds that may be used for planning and allows the PHA to spend grant funds with no reference to specific types of modernization. Furthermore, eligible expenses include economic development activities. There is concern, however, that CGP underestimates the needs of severely distressed public housing and may favor PHAs that have completed most of their modernization activities or have housing developments with relatively low capital improvement needs.

Under certain circumstances, public housing development program funds may be used for major redevelopment efforts, yet appropriations for development have been severely curtailed throughout the 1980's. PHAs may also use these funds to replace units to be demolished under the one-for-one replacement rule established under the Housing and Community Development Act of 1987.

The MROP program has had little impact on the overall needs of severely distressed public housing. To qualify as obsolete, a development had to have a vacancy rate of 25% or more and reconstruction costs between 70% and 90% of TDC and needed to go to Step 3 of the CIAP viability review. MROP funds can be used to fund replacement housing required after demolition but cannot be used for management improvements and usually not be mixed with CIAP funds in the same development or building. The limited availability of MROP funds has led to the selective funding of small portions of redevelopment efforts with no guarantee of future funding.

The CDBG program has been used in cooperative agreements between PHAs and municipalities. The CDBG has provided funding for modernization primarily related to security improvements, recreation facilities, and infrastructure perceived to benefit a neighborhood. Recent cutbacks in the CDBG will limit the availability of this funding.

The HOPE program, authorized by Title IV of the NAHA, was established to create homeownership opportunities. Under the program, competitive funding is available to assist eligible applicants in planning and implementing homeownership programs. Planning grants cover training and technical assistance, feasibility studies, and preliminary design work.

DESIGN FACTORS CONTRIBUTING TO DISTRESS

Overall, public housing was originally thought of as temporary housing and was not designed with longevity in mind. Poor design is evident in several areas. First, severely distressed developments are characterized by poor site location. The sites are often isolated from social and commercial services and lack proximity to mixed income neighborhoods. They are characterized by land use conflicts and nearby nuisance uses, and they are often in blighted neighborhoods.

There is a strong relationship between the total number of units per development and classification as a troubled PHA. Severely distressed developments are characterized by excessive development scale or density. They are often family developments, with a large number of units resulting in a high concentration of low-income families. Occasionally, the developments are on sites so large that they are difficult to manage.

Poor site design is obvious in many severely distressed developments:

- These developments often lack private spaces to be used by families sharing common entrances and stairways.
- Recreational spaces are poorly defined, resulting in an environment that does not accommodate the needs of large sectors of the resident population.
- Parking is often distant from the buildings or even outside of the development.
- Particular addresses are difficult to find because of the lack of uniformity in project layout and road design.
- Buildings and units are designed without adequate facilities.
- Units often lack proper space for families because there is a mismatch between household sizes and bedroom distribution.

Clearly, poor site design involves interior and exterior areas.

Problems in certain severely distressed developments also arise from housing families with children in high-rise buildings. The densely populated high-rise is clearly an inappropriate building type for families with children because it often lacks adequate space and recreational areas. However, an acceptable and manageable environment can be increased in a high-rise development if high-rise living is the norm for families with different income levels. The environment can also be improved if a PHA has a strong management capacity, residents and managers work closely together to identify and intervene with problem residents, and the maintenance budget is adequate. Equally important to an improved environment is the presence of common facilities and recreational facilities.

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Jefffield, President, Cuney Homes
Council, Houston, Texas

In many instances, severely distressed developments were constructed with inappropriate materials and obsolete mechanical and electrical systems. Multiple problems in these areas can be costly. Add to these costs the costs of complying with Federal regulations regarding the abatement of hazardous materials such as lead paint and asbestos and the result is a significant impact on modernization costs.

As resident organizations have attempted to exercise greater control over their housing needs, they have become extremely important in severely distressed public housing developments. Unfortunately, when most buildings were designed decades ago, they did not include space for social services or resident organizations. So, it is necessary to allot adequate space for such agencies and organizations and to make sure the spaces are accessible to residents.

IMPEDIMENTS TO REMEDIATION OF PHYSICAL PROBLEMS

The modernization and redesign of a development can be expensive. Many factors contribute to the high cost, and many modernization costs are hidden. Hard cost figures are estimates and are likely to increase during the actual reconstruction period. Generally, soft costs have not been provided for severely distressed developments. These soft costs can add as much as 20% to 40% to the redevelopment budget, including such items as construction phasing, demolition, design, and engineering and relocation fees.

Because of the high costs, some PHAs may choose a piecemeal approach to modernization, attacking the most acute problems first. Although this approach is understandable, it will not achieve the level of turnaround required. The high costs of modernization may also have an impact on developments applying for small repairs. Given current funding constraints, the decision to use disproportionate amounts to PHA modernization dollars on one or more severely distressed development may force difficult choices about the priority of more routine modernization of other developments.

Most redevelopment efforts involve the "thinning out" of units. Because of the difficulty in replacing demolished units under the one-for-one replacement rule, PHAs are often forced to retain problematic high density buildings and large-scale sites that contribute to severely distressed conditions. Several of the very large PHAs studied by the Commission proposed the disaggregation of particular sites into several management subdistricts to solve this problem.

The gradual deterioration of a housing development because of neglect has been termed "De Facto Demolition." It has a serious effect on residents' psyche. If residents become convinced that deterioration is inevitable, their behavior is adversely affected, and it

is difficult to engender appropriate respect for buildings, sites, and systems. A message must be sent by stabilizing the deterioration and by initiating planning efforts. Such resource commitments are an essential part of large scale efforts to reverse severe conditions of distress.

Most severely distressed developments are located in areas of significant disrepair. They often must compete with the surrounding neighborhoods for scarce CDBG funds. Typically, there is adequate PHA expertise in the process of managing the capital improvement process, but expertise in that area is often not matched by expertise within and outside the PHA in providing neighborhood-level improvements to parallel rehabilitation and redesign of the public housing stock.

The typical severely distressed development requires extensive change, and limited knowledge exists within the PHA regarding several critical aspects of such projects. This shortfall in knowledge exists primarily because HUD has not provided sufficient guidance to PHAs attempting to revitalize the most severely distressed developments. Information on success stories has not been widely available or disseminated.

In its research, the Commission made a number of findings and observations regarding the physical needs of the housing developments considered to be severely distressed. These observations and the research provide support for the recommendations listed at the end of this chapter.

APPROACHES TO ADDRESSING SEVERE DISTRESS

Quality of Planning at the Housing Development Level

PHAs tend to underestimate the difficulty of planning. Distressed developments, in particular, require careful study to ensure that scarce resources are not devoted to solving the wrong problem. Accordingly, the Commission believes that a precondition of major investments at the project level should be the establishment of an orderly process of planning and design, supported with funding for these purposes from HUD. This process should include formal involvement of key participants, concurrent and comprehensive work progress across technical tracks, and a detailed sequence of activities agreed upon by the parties and carried out in relationship to predetermined milestones.

*e value and quality of
lives in our
community, in public
housing, will not get
better if we don't
understand and work*

there.”

*Morales, Vice President, Initiative
of Perla del Caribe Ponce, San
Juan, Puerto Rico*

The typical planning process needs to incorporate a series of phases, including

- A cooperation agreement among participants
- Stabilization that can eliminate some of the day-to-day problems
- Planning (diagnosis of type and location problems, etc.)
- Scoping, where different treatment approaches are evaluated
- Design, addressing the problems described earlier
- Construction (typically in phases)
- A postoccupancy evaluation and other activities to sustain the effort

HUD'S Procedures and Programs

The Commission believes that HUD should have a separate centralized unit to assist severely distressed public housing developments. This unit would administer new sources of funds targeted to severely distressed properties and would develop an important central source of expertise at HUD. A national advisory board, including representatives from PHAs, residents, and other housing and design professionals should be established to provide guidance to HUD on program and policy issues that emerge in dealing with the problems of severely distressed public housing developments.

In the planning and design phases, greater local flexibility should be granted in determining overall project viability, the mix and type of replacement units, and the number and types of units to be demolished, as long as the one-for-one replacement rule is in place. Severely distressed developments should be eligible for funding up to and where appropriate above 100% of TDC. The on-site research at a number of former severely distressed public housing developments indicates that the total rehabilitation costs have been above 100% of TDC. Programming of funds for planning and implementation of improvements to severely distressed public housing should be established to ensure the reliability of multiyear funding.

Expand and Target Funding

The Commission recommends the establishment of a separate funding allocation designated explicitly for remedying severely distressed public housing developments. Current levels for the CGP should not be jeopardized. MROP or a successor program, as well as planning grants, should be expanded to include an allocation for severely distressed developments. Overall, the Commission has estimated that up to 34% for "soft costs" be added to the "hard physical improvement cost" estimates for addressing the physical needs of severely distressed public housing. The 34% add-on includes costs for stabilization, planning, relocation, construction

used for replacement housing as well as for the reconstruction of existing housing. The Commission would prefer to have sufficient new funding for public housing development made available so that the MROP funds could be used primarily for rehabilitation of existing units. Eligible costs under MROP should include management and service improvements as well as soft costs. Furthermore, the Commission believes that all housing developments designated as severely distressed should be given priority ranking for funding under all existing Federal programs.

Enhance the Technical Resources Available for Planning and Design

The activities of the HUD unit dealing with severely distressed public housing should include the establishment of base information and resources that could benefit HUD field offices, PHAs, and others engaged in the revitalization of problem developments. These activities should also include the following:

- Collection and dissemination of information of successful turnarounds
- Establishment of a network of PHA and consultant resources
- Development of a mechanism to track the status of severely distressed public housing developments
- Sponsorship of training programs and conferences on the process, design, and management of the turnaround process

Create Mechanisms to Alleviate Scale and Density

To enable PHAs to thin out severely distressed developments, funding for the expanded MROP program should be fungible to allow PHAs to interchange funds fully between rehabilitation and replacement. There should be greater flexibility in administration and in the replacement of units. For purposes of actually undertaking the replacement of severely distressed housing, it is important that requirements pertaining to impactation (a high concentration of minority and low-income residents) be eliminated to allow units to be replaced in the same neighborhood. (Issues pertaining to replacement public housing are also discussed in Chapter 5.) This change would enable PHAs more easily to replace units to be demolished. Consideration should be given to using adjacent properties.

Research indicates that a less capital intensive approach should be considered that could mitigate problems of density and scale in the partitioning of large severely distressed developments into multiple management units. This approach would bring the day-to-day management activities closer to each on-site neighborhood. Special

... the program is going
... have to be broad
... enough to permit within
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... replacement dwelling
... units for everybody who
... will have to be
... relocated and
... replacement dwelling
... units of an adequate
... design in a good
... location.”

— Ann Russ, Executive Director,
Council of Large Public Housing
Authorities

design features that could provide each with its own image and identity should be incorporated into subdistricts of large projects. It is critical that planning and design be undertaken in a way that promotes both livability and manageability of public housing. Even though some design approaches may result in higher capital improvement costs, there are often long-term benefits that can be achieved through sound planning and redevelopment efforts.

Develop Guidelines for Supportive Housing Environments for Families with Children

The Commission advocates both a review of HUD modernization standards and the development of new guidelines for good housing and design practices to ensure that family housing is improved and that incentives not be given for maintaining out-of-date accommodations. The following guidelines should be considered:

- Avoid placing large families on upper floors. (Such placement creates heavy people traffic.)
- Attempt to reduce the number of people and the number of large families who share stairs.
- Examine the ability to furnish apartment buildings and community facilities.
- Provide private entries to large family units.
- Provide adequate bathroom facilities for large families.
- By policy, encourage reclassification of units for low occupancy.

Develop Special Procedures, Policies, and Techniques to Address the Problems Associated with High-Rises Intended for Families

HUD, through its proposed special unit on severely distressed public housing, should undertake a multipronged effort to compile data on available research on family high-rise housing, make that information available to PHAs dealing with this problem, and target special resources to a series of demonstration efforts to accomplish comprehensive rehabilitation. Several approaches seem appropriate:

- Reconfigure high-rise structures for smaller families.
- Rework corridors.
- Develop approaches to use the ground contact available on lower floors effectively as a strategy to build a sense of community.
- Investigate approaches to relocate the largest units and families from high-rises to existing or new low-rise structures.
- Install heavy-duty door hardware and an intercom system so residents can monitor all visitors.

- Provide reduced rent to police officers who reside in the high-rises.
- Reduce occupancy standards to one child per bedroom to minimize the number of children.
- Require special justification analysis and certification from PHAs before releasing capital funding for major modifications of high-rise structures.

Encourage the Creation of Defensible, Workable Sites

HUD should sponsor research on appropriate and workable site designs, including examples of successful site renovations in different contexts and regions. From this research, HUD should provide site design guidelines. In addition, HUD should make maintenance requirements and initial construction costs of different site materials and plantings available to PHAs.

Successful site revitalization, which creates outdoor opportunities for socializing and recreation, should address the following key site concerns:

- A street system that is safe for pedestrians and provides orientation for finding buildings and addresses as well as vehicular access
- Adequate parking near units
- Open space for a hierarchy of uses ranging from private events to shared gatherings
- Age-appropriate recreational amenities
- Effective trash storage and removal strategies

Create Incentives to Coordinate Neighborhood Improvements

Funds need to be made available for community improvements within distressed areas. These funds are to be used for a variety of purposes, such as:

- Increasing neighborhood stabilization
- Constructing affordable housing
- Targeting HUD homeownership opportunities
- Supporting incentives for rehabilitated and new commercial facilities
- Giving priority to neighborhoods adjacent to severely distressed public housing developments for funding from HUD community development programs

- Coordinating and targeting support and social service, recreation, and economic development programs
- Encouraging the participation and cooperation of local government officials as a necessary component of the turnaround process

Provide Adequate On-Site Facilities for Resident Services and Activities

Different standards for nonresidential space should be developed for severely distressed public housing developments. Square footage guidelines should be established within acceptable ranges to maintain an appropriate balance in the construction budget for residential versus nonresidential space. PHAs should be encouraged to identify and seek firm commitments from local service providers seeking on-site locations as a prerequisite to designing and allocating space for services.

The Commission has developed the following recommendations to address the physical improvement needs of severely distressed public housing.

RECOMMENDATIONS

4-1. Expand the Major Reconstruction of Obsolete Public Housing program.

HUD should dedicate MROP funds specifically to the revitalization of severely distressed public housing developments and allow funds to be used either for the rehabilitation of existing housing or for the construction of replacement housing. Further, funding levels should be permitted to exceed the cost limitation guidelines when needed to support the successful turnaround of severely distressed public housing. When the redevelopment program is considered viable, the funding of service expenses along with the cost of replacement housing and the reconstruction of existing housing would require that the expenditures be permitted to exceed cost limitation guidelines.

This program should be used to fund service and management improvement-related expenses as well as other soft costs.

The MROP program must not detract from the development of new public housing but instead be promoted in addition to it. Separate funding for a MROP program is recommended. The use of MROP funds for reconstruction and replacement housing could benefit the public housing program by allowing more timely and comprehensive treatment of severely distressed public housing.

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- Encouraging the participation and cooperation of local government officials as a necessary component of the turnaround process

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4-2. Create a separate unit in HUD to administer the revised Major Reconstruction of Obsolete Public Housing program and the separate management improvement program.

A separate unit within HUD should be created to administer a revised MROP program and a management improvement program created specifically to meet the needs of severely distressed public housing developments. PHAs, RMCs, and RCs would participate in the administration of these programs through a "Steering Committee on Severely Distressed Public Housing." To be eligible for funding or technical assistance from either of these programs, housing developments must be designated as severely distressed according to the definition developed by the Commission.

4-3. Cost limitation guidelines for severely distressed public housing.

PHAs should be allowed to seek waivers based on local conditions to go up to and exceed 100% of TDC. Additionally, HUD should not apply limits on a building type basis. The application of cost limitation guidelines for the rehabilitation of existing public housing and for the replacement of housing proposed for demolition or disposition under a redevelopment plan should be more broadly determined.

The Commission's case studies of housing development turnaround sites have shown that the costs of successfully rehabilitating and replacing certain severely distressed public housing units have been higher than the costs of constructing modest replacement housing, on which the TDCs are based.

One method of determining the cost guidelines for major renovation is to use the cost (that is, market value) of the program derived through public bidding. If the specifications for the renovation and replacement are reasonable and the associated nonconstruction costs are considered appropriate, the cost limitation guidelines should be adjusted or waived to reflect actual expenses of the program.

4-4. Fund planning grants.

Planning grants should be funded separately from the MROP program rehabilitation funds or the CGP. These grants should be used to develop a revitalization plan that is comprehensive and includes physical improvements, management improvements, and resident services. The revitalization plan should be developed in close coordination with residents and all groups involved throughout all planning stages. This planning process could be used to examine the alternative costs of different options—a mechanism to involve city and local neighborhood representatives—and should ultimately have the approval of housing development residents and city officials.

4-5. Require analysis of physical problems before making design decisions.

Before arriving at design solutions, PHAs need to be able to examine the physical problems of an entire development. However, HUD's year-by-year funding approach currently only permits such analysis on a building-by-building basis. Some severely distressed sites suffer only from poor physical conditions resulting from a lack of maintenance and modernization funding for systems that are at the end of their usefulness. These developments can be revitalized for less than TDC limits. Other sites suffer from inherent design deficiencies.

High-rise buildings that house families remain a primary problem. PHAs that undertook high-rise design in the late 1970's and early 1980's changed occupancy to elderly residents, empty nest households, or small families. The demand for this type of occupancy has generally been met. PHAs are now faced with the need to house medium- and large-sized families currently residing in high-rise buildings.

4-6. Replacement of housing to be demolished.

Currently, public housing units that are demolished or disposed of must be replaced on a one-for-one basis. The Commission recommends the following:

- a. HUD should revise its policy on impaction rules and limitations to allow replacement units on the same site or in the surrounding neighborhood as long as the total number of assisted units in the neighborhood does not increase or cause additional neighborhood problems.
- b. Where an RMC exists at a severely distressed public housing development, it must be given preference in the development of a replacement housing plan for any units to be either demolished or disposed of as a part of the revitalization of its housing development.
- c. Funding amounts authorized for 15-year project-based assistance should be increased to allow rehabilitation of private and nonprofit neighborhood substandard housing.⁴
- d. Where the PHA is unable to implement the replacement plan because of judicial or governmental actions, the 6-year deadline for implementing a replacement plan should be extended.
- e. HUD should develop uniform rules that permit flexibility in replacing units lost through demolition or disposition or sold for homeownership. There should be no diminution in the total number of units to accommodate the homeownership program.

4-7. Provide neighborhood incentives.

Distressed neighborhoods should be targeted for redevelopment by offering incentive programs to stimulate the production of affordable housing as well as economic development in the immediate "targeted" neighborhood. A significant amount of distressed housing is located in deteriorated neighborhoods; to invest millions of dollars on the site without stimulating any neighborhood revitalization would be counterproductive. HUD could consider homeownership opportunities within the distressed site as well as in the neighborhood, thus providing incentives for public housing residents to become homeowners and still remain in the community and also creating some mixing of household incomes on the site.

Endnotes

1. This report contains excerpts from "The Modernization Needs of Severely Distressed Public Housing," prepared for the Commission by ICF, Inc., dated April 15, 1992.
2. For fiscal year 1992, all PHAs with less than 500 units will be eligible to participate in CIAP, and beginning in fiscal year 1993, all PHAs with less than 250 units will participate in CIAP instead of the new CGP.
3. Total Development Cost is a term used by HUD to essentially describe the amount required to construct a public housing unit. HUD for non-highrise housing sets 62.5% of TDC as the amount required for "hard" construction costs absent "soft" costs such as land acquisition.
4. The NCSDPH believes this should be Section 8 project-based assistance and funded at a level sufficient to support Fair Market Rents which can provide sufficient income to substantially rehabilitate deteriorated housing or undertake the creation of new housing units in the neighborhood in which a severely distressed housing development is located.

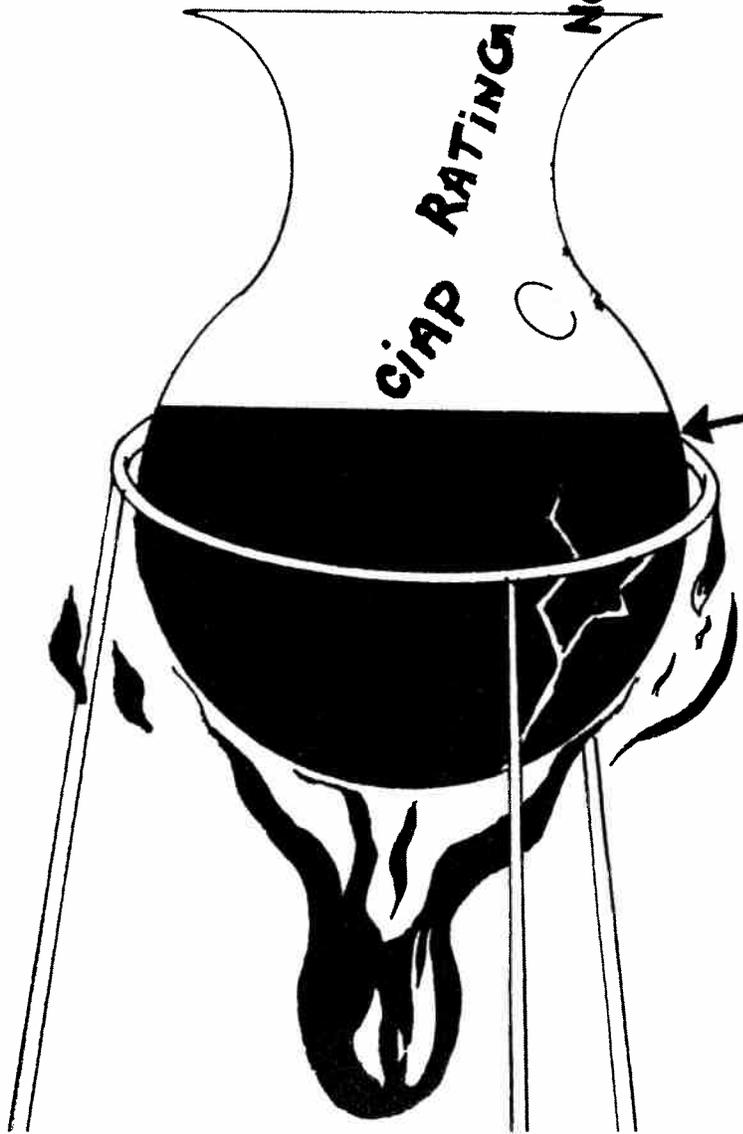
OCCUPANCY MOD COSTS

RDC GUIDELINE

LOCATION

CIAP RATING

FINANCIAL VIABILITY



Chapter 5

Assessing Housing Viability

“ There are severe deteriorations of buildings in the systems due to the lack of maintenance and/or maintenance dollars over innumerable years . . . there were key things. The heating plant was completely a disaster and the throwing away of monies. So, both the operating funds were being wasted as well as maintenance dollars to try to keep up a system which was no longer viable. Over the period of years, the exteriors, the roofs, the windows, the doors, the masonry were badly deteriorated, rusted out, needed repair. And, because of that, interior floors and walls were bad. ”

James Gibans, President, Cleveland Chapter of the American Institute of Architects, Cleveland, Ohio

Housing viability is central to any discussion on treating a severely distressed public housing development. The viability review process used by HUD is the only method for determining whether a housing development is viable. The decision to rehabilitate public housing units, replace the units, or perhaps use a combination of strategies for addressing the needs of severely distressed public housing must consider the viability of a particular housing development. Housing viability questions are not unique to public housing, but are considered in the private real estate sector as well. Similar to privately owned real estate, the viability review process and treatment strategies for public housing are viewed in the context of workout programs for the properties.

A discussion of severely distressed public housing cannot occur without at least a brief examination of the components of a viability review. Viability is a concept in real estate management that possesses both a general use and a highly specific use as it pertains to the field of real estate management of public housing. The specific use is directly related to the relative narrowness of its scope, summarized by the question,

Will this specific rental housing development continue to function as conventional low-rent housing within the definition and intent of the Housing Act of 1937 for the next 20 years if appropriate investments are made now in its infrastructure through a HUD-funded program?

Given the need to preserve low-income public housing, it is assumed there will always be a strong public interest in its support. A specific development may not be marketable because of any of a number of factors that the HUD viability review is designed to consider, including changing demographics, but it would be difficult to argue that the loss of affordable rental units from the national public housing stock is justified. A discussion of the issues pertaining to the assessment of housing viability follows.¹

ASSET MANAGEMENT AND PROPERTY WORKOUTS

There are several problems in the private sector that may parallel the types of problems a severely distressed public housing development confronts, including market factors external to the development that may affect occupancy; design flaws in the physical facility such as obsolescence, inappropriate layout, and substandard materials; ineffective property management property systems; and a lack of operating and capital improvement funding. These factors can lead to severe distress.

HUD's viability review process and the MROP program together represent the planning and executions of a workout for a public housing development. The viability review process identifies those properties for which full modernization appears to exceed a reasonable cost. The MROP program provides the implementation funds to make certain critical objectives defined during the viability review process are attainable.

HUD'S VIABILITY REVIEW PROCESS

The CIAP viability review process is now used for smaller PHAs for modernization and for all PHAs participating in the MROP program. It consists of three steps. First, a PHA must establish that it has an occupancy rate of less than 85%, that its cost of modernization exceeds 25% of HUD's TDC guidelines, and that it is in a location that is or has infrastructure conditions that are detrimental to the housing. An affirmative finding on any of these items requires a Step 2 analysis. Step 2 establishes a rating of the PHA in three different areas: physical, location, and marketability problems. One severe rating or a moderate rating in two categories requires a Step 3 analysis. Step 3 requires HUD to determine the root of any problems that caused the severe ratings and how any physical problems will be solved. Step 3 also determines whether the modernization is financially feasible, whether the PHA and local government will be able to correct management and operational problems to ensure long-term viability, and why prior funding did not alleviate these problems.

There are several problems in the CIAP viability review. To be considered financially feasible under CIAP, the hard physical improvement costs for a high-rise building must be at or below 69% of TDC and for a low-rise building at or below 62.5% of TDC. Under these guidelines, developments that are not classified as severely distressed under the Commission's definition could be considered financially infeasible. (See Appendix B for the Commission's definition.)

HUD realized the limits of the CIAP version of the viability review and revised it for the CGP, which funds medium-sized and larger PHAs. The new viability review gives more decisionmaking control to the PHA. The new version also has a formula system that is PHA specific; however, there are still problems. In some cases, PHAs that were considered to have poor management and administrative capacity were not funded at the levels their modernization needs required, thus creating a circular problem: as the buildings continue to deteriorate, maintenance needs increase, resulting in additional modernization and operating needs.

During the period from the time a development is recognized as requiring comprehensive treatment to the time it is actually funded, it is at great risk because HUD has not established intermediate steps

with which to stabilize a development until funding to cover the comprehensive treatment is available. This waiting process has sometimes been termed "De Facto Demolition," as the buildings continue to deteriorate slowly, at times to the point that modernization is no longer feasible. This process can also affect developments that have moderate modernization needs, which might move to a category of severe distress.

COMPREHENSIVE GRANT VIABILITY REVIEW PROCESS

The HUD viability review analysis must explain why the development will or will not achieve viability. The formal submission consists of three parts: Part 1 addresses three areas:

- The major problems to the physical condition
- The major problems of location
- The major problems related to community stability

Part 2 takes a closer look at these areas, including items such as the estimated hard costs by development and modernization work items; an explanation of unusual conditions; and explanations of how the proposed changes will provide a durable, efficient development and why rehabilitation is more cost-effective than construction or acquisition. Finally, Part 3 lists alternative strategies related to design or occupancy.

If the total cost for modernization for a development exceeds the 90% of TDC limit for any single structure type, the PHA must include a detailed report analyzing how the proposed treatment will work and why alternative plans are not better suited. If a development is not considered viable, a PHA can only spend CGP funds for emergency work items.

A DISCUSSION AND ASSESSMENT OF THE REVISED HUD VIABILITY REVIEW

Although the new HUD viability review process acknowledges the importance of local discretion in determining viability and workout strategies, it still requires improvement. Although the 90% of TDC threshold is an improvement over the older thresholds of 69% and 62.5%, it still includes hazardous material abatement costs and costs related to compliance with the Uniform Federal Accessibility Standards or local accessibility codes. (The cost of abatement should not result in a development being classified nonviable.) Site improvements or unit redesigns driven by accessibility are program-imposed costs and have a legal basis in terms of requirements such as a Section 504 compliance.

The formal submission of the viability review does not require an actual replacement plan if unit demolition is suggested. As long as the one-for-one replacement rule remains in effect, a realistic method of replacement should be required.

Another problem with the viability review is that it does not have a formal written appeal process, thus leaving the PHA denied approval with the choice of either revising and resubmitting its earlier analysis or reverting to alternative plans such as demolition.

MROP PROGRAM AS A WORKOUT IMPLEMENTATION

The MROP program can be used to rehabilitate an entire development or part of a development. It has in the past required a vacancy level in excess of 25%, estimated construction costs between 70% and 90% of the local TDC, and the need to go to a Step 3 viability review. The MROP program has typically had a 40-year viability test—double the normal consideration—and funds are not available for management improvement activities. It is strictly a “bricks and mortar” program.

Unlike developments in the private sector, public housing developments do not have a replacement reserve to cover the costs of physical renewal. HUD’s modernization programs are a substitute for the replacement reserve; however, funding is awarded to one development at the expense of another. Raising the annual appropriations would help to ease the extensive need for modernization. To increase the usefulness of MROP to severely distressed housing further, HUD should permit MROP funds, as indicated in Chapter 4, to be used to construct replacement housing.

CONSIDERATIONS IN USING VIABILITY REVIEWS

There is no reason that a development that crosses the cost threshold is severely distressed. As indicated before, the costs could be high because of lead paint, accessibility, or other cost code requirements. Redesign-related costs are likely to be one of the major triggers for the need for a formal HUD viability review.

A common method for achieving viability has been the use of demolition. Demolition has been used to reduce density, fix site plan problems, and remove dilapidated structures.

Between 1978 and 1989, approximately 14,900 units of public housing were removed from 177 developments owned by 114 PHAs.² Only 34 of the 177 developments were completely abandoned. Almost all of these were family developments, but only nine were high-rises. It was estimated in 1987 that another 20,000 to 25,000

units were at risk for demolition or disposition based on low-occupancy rates. An additional 30,000 units were being considered for demolition or sale at that time.

The study by the National Housing Law Project indicated that demolition was a popular option before the requirement for one-for-one replacement existed. However, the one-for-one replacement rule is not likely to present a real impediment to continued use of demolition as a method to resolve viability issues, as it has not proved enforceable. For example, HUD has approved demolition and replacement plans for a housing development in Florida and a large high-rise development in New Jersey. The Florida development was the first demolition and replacement plan approved by the current HUD administration under the current one-for-one replacement rule. The development in New Jersey was part of a major court case initiated in 1988 whose settlement agreement tied phases of major demolition directly to phases of the new construction of replacement housing. In both cases, there has been great difficulty in building off-site replacement housing.

PHAs are unable to move forward on the replacement units for two reasons. First, replacement units cannot be placed in neighborhoods whose current demographics show impaction. Second, it is difficult to acquire the small-scale scattered sites, necessary to avoid impaction, in the volume necessary to fulfill the requirements of the one-for-one replacement rule.

The legal services and civil rights communities have taken an active interest in the demolition and replacement of public housing. They have gone to court several times to stop HUD-approved PHA's plans relating to the demolition of public housing developments, and they have been successful. A court settlement in New Jersey in 1989 led to the reversal of the PHA's plan to deprogram and demolish a large portion of housing stock. The class action suit alleged that the PHA violated the demolition and/or disposition provisions of the Housing and Community Development Act of 1987 (Section 121). It also alleged that the civil rights of the class had been violated because the PHA's plan did not consider the impact of the demolition on its minority residents and the surrounding community. HUD was named as a defendant in the case for its lack of intervention in the program.

The conditions conducive to legal actions have been created by the lack of well-organized and coherent planning and execution of demolition and replacement. Timeliness of action is the key ingredient missing from the HUD viability review process. It can take years to develop the most "economical" modernization treatment.

There is a need to look at the HUD viability review process as more than just a reasonable cost test. The goal of the review process has been to prevent excessive cost when alternative solutions are avail-

able. Partial, and at times, full demolition has been one common alternative to modernization. This approach may work when the number of units to be replaced is small; however, trying to develop replacement units on a large scale, without greater flexibility with respect to impact rules, could lead to limited progress in modernization and follow-up litigation as units are not replaced within the 6-year time requirement.

HUD's viability review process achieves its basic goal of getting PHAs to consider certain planning elements that integrate operational and capital issues, but the process will not necessarily identify distressed developments, just those for which the physical modernization treatment exceeds the threshold for the reasonable cost test. Thus, this process will identify some but not all developments that would be designated severely distressed under the Commission's definition. It is important that PHAs and HUD not delay in developing an action program for addressing the needs of a severely distressed public housing development.

The following items also require further consideration:

- The feasibility of tying the HUD viability review to the profile of a severely distressed public housing development, using the criteria developed by the Commission to identify such housing, should be explored.
- Steps should be taken to allow CGP funds or as the National Action Plan suggests, another source of funds to be used on developments that require a stabilization program, which includes transferring residents into viable structures and mothballing the remaining structures pending the development of a workout plan.
- Not all PHAs will have the capacity to perform the analysis and planning required for severely distressed developments. Although the new CGP procedures bring residents into the process through a public hearing, residents and community representatives need to be brought into the workout process earlier as both are more likely to concur on alternative solutions if they find that the analysis and planning steps are thorough.
- In too many cases, CGP funding levels are not sufficient to meet the costs of addressing conditions in severely distressed public housing. Modernization funds tend to be a substitute for the replacement reserve, which the conventional low-rent program does not possess and which many private sector real estate developments are required by lenders and portfolio managers to maintain. A MROP-type program is needed to take the severely distressed property workout from its plan stage through its implementation in a timely manner, with no question about the level of financial commitment once the workout plan is agreed to. This program should be allowed to spend in excess of 100%

of TDC if it will ensure viability and relieve distress and if HUD and the PHA cannot demonstrate that a replacement program for units is feasible within less than a 6-year period.

- Accessibility costs and hazardous material abatement costs should not be factored into the reasonable cost threshold of the HUD viability review, although these costs should be considered in terms of overall planning and feasibility. Hazardous material abatement costs should not be a reason for a development to be found nonviable unless the lead paint is a nonabatable active hazard that is an environmental issue and not a cost issue. In such cases, replacement units are expected to be part of the overall treatment of the severely distressed public housing development.

In addition to the items listed here, other steps to improve the viability review and assessment process are discussed in the "Recommendation" section.

RECOMMENDATION

5-1. Viability review process and assessment.

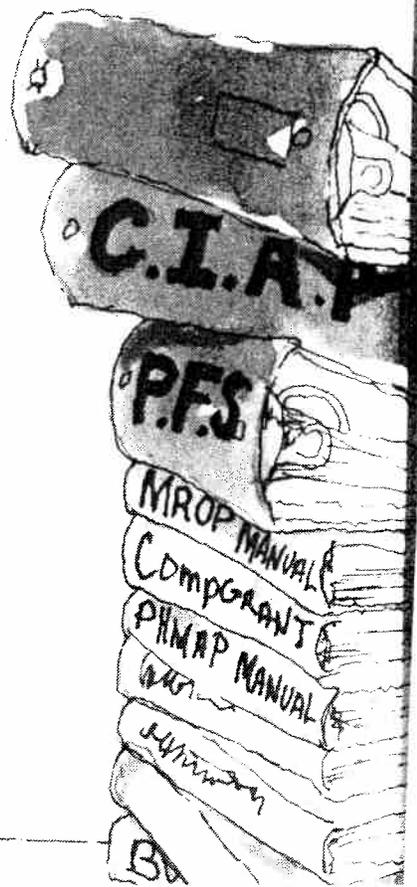
PHAs rather than HUD should be authorized to determine housing viability, although HUD should ultimately have final approval of viability decisions. Several of the criteria in the viability review process are subjective and are principally based on local conditions. PHAs can more accurately determine viability than HUD can, and as long as there is a program available for rehabilitation, this determination should be made locally.

The current process for conducting viability reviews and assessments of public housing is prescribed in the CIAP handbook and in the new CGP handbook. The CIAP process consists of a three-step review that must be followed for a housing development to qualify for modernization funding (except for emergency funding), while the CGP process requires that a development's modernization cost estimates exceed 90% of TDC guidelines. A portion of the review criteria is subjective, and PHAs can use it in a discretionary way. The review criteria include such items as information on whether the cost of rehabilitating a housing development would be above HUD's threshold percent of cost limitation guidelines, assessments of design, and environmental conditions.

The Commission recommends that for severely distressed public housing developments, the cost guidelines and mix of replacement units proposed for demolition as well as those proposed for rehabilitation be consistent with the recommendations proposed in Chapter 4.

Endnotes

1. The discussion of housing viability covers the viability review process discussed in HUD handbooks covering the CIAP and the CGP.
2. Information comes from *Public Housing in Peril* published by the National Housing Law Project.



Chapter 6

Regulatory and Statutory Barriers

“ The Federal Government tells us who to admit, period, no exception . . . The Federal Government tells us in what order to admit those residents . . . The Federal Government tells us how to charge rent to those residents . . . The Federal Government promises then to provide subsidies to make up the difference in what those residents pay and what reasonable operating expenses are . . . Then, the Federal Government turns around and tells the public housing authorities that they are inefficient managers because they need an ever-increasing amount of Federal subsidy . . . ”

Richard Gentry, Executive Director, Richmond Redevelopment and Housing Authority, Richmond, Virginia

The Commission's authorizing statute directed it to conduct a comprehensive review of the public housing program so that it could make specific recommendations on the aspects of the program that should be changed to address severely distressed public housing. The Commission has thus sought to determine how the program can be modified to help PHAs meet the needs of residents and to give PHAs more resources so that they can better manage and treat severely distressed public housing.

As previously discussed, the nature of severely distressed public housing is fundamentally different from that of stable public housing development for many reasons. Not only have the needs of the resident population of public housing changed over the past three decades, but also, in severely distressed public housing, problems of drug trafficking and concentrations of poverty are compounded. Crime levels have risen dramatically to the point where personal security is the chief concern of residents across the country living in severely distressed developments. Finally, the buildings themselves have been subjected in some cases to decades of neglect of modernization as well as been used and abused under conditions for which they were not designed. Flawed original design in many cases has led to the use of buildings and large indefensible common spaces (stairwells and hallways) for criminal activity and as gang hangouts, which invite graffiti and vandalism of security features such as fire doors and lighting fixtures.

Responding to the problems cited here requires comprehensive treatment of development sites. The Commission has therefore conducted a preliminary examination of the statutory, regulatory, and operational barriers that PHAs, residents, and public housing interest groups have cited as restrictive to PHAs in fulfilling their mission. The Commission recommends that in the future HUD's Office of Policy Development and Research conduct a thorough analysis of the regulations and statutes that may create barriers to effective public housing operations and modernization and that this effort be conducted with the assistance of public interest organizations such as the National Association of Housing and Redevelopment Officials, the Public Housing Authorities Directors Association, the Council of Large Public Housing Authorities, the National Association of Resident Management Corporations, and the National Tenants Organization. (This recommendation is listed in Chapter 8 of the Report.)

The resident population of public housing has changed dramatically in the past three decades. However, largely, the regulations governing the public housing program have not been altered to reflect the change. Federal statute-mandated preferences, income standards,

and rent-to-income ratios have effectively excluded the “working poor,” whose incomes range from 50% to 80% of the local median income. As a result, the Commission believes that certain regulations dictating rent calculation, operating subsidy calculation, and modernization have destabilized resident households and their living environment at public housing developments.

This chapter addresses regulations in the areas of rent, operating subsidy, total development costs, and management barriers to addressing conditions at severely distressed public housing developments.

RENT REGULATIONS

Public housing tenant selection, rent calculation, and income eligibility regulations have screened out all but the poorest households for public housing. Public housing developments have become severely distressed at least partially because the resident population has become increasingly poorer and consists of a high percentage of households whose only source of income is public assistance. Nationwide, it is estimated that about three-quarters of the public housing population now lives below the poverty threshold and that most households in large PHAs have incomes below 20% of the local median. Isolating this income group creates a stagnant environment of the poorest of the poor, whose despair is self-perpetuating; creates an image of public housing as the “housing of last resort”; and also excludes the working poor who need an affordable home while improving or simply maintaining their economic security. Thus, although public housing should indeed be a resource for families needing the greatest assistance, it should be available to other income groups that also need assistance.

In fact, under current rent calculation and income eligibility regulations, there is little incentive for public housing residents to seek and maintain employment. A review referenced in Chapter 3 indicates that in certain cases, under the public housing rent calculation formula, an employed resident’s rent increases \$1 for every additional dollar earned. A resident making the transition from public assistance to employment thus faces an immediate rent increase and has no cushion or transition period in which to set aside savings. Another disincentive to becoming employed for families receiving public assistance is the immediate loss of other public assistance benefits, such as Medicaid and food stamps. Recent census data suggest that a significant number of families with working members have incomes below the poverty line. The Commission believes that there is a strong need to provide public housing to such families. The regulations should be modified to support stable working families and to create an income and family mix in public housing. The Commission believes the public housing program cannot be

“... this regulation that determines rent based on the gross income encourages people to cease to work because it is a better ‘commercial transaction’ to live on Federal benefits.”

*Licenciada Maria Dolores Feros,
Resident, San Juan, Puerto Rico*

operated to isolate severely distressed public housing further. Housing assistance should not be provided only to individuals and families receiving public assistance.

Congress has taken some positive steps to permit the retention of working families in public housing. Through ceiling rents, PHAs have greater flexibility to set rents at a maximum that can be more affordable and appropriate for low-income families with working members. Currently, this maximum rent level can remain in effect for only 5 years. The process for setting the ceiling rents needs to be examined, and the 5-year limit needs to be lengthened. Congress should amend Section 3(a)(2)(A) of the Housing and Community Development Act of 1987 to remove the limitation on the time period in which ceiling rents can remain in effect.

Finally, PHAs are required to offer public housing units to families by income range. Under the public housing admissions regulations (24 CFR 913.104), 75% of the units that were built before October 1981 are available only to very low income families. Of units built after that date, 95% are set aside for very low income families. The remaining units can be offered to low-income families or to those in the income range of 50% to 80% of the local median. The latter group is thus squeezed out of public housing. The working poor also need assistance in establishing some economic security and preparing for possible homeownership but are denied public housing as a resource. PHAs should be allowed to admit residents based on a range of eligible income levels to promote a higher level of economic activity within public housing communities.

OPERATING SUBSIDY

Just as the resident population and the nature of many public housing environments have changed, so have PHAs' needs for funding changed. However, the PFS, through which PHAs receive most of their operating funding, was implemented in 1975 and was intended to account for the operating costs of high performance PHAs of that period. As is noted in Chapter 3, many of today's service requirements for PHAs did not exist when the study to support the creation of the PFS was conducted, but the formula has not been modified to the extent needed to reflect PHAs' growing responsibilities and needs in terms of managing severely distressed public housing.

The Commission's case study research and meetings with residents indicate that the primary concern of residents at severely distressed public housing is a lack of personal security. Living environments have worsened dramatically because of the spread of drugs and drug trafficking on public housing property. PHAs that own and operate severely distressed public housing have to provide security services to protect residents from gangs and drug dealers and to provide a safe living environment. However, security service ex-

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it to die, go ahead
off at the*

*Columbus Housing
olumbus, Ohio*

penses are not necessarily funded under the PFS formula; therefore, PHAs either have to go without or have to rely on sporadic funding from other programs such as the PHDEP. The Commission encourages the continuation of drug elimination funding but recommends that operating subsidy also be provided to support the public safety needs of the residents of severely distressed public housing developments.

Another type of expense that is not always funded under the PFS is the cost for management improvements, including social service programs for residents. Existing formulas for addressing the revitalization of distressed developments heavily emphasize the physical aspect of renovation. PHAs have indicated that often they must choose between funding management or capital improvements under the modernization program. However, the residents of severely distressed public housing developments are also socially and otherwise "distressed" and have great needs for assistance to improve their living conditions. Indeed, all efforts to treat developments will fail if residents' needs are not prominently included in the efforts.

Management improvement funding could be used for a wide variety of resident activities, including providing assistance for economic development, social services such as health care, or training for resident organizations that would like to develop management capacity. The Commission recommends that a separate program be established specifically for management improvements, which would enable PHAs to apply and receive funding support for needed management changes including support for the development of a resident management component.

In Chapter 2, the Commission recommends that steps be taken to end the institutional abandonment and isolation of households residing in severely distressed public housing. At the Federal, State, and local levels funds are directed toward the provision of social and support services; however, these services are not always directed toward severely distressed public housing for reasons already discussed. PHAs need to take the responsibility of ensuring that residents have access to needed services available through other organizations. To do so, PHAs need resources to "seed," "attract," "coordinate," and, in some cases, "supplement" services provided through the organizations. Management improvement and operating funds need to be made available to support PHAs in their efforts to direct support and social services to severely distressed public housing.

The PFS needs to be updated to reflect the costs of providing a more appropriately defined level and type of operating services required to manage severely distressed public housing developments. Current PFS regulations inhibit adjustments to funding levels to support

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the appropriate level of operating services for the type and condition of housing and the resident in severely distressed public housing. Funding levels at housing developments reviewed in the case studies appear to be inadequate (1) to support all the management and support service needs determined by the PHAs and (2) to cover the costs of services proposed by the Commission in this Report. Alone, PHAs cannot address all of the conditions of poverty and distress found in severely distressed public housing developments.

Despite legislation passed under the Housing and Community Development Act of 1987, HUD only recently issued regulations that allow PHAs to appeal their AELs. It appears that the appeal process will not have a significant impact on larger urban PHAs with severely distressed public housing developments—the developments with which the Commission is most concerned—and thus recommended changes in funding are directed toward severely distressed public housing developments. The Commission does not oppose more broad-based changes designed to increase operating funding for all public housing developments; however, this issue is beyond the purview of the Commission.

Congress has authorized two studies on funding for public housing under Sections 524 and 525 of the NAHA. HUD has not released to the Commission the draft reports of these studies. The studies are currently in progress and may provide important information regarding further changes to funding for PHAs.

Even though RMCs are heavily encouraged by HUD to assume responsibility for their developments, they—like PHAs—are not provided with the funding necessary to turn around a severely distressed development. Even though these developments are known to have far greater needs than stable developments, RMC's are restricted in the amount of funding they may receive when they assume management responsibilities at such developments. Pursuant to the calculation of the operating subsidy (and 24 CFR Part 964) for RMCs, Section 20(e)(1) as amended by the Housing and Community Development Act of 1987 requires that a portion of the operating subsidy allocated to a public housing development managed by an RMC not be less than the per unit monthly amount provided by the PHA when the development was under PHA management. However, if the development is severely distressed, the funding level provided in past years may not be sufficient to provide current essential on-site operating services.

The PFS has been modified to allow PHAs to take advantage of savings resulting from energy conservation measures, so that PHAs can have access to outside resources to fund energy conservation improvements through performance contracting.¹ However, the Housing and Community Development Act of 1987 needs to be modified to allow (as indicated in Chapter 3) greater access to these resources for severely distressed public housing developments.

which have had a distorted energy consumption history because of the vacant units and buildings. The PFS rules pertaining to performance contracting should be modified to allow the development of a hypothetical utilities consumption based on what consumption could have been had the full development been in operation, thus permitting a more realistic utilities expense level to be used in determining the cost savings to be applied toward making improvements in building systems and heating plants. The proposed change would increase the likelihood of greater private investment in programs to treat severely distressed public housing.

TOTAL DEVELOPMENT COSTS

In planning redevelopment projects, HUD must acknowledge the higher costs of addressing severely distressed public housing. HUD uses a percentage of TDC limits as a cost control measure. These limits are at times too low because they do not provide for certain costs associated with the rehabilitation of existing public housing or the costs of constructing replacement housing. Even when a PHA is restoring property that it owns, significant site improvements are often required. Treatment of severely distressed public housing can also be more costly because of the need to correct problems in existing buildings through renovations. For example, construction work on existing buildings to correct design flaws, replace obsolete building systems or buildings, or address problems resulting from "low-cost" original construction requires more site preparation, construction phasing, or selective demolition, all of which can be more expensive than the TDC limits allow.

HUD employs two basic mechanisms for controlling the development of federally assisted housing: maximum cost guidelines and minimum design standards. The goal is to produce modest, nonluxury housing (for low-income people) that "provides for efficient design, durability, energy conservation, safety, security, economical maintenance, and healthy family life in a neighborhood environment."²

For the development of public housing, HUD establishes TDC guidelines and limitations. Current TDC limits are based on a statutorily required methodology using construction cost data from commercial indices (determined by the average of at least two nationally recognized residential construction cost indices for publicly bid construction of a good and sound quality) and multiplying by factors of 1.6 and 1.75 for elevator- and nonelevator-type structures, respectively. TDCs vary by geographic location, bedroom size, and structure type (detached and semidetached, row dwelling, walkup, and elevator). Although initial fund reservations may not exceed TDC limits, the HUD Regional Administrator or the Assistant Secretary for Public Housing can approve higher costs up to 110% of TDC limits, with adequate justification.

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TDCs for public housing developments are also employed for modernization activities. CIAP uses 62.5% of TDC (for structures that are not high-rise) as one of the thresholds for the viability review (discussed in Chapter 5). This 62.5% equals the approximate hard construction costs, excluding costs such as those for land acquisition. The MROP program has in the past funded rehabilitation costs between 70% and 100% of local area TDC limits. The new CGP allows modernization costs of up to 90% of TDC without a special review or analysis of viability. Experience from the case study turnaround sites indicates that given the unique problems of redeveloping severely distressed public housing, total costs for the effort will in many instances exceed 100% of TDC limits.

MANAGEMENT BARRIERS

Finally, both PHAs and RMCs are limited by HUD regulations and policies in their ability to manage severely distressed public housing.

As is noted earlier, HUD's regulations and policies do not acknowledge the variety of needs within a PHA's public housing portfolio. For example, PHAs need to have as much flexibility as possible in budgeting yet HUD approval is almost always required for line item adjustments. PHAs must be given total budget flexibility to make changes within line item categories if they are to respond quickly to severely distressed conditions within their developments.

HUD guidelines as stated in notices and the *Field Office Monitoring of Public Housing Agencies Handbook* specify staff-to-unit ratios for elderly and family housing. Findings from the case study research clearly indicate that typical staff ratios needed for severely distressed developments are much lower than those specified and funded by HUD. HUD should recognize that these staff ratios are needed by PHAs to address special circumstances in severely distressed developments.

RMCs are limited in their funding sources. Section 20 as amended by the Housing and Community Development Act of 1987 (P.L. 100-242) provides HUD with the authority to promote resident management in public housing as a means of improving existing living conditions. Under a management contract with the PHAs, RMCs can be given the opportunity to manage public housing developments by performing functions such as screening residents, counseling residents, and assisting in maintaining buildings and common grounds.

One limitation on the ability of RMCs to address problems at their developments is the restriction in the PHDEP on funding eligibility: RMCs are not permitted to apply directly and compete for available funds to assist them in attacking drug abuse conditions in their developments. The elimination of drug problems is of paramount

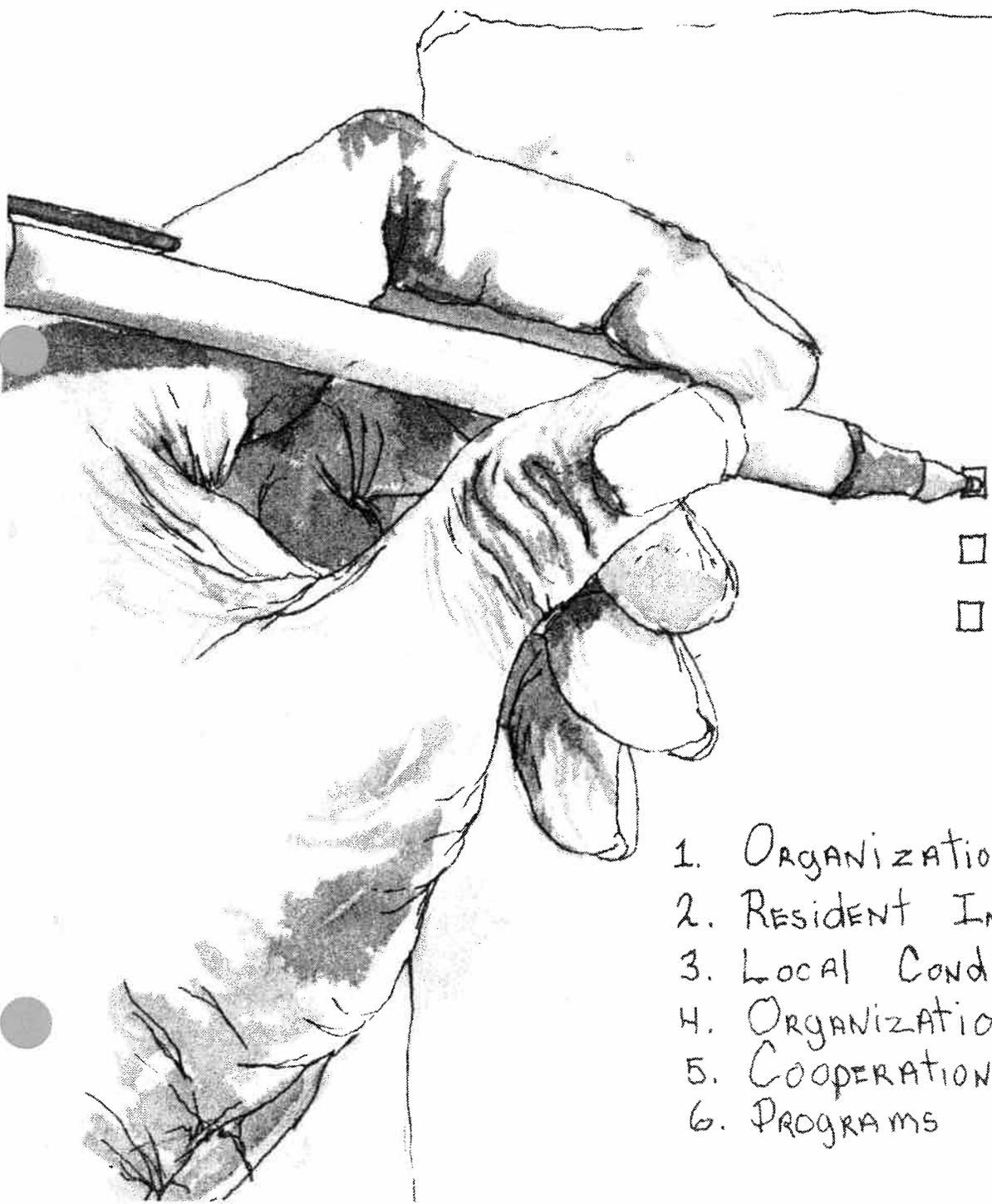
importance to a viable housing development, and the inability for RMCs to address these problems directly is an impediment to resident management.

There are also statutory provisions that limit the amount of TAGs provided to RMCs and RCs to \$100,000. To increase the resources available to RMCs when needed, the limit on the financial assistance to conduct training and capacity-building skills under TAGs could be raised above the current ceiling of \$100,000 per RMC.³

Many of the issues covered in this chapter have been discussed in other sections of the Report; however, Congress directed the Commission to review regulations, statutes, and operational barriers and to recommend changes where appropriate to help better address the conditions in severely distressed public housing. In this Report, the Commission has recommended a number of modifications to regulations, statutes, and administrative practices. More needs to be done in this area, and in Chapter 8, the process for conducting further research is described along with a recommendation for funding that research.

Endnotes

1. This modification is defined more fully in 24 CFR Parts 905, 965, and 990 on PFS: Energy Conservation Savings, Audit Responsibilities, Miscellaneous Revisions, final rule date September 11, 1991.
2. Text is from 24 CFR 941.406 (a)(2)(ii) as referenced in HUD Notice PIH 90-16, issued on March 29, 1990.
3. This information is from "Report to Congress on Barriers to Resident Management in Public Housing," U.S. Department of Housing and Urban Development, Washington, D.C., February 1991.



- ACCREDITED
- CONDITIONAL
- DENIED

1. ORGANIZATION PLAN + Syst
2. RESIDENT INVOLVEMENT
3. LOCAL CONDITIONS + CIRCUM
4. ORGANIZATION STRUCTURE
5. COOPERATION
6. PROGRAMS

Chapter 7

Evaluation and Performance Standards

“ . . . there is an inextricable tie between the quality of management of public housing programs and the quality of resident life. It is, therefore, incumbent upon authority administrators, residents, monitoring agencies, and legislators to establish performance standards and to hold themselves fully accountable for the quality of their work. To do less is to fail in the primary mission of providing a safe and healthy living environment and to risk losing this valuable national resource.”

Commissioner David Gilmore, Chairman of Management Standards and Accountability Committee, National Commission on Severely Distressed Public Housing

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During their site tours, public hearings, and case studies, members of the Commission observed a direct relationship between severely distressed public housing developments and the management competence of PHAs. Although the Commission acknowledges that severely distressed public housing is often the result of a combination of factors, it is clear that a strong management organization is required either to prevent a development's deterioration or to regain control of and revitalize it.

To address the conditions most frequently found in severely distressed public housing developments, PHAs need (1) comprehensive assistance that looks at their property management systems, and (2) specific technical assistance that responds to local conditions.

The Commission proposes the implementation of a national accreditation system for public housing, with the purpose of evaluating PHAs based on their performance, not on their compliance with regulations. This accreditation system would not duplicate the HUD functions, but would be completely separate and independent of the regulatory agency. The Commission feels that an entirely new system for appraising and assessing management performance is required for most public housing. This change in the system for reviewing public housing organizations will not only improve assessments of severely distressed public housing, but will also result in a sounder method of addressing management performance throughout the public housing industry.

An accreditation system will make an objective, third-party assessment of an organization's performance and also provide technical assistance based on weaknesses identified in the assessment. Functional examples of accreditation systems can be found in the health care and education industries, where organizations' performance is evaluated based on industry standards that tend to emphasize qualitative criteria.

NEED FOR AN ACCREDITATION SYSTEM

An accreditation system should be implemented to replace, in instances of high performance, HUD's regulatory monitoring system. In other words, PHAs that receive an unconditional accreditation rating and are found to be high performers should be exempted from HUD's monitoring requirements but not from complying with HUD regulations or applicable laws.

An accreditation system is inherently different in several important respects from a regulatory monitoring system. Although a regulatory agency is concerned with verifying compliance with regula-

tions and therefore must assign ratings on the basis of outcome measures, an accreditation system is designed to measure the quality of performance and an organization's ability to meet goals developed internally and according to local needs.

Conditions in severely distressed public housing would be addressed through an accreditation review. The accreditation process would examine all aspects of a PHA's operations¹, from its maintenance systems and the physical condition of housing stock to financial management and rent collection systems. Once a comprehensive evaluation is completed, particular weaknesses in a PHA's operations could be targeted for technical assistance. For example, severely distressed public housing developments are often located in neighborhoods with high crime rates, and residents' security may be at risk; during an accreditation assessment, a development might be found to sustain a high rate of vandalism. After addressing the issue of how the maintenance department could adjust its priorities to respond to the damage from vandalism, technical assistance could be provided to the PHA to help organize public safety programs such as lock watches, resident patrols, and safety procedures for children and to help the PHA engage residents in these activities and coordinate with the local police department.

Regulatory compliance as monitored by HUD focuses solely on PHAs' conformance with HUD policies derived from regulations, which leaves several gaps in providing assistance to PHAs and limits the ability of the reviewers to give focused attention to individual housing developments and particular management systems. Obviously, regulations cannot be applied across a group of organizations that are diverse in size and resources without adversely affecting some members of the group, yet HUD does not always appear to have the monitoring capacity and technical proficiency to allow exceptions to its regulations.² HUD also lacks the capacity to provide technical assistance on a national level to all PHAs, and thus, many are left on their own to figure out how to achieve the standards imposed on them from a central, regulatory, nonoperations office. HUD has demonstrated a historic inability to evaluate PHAs effectively and has also failed to act decisively on troubled PHAs that have breached their annual contributions contracts.

PURPOSE OF AN ACCREDITATION SYSTEM: PERFORMANCE STANDARDS

PHAs would benefit from an objective evaluation of their operations based on their performance under a system using the standards found in the property management industry. An accreditation process would stress qualitative criteria for evaluation rather than quantitative standards.

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An accreditation system would evaluate a PHA's ability to perform and deliver a service, in this case to provide and maintain safe, decent, and sanitary housing for its residents. Evaluations would be conducted using performance standards for property management, as opposed to regulatory agency standards that prescribe outcome measures. Prescriptive outcome measures offer little guidance to PHAs on how to improve operations and do not always allow for consideration of circumstances that are beyond a PHA's control or have improved—but not yet dramatically. Although management standards are meant to evaluate an organization's capacity to fulfill its purpose, simply measuring outcome statistics does not address the issue of process and the systems by which an organization provides its service.

The accreditation process as applied in other industries has several components, all of which are aimed at analyzing and improving system operations. Performance measures would not be substitutes for standards in housing management but rather would be used "to identify the need for an analytic evaluation of the quality of a particular aspect of [service] and to stimulate overall improvement in the quality of [service] provided."³ Once an accreditation review has been performed, the results would be used to focus on areas within a PHA's operations that need particular attention; the accreditation agency would then provide technical assistance in those areas.

Performance-based evaluations would focus on a PHA's ability to provide services such as restoring vacant units to occupancy in a timely manner, collecting rents, enforcing lease provisions, assigning and maintaining adequate staffing, providing essential maintenance services, identifying resident support service needs and community resources to meet those needs, and promoting resident involvement and participation. Technical assistance could then be provided on a broad level, such as procurement training for PHA purchasing and senior management staff, or specifically address the development of resident organizations and RMCs.

HUD has monitored PHA performance through reviews based on regulatory compliance since the 1970s, when it began assessing PHAs and their need for further oversight and corrective action. However, HUD has generally only addressed PHA performance on an agencywide level and applied the same standards nationwide rather than examined housing development operations or certain management system components of a PHA. The latest version of such a management program is the Public Housing Management Assessment Program (PHMAP) for which HUD issued an interim rule in January 1992.⁴ The 12 measures specified in this rule are

1. Vacancies
2. Rents uncollected
3. Annual inspections and conditions of units and systems

4. Resident initiatives
5. Modernization
6. Unit turnaround
7. Energy consumption
8. Outstanding work orders
9. Tenants accounts receivable
10. Operating reserves
11. Routine operating expenses
12. Development

Although all of these measures are important indicators of a PHA's management capability, each could also be heavily influenced by severely distressed conditions at a few developments within a PHA's public housing portfolio, thus lowering the PHA's overall rating and giving the entire PHA the appearance of being poorly managed. The management history of a PHA, the local political environment, and housing market conditions all play a significant role in determining a PHA's ability to manage its housing stock and should all be considered when evaluating a PHA's performance.

Efforts by Congress to encourage development of a management assessment program specifically address the need for qualitative standards and for local flexibility. Congress first recommended that a public housing accreditation commission be established in 1983. In a report, the Senate Committee on Banking, Housing, and Urban Affairs recommended that an accreditation commission be formed to "represent housing authorities, local governments, and low-income tenants."⁵ This accreditation commission would be charged with three tasks:

- To establish standards for accrediting PHAs that are efficiently and professionally managed
- To establish and implement procedures for evaluating PHAs against those standards
- To establish remedies or sanctions for PHAs that do not meet the standards and thus do not become accredited⁶

In the Conference Report accompanying its fiscal year 1992 HUD appropriations bill, Congress directed HUD to allow for local considerations when evaluating PHAs, as indicated in the following:

The Secretary shall: (1) administer the system of evaluating public housing agencies flexibly to ensure that such agencies are not penalized as a result of circumstances beyond their control; (2) reflect in the weights assigned to the various indicators the differences in the difficulty of managing individual projects [developments] that result from their physical conditions and their

neighborhood environment; and (3) determine a public housing agency's status as troubled . . . based upon factors solely related to its ability to carry out that [modernization] program.⁷

It is important to note that Congress expressed an interest in having an assessment system that accounts for hard-to-manage housing developments. Research indicates that most, if not all, severely distressed public housing developments appear to be much harder to manage than stable developments.

ACCREDITATION PROCESS

The Commission has outlined an accreditation process for PHAs that would emphasize continuous improvement, so that the accreditation process would be an ongoing effort. PHAs would receive comprehensive reviews of their operations periodically, say, every 3 to 5 years, and in the interim would be reviewed for specific problems or weak systems identified in the comprehensive review. Performance measures would thus be used to track a PHA's progress in improving particular aspects of its operations. The accreditation process would also require self-assessment by PHAs to ensure that PHA staff is involved and is motivated to improve and to help a PHA monitor its own operations.

An accreditation process can be used to facilitate the deregulation of the public housing program and to enable housing providers to have greater flexibility in how they operate programs. Efforts at decontrol have not been perceived as successful by HUD in the past, and the previous decontrol effort was suspended by the current administration at HUD following a critical review of the program by the HUD Office of Inspector General. However, an accreditation process could offer some important methods for achieving greater flexibility in the operation of public housing. The Commission believes that a number of principles must be considered as part of the development of a national system for public housing accreditation:

- A system should be focused toward individual agency performance and effectiveness.
- The system should be able to be tailored or adjusted to more specific concerns, such as through a focused review of a severely distressed public housing development. In other words, accreditation should provide a rating for a PHA. A PHA that is found to be deficient in one or more areas would be required to undergo a follow-up review focused on areas requiring improved performance.
- The emphasis should be on qualitative instead of quantitative evaluation criteria, although all PHAs should be evaluated against certain defined threshold performance measures.

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- The process should promote cooperation and positive interaction among those directly involved in public housing organizations.
- The process should provide for threshold or general requirements for participation, but the threshold requirements should not be the only focus of performance appraisals.
- The process should promote the organization having a plan and systems in place as a prerequisite to performance appraisals resulting in accreditation. In fact, the process should encourage a strong organizational structure as a basis for obtaining the full benefit of an accreditation system as opposed to having the system be based on punitive actions resulting from the lack of organizational capacity.
- The system should be directed toward strengthening public housing organizations and offering benefits to organizations that are part of the system.
- Accreditation should account for local conditions and circumstances by measuring an organization against its own plan and mission statement.
- The process should account for the dynamic nature of the programs and organizations that operate public housing.
- The process should provide a basis for seeking assistance and for regular interaction with skilled professionals who can provide needed assistance.
- The system should promote a more efficient method of compliance reviews by providing for certifications by public housing organizations and confirmation of compliance through postaudit compliance reviews undertaken as part of the annual financial audit.
- The process should enable HUD to concentrate on regulatory and monitoring activities rather than on supervisory functions that it is not necessarily set up to perform.
- Overall, the process should provide a more sound means for deregulating certain key elements of the public housing program in a manner that still promotes accountability of public housing organizations.
- Public housing organizations should be called on to oversee the accreditation process and to establish the performance measures or standards used to evaluate public housing.

In developing the program and process for conducting management performance reviews and other evaluations, the accreditation entity is urged to keep these principles in mind when creating the procedures for accreditation.

Ratings for a PHA as a result of an accreditation review would also reflect the "dynamic" aspect of performance. In other words, the rating categories should reflect a participating PHA's level of effort

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in improving its operations and moving toward its goals.⁸ Three main categories of accreditation could be

- **Accredited.** A high-performing PHA has excellent systems and performs well in all areas.
- **Conditional accreditation.** A PHA performs adequately but requires improvement in specific areas and will receive a focused interim review of the problems areas.
- **Denied accreditation.** A PHA performs poorly and shows insufficient evidence of trying to improve; however, the accreditation organization will provide technical assistance based on the review to help the PHA work toward accreditation.

A detailed, industry-based evaluation must also allow for consideration of local circumstances that may be beyond the PHA's control or that are dominated by Federal regulations but that may not apply to another locality. For example, in a certain city there may be a low demand for elderly housing; therefore, the PHA has trouble filling units designated for the elderly. The vacancy turnaround times for such developments would thus appear to be excessively long, but the PHA may be in the process of exploring alternative uses for those units.

Severely distressed developments would also benefit from an accreditation process to the extent that conditions at these developments are exacerbated by poor PHA management or that a PHA is simply inexperienced in managing developments with a certain level or magnitude of problems. Perhaps a PHA has been down-rated or criticized by HUD solely because of conditions at a severely distressed development but has not been provided with sufficient guidance on how to address the problems. Technical assistance provided through the accreditation process would help PHAs address project-specific problems and distress. Improvements in these areas would then indicate improved performance by the PHA as a whole.

Finally, a national nonprofit accreditation commission could serve as the information repository for a broad range of public housing activities. For example, the Joint Commission on Accreditation of Healthcare Organizations is considering establishing an interactive performance database between the Joint Commission and accredited organizations. The National Commission on Severely Distressed Public Housing proposes that Congress authorize an accreditation system as a part of a demonstration in 1992 and that "seed" funding be appropriated to begin to create the accreditation organization so that the recommendations described in this chapter can be implemented. Following is a summary of the major recommendation.

RECOMMENDATION

7-1. The Commission proposes that the Congress authorize a Demonstration Accreditation Program.

a. Organization of Accredited Body

The Commission recommends that Congress authorize the establishment of an independent accreditation body to evaluate all PHAs and RMCs operating 250 or more public housing units; other housing organizations—private and nonprofit—could participate on a voluntary basis. The accreditation body's main functions would be to assess public housing organizations, to promote technical assistance based on assessment findings, and to conduct research on improvements in public housing management.

To ensure its independence, the accreditation body should be a nonprofit corporation created and funded separately by Congress. The organization should have a governing board whose members serve fixed terms, to expire on a rotating basis, say, every 2 to 4 years. Members of the governing board should come from organizations already active in the areas of public housing, such as the National Association of Housing and Redevelopment Officials, the Public Housing Authorities Directors Association, the Council of Large Public Housing Authorities, the National Association of Resident Management Corporations, and the National Tenants Organization. The organizations represented on the governing board would establish both a management assessment pool consisting of individuals currently working in public housing and a pool of technical assistance providers.

b. Evaluation Methodology

Participation in the accreditation process would be mandatory for all housing organizations operating 250 or more public housing units. Initially, PHAs would be required to undergo a comprehensive evaluation and be measured against industry performance standards as well as the PHA's own self-assessment. Following the comprehensive evaluation, PHAs would continue to receive technical assistance through targeted reviews on specific areas that were identified as weaknesses. Ratings for PHAs as a result of accreditation review would also reflect the dynamic aspect of performance. In other words, the rating categories should reflect the participating PHA's level of effort in improving its operations and moving toward its goals. Performance measures would thus be used to track a PHA's progress in improving particular aspects of its operations. The three categories—accredited, conditional accreditation, and denied accreditation—are defined earlier in this chapter.

The process used in conducting accreditation reviews would be flexible and take into account local conditions and circumstances that are important in evaluating many organizations with

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severely distressed public housing. This system would differ from that of HUD; it would provide focused reviews of one or more areas of a housing organization's operations and be more capable of separating and addressing individual problems or issues with certain public housing developments or certain management systems without treating an entire agency or organization as if it required management attention. The Commission proposes that the system of accreditation be phased in over a 3-year period, with the accreditation body's first task being to develop the standards and process for conducting the accreditation reviews.

The technical assistance component would be voluntary for organizations that receive conditional or full accreditation ratings. For those denied accreditation, technical assistance and a corrective action work plan will be mandatory. The accreditation body will also need to establish a system for taking remedial actions when required based on the reviews and the actions of agencies participating in the national system of accreditation.

c. Development of Standards

The first tasks of the accrediting body would be (1) to establish threshold standards to be used to measure housing management performance and (2) to assign ratings under an accreditation system. An accreditation process would stress qualitative criteria for evaluation rather than quantitative standards. Currently, HUD's evaluations of PHAs are based chiefly on applying universal standards to all PHAs, which allow only "yes" or "no" answers from respondents or absolute numerical standards from evaluators. A baseline of performance is required of all PHAs, but the current system differentiates little between PHAs that barely meet the baseline and those with outstanding performance and does not provide any real incentive to be a "high-performing" PHA. An accreditation process would be designed to measure a PHA's progress toward meeting specific goals rather than its performance according to statistical standards. Performance indicators for public housing organizations would be derived from standards commonly accepted in the public and subsidized housing industry.

d. Implementation

The nonprofit accreditation body would need to establish a schedule for assessing approximately 800 housing agencies that would be required to participate in the system of accreditation. Agencies to be reviewed first should be selected based on current indicators of performance measured against the threshold standards. Those agencies that measure well against the thresholds could be provisionally accredited under the system for up to 3 years. Therefore, it is proposed that all of the initial reviews occur within 3 years of the actual establishment of the accreditation body.

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The Commission recommends that Congress authorize an accreditation system in 1992 for implementation in 1993. Congress should appropriate "seed" funding to create and operate this nonprofit accreditation organization. The life of the demonstration would be 5 years, and it would be subjected to an independent evaluation. Upon favorable evaluation, the accreditation body would secure a permanent source of funding. All efforts would be taken to obtain funding from nongovernmental (and impartial) sources. If all reasonable efforts are taken and sufficient funding cannot be secured, Congress should allow for such funding through the PFS. This funding would be provided through an increase in public housing operating subsidy, and the costs of participating in the accreditation system would be accommodated in the same manner as HUD covers the actual costs of required annual audits of PHAs and RMCs.

Endnotes

1. It is proposed that all housing organizations that operate public housing be able to participate, which would cover PHAs, RMCs, private housing management companies, and community nonprofit organizations.
2. Using the example of property vandalism, this PHA might not be able to turn around work orders in the prescribed amount of time for a prolonged period, say, 6 to 8 months, because of the increased rates of vandalism.
3. This text is from *Committed to Quality*, prepared by the Joint Commission on Accreditation of Healthcare Organizations, 1990, p. 19.
4. HUD has now issued a comprehensive handbook (7460.5 dated March 16, 1992) covering the PHMAP.
5. The text is from Committee Report No. 98-142 [To Accompany S. 1338], the Housing and Community Development Act of 1983, p. 4.
6. *Idem*.
7. The text is from Conference Report 102-226 [To Accompany H.R. 2519], Making Appropriations for the Departments of Veterans Affairs and Housing and Urban Development, dated September 27, 1991, p. 31.
8. HUD has helped provide the framework for accreditation reviews and evaluations by requiring agencies to develop comprehensive plans based on detailed management and physical need assessments. These plans should provide a clear indication of the action steps that PHAs should take in improving their public housing.



PARTNERSHIP

Chapter 8

Nontraditional Strategies

“ We must begin to develop new approaches to solving old, long-neglected problems . . . A hand up is far preferred over a hand-out. To those residents possessing a desire and good work ethic, business development programs provide an excellent chance to break down these barriers and fulfill the dream of entrepreneurship. When you sow the seeds of opportunity, you REAP economic independence. ”

Audley Evans, Executive Director, Housing Authority of the City of Tampa, Tampa, Florida

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he requirements for operating the public housing program have changed and so must the approaches required to address the needs of severely distressed public housing. The public housing program is highly regulated, and the Federal Government tends to apply a relatively uniform set of regulations and administrative procedures to all PHAs' operations. The Commission's research has shown that all PHAs are not alike and that all PHAs do not have the same needs or the same goals and objectives in operating various aspects of the public housing program. A broad look should be taken at how public housing regulations can be modified to allow high-performing PHAs more flexibility, to encourage participation of other management entities, and to allow PHAs to participate in other types of housing programs.

There are more than 3,000 PHAs nationwide, and with encouragement from HUD and Congress, more housing organizations are becoming involved with the operation of public housing. For example, the number of RMCs is increasing, and in most cases the RMCs are subject to the same rules as PHAs in operating public housing.

BROAD-BRUSH LEGISLATION

The tendency to address specific problems of the public housing program legislatively has contributed to the level of regulation. The result of this "broad brush" approach has been the enactment of legislation that is then applied to the entire public housing program or to large portions of it in the same—and generally inflexible—manner. Even HUD officials have acknowledged frustration with having to respond to congressionally mandated requirements by developing regulations that must limit the flexibility they have to implement a new program or to impose a new requirement on PHAs.

On a number of occasions, Congress has been called upon by interest groups and HUD to enact legislation to address a problem that may have been more appropriately addressed through administrative action or through regulations following the notice and comment rule-making process. In such cases, HUD might be directed to address an issue in a certain way based on a legislative mandate adopted because the Administration was not interested in addressing a particular issue or because HUD originally addressed the issue in a way that was unacceptable to PHAs or members of Congress.

It is that no two housing authorities communities are alike, the needs of any public housing are different. The size of the stock and the needs and solutions of public housing vary widely across the country and among communities of varying sizes.

Id., Executive Director, Housing Authority, Houston,

This process harms residents as well as the PHAs, which must find means of applying new rules in ways that still enable PHAs to operate their housing programs effectively.

The Commission hopes there can be a consensus around this Report, which contains the National Action Plan, so that HUD, PHAs, Congress, residents, and others can work cooperatively and decisively to eliminate the conditions present in severely distressed public housing developments efficiently and expeditiously. To begin to address the needs of severely distressed public housing, ways must be found to reduce the burden of existing regulations (see Chapter 6). These efforts must be undertaken in conjunction with steps to provide PHAs and others with the opportunity to pursue nontraditional methods for providing social and support services, rehabilitating housing units, and leveraging public and private resources to support the revitalization of severely distressed public housing.

RIGIDITY OF OPERATION

Much criticism of the public housing program is directed toward its somewhat rigid operations. The Commission has found some of the criticisms to be valid and the public housing program to need the participation of more organizations (public, private, and nonprofit) to increase the resources available to PHAs and residents. In considering what makes a public housing development severely distressed, the Commission has included traditional categories of distress—the physical condition and management of housing—as well as less traditional ones—family distress and crime.

There is a tremendous need to attract the support and involvement of organizations that can provide assistance in addressing the problems that create the unacceptable living conditions in severely distressed public housing. Support is needed in areas such as housing management, social and support services provision, new housing development, neighborhood revitalization, and public safety. The resources and activities typically available to PHAs are too limited and must be expanded to address problems that result in distressed individuals and families; poor physical conditions; and a lack of social and support services and programs.

ROLE OF NONPROFIT CORPORATIONS AND OTHER GROUPS

Because of resource and activity restrictions, some PHAs have supported the creation of nonprofit corporations to undertake activities or to pursue funding and programs that are generally not available to PHAs. For example, housing development corporations have been created and build affordable housing or work with PHAs to use existing funding (such as project-based Section 8 assistance) to

provide financial support to create and operate housing. Some PHAs have taken steps to create nonprofit corporations designed to provide social and support services and to attract foundation grants to cover the cost of the services. However, some HUD field offices have discouraged the use of operating funds to help create these types of organizations and programs and have prohibited PHAs from retaining arbitrage earnings on note or bond issuances.

Over the past several years, there has been an increase in the number of nonprofit housing corporations involved in meeting the need for more affordable housing. In Chapter 4, the Commission recommends that some of the funds requested for severely distressed public housing be targeted toward incentive programs to stimulate the production of affordable housing as well as economic development in the immediate—often depressed—neighborhood. With incentive funding, community-based housing corporations can play a key role in programs to treat the developments and the surrounding neighborhoods; however, the efforts of all participants should be coordinated.

ALTERNATIVES TO PHA OPERATION

The activities and programs through which PHAs and other organizations become involved in treating conditions in severely distressed public housing must be expanded. In Chapter 2, the Commission strongly recommends that a nonprofit corporation be established to attract and coordinate the provision of social and support services to severely distressed public housing developments. One of the main objectives of this approach is to create a sense that the organization is a community-based operation designed to provide residents with an opportunity to coordinate the delivery of needed social and support services.

The creation of the non-profit corporation is intended not only to offer an organizational framework to help ensure meaningful resident participation but also to encourage some measure of resident control over how service programs are developed and delivered to the developments and in the overall community. One of the major contributors to distress that the Commission cites in its definition of severe distress is PHA and, to a very real extent, resident loss of control over their living environment. When this situation occurs, the ability of the PHA and the residents effectively to demand services and to act to secure needed resources is greatly limited. In such instances, the institutions intended to serve the needs of the development are generally not called on or perhaps not even expected to fulfill their responsibilities to public housing communities.

The creation of a nonprofit community planning and services council is needed so that a highly participatory and flexible organization can accurately assess the needs of the residents and identify and

coordinate the services required based on that assessment. If the development of new organizations and the treatment of problems are approached properly in a dynamic and flexible manner, PHAs can be used as “platforms” to promote innovative and entrepreneurial approaches to addressing the conditions of severe distress. The involvement of PHAs and residents in establishing nonprofit corporations is not new but can be undertaken more widely and used to provide greater opportunities to coordinate existing programs and to leverage charitable contributions from foundations, corporations, and other public organizations.¹ Allowing PHAs to use operating funds and RMCs to use excess revenues as “seed” funding for these types of endeavors can promote the creation of nonprofit service corporations for severely distressed public housing.²

HUD has acknowledged the potential for RMCs to use resources creatively by encouraging them to use excess funds from operating a public housing development (all or a portion of residual receipts as defined by regulation) to promote programs and activities that will benefit public housing residents. RMCs are permitted to use “excess revenues” to improve the maintenance and operation of a housing development, to establish business enterprises that employ residents, or to acquire additional housing units for lower income families.³ These funds can be used in a more flexible manner than funds that must stay with the operating budget for the public housing development. Such steps provide improved flexibility in the use of funds to meet the service and related needs of housing developments, but even greater flexibility would allow other agencies and organizations—in addition to PHAs and RMCs—to operate public housing.

NEED FOR MORE DATA

A major problem in addressing the service needs of severely distressed public housing and in identifying various approaches to developing effective programs is the lack of data on certain critical aspects of the public housing program. In its research, the Commission found a significant lack of information on conditions pertaining to the distressed households residing in severely distressed public housing. Some of the problems in gathering data and information do not relate specifically to the public housing program; better information is needed in the areas of family distress, crime, and public safety to identify service needs as well as to identify severely distressed public housing developments better. The lack of data and information not only makes it more difficult to assess the service needs of families and developments but also to evaluate accurately program success. Some proposed programs may never be initiated because of the lack of adequate data to assess their need. In fact some human service and housing programs that are relevant to the proposals being made by the Commission may have been successful

but nevertheless were eliminated in the last decade either without evaluation or with inadequate evaluation. These programs need to be evaluated or re-evaluated using appropriate data.

Until sufficient data can be gathered and used in the categories included in the definition on severely distressed public housing, PHAs should be permitted to submit narrative justifications for a development being designated as severely distressed and be given the type of assistance outlined in the National Action Plan. The Commission expects that this approach to defining severely distressed public housing will only be temporary, that the indicators can be modified where needed, and that a system for collecting data can be developed so the process of designating severely distressed public housing can be undertaken using a point system, which can be applied more objectively. In the National Action Plan, funds are requested to support HUD in undertaking a study to determine the appropriate methods for gathering and maintaining information on the categories of indicators contained in the definition. (Appendix B contains the Commission's definition of severely distressed public housing.)

Comments that have been provided as well as certain follow-up analysis conducted by the Commission clearly indicate that further study of the indicators and collection and maintenance of data are needed. It is critical that a set of procedures for sustaining the database and distributing information be established. Too often, once a study is completed and a process is developed, there is insufficient follow-up and support to sustain the system of collecting and maintaining data. The HUD unit proposed to administer programs for severely distressed public housing should be charged with maintaining and analyzing data and should provide the needed follow-up and support.

STEPS TO CREATE NEW RESIDENT AND PHA INITIATIVES

In Chapter 6, some of the more significant regulatory and statutory barriers to providing more traditional housing services are discussed. Steps are needed to examine how PHAs can participate—directly and indirectly—in providing services that are typically available to other organizations. Better access to programs such as HOME (a program funded through the Home Investment Partnership Act), low-income tax credits, and CDBGs can provide PHAs with more resources to treat conditions in severely distressed public housing. Congress took an important step when it provided, under the NAHA, that PHAs be part of the process for developing the Comprehensive Affordable Housing Strategies prepared by local governments. PHAs and others involved in providing programs to treat severely distressed public housing and the surrounding neighborhoods must also be given greater access to funding and programs

to assist in undertaking public housing revitalization efforts. In this regard, the Commission recommends in Chapter 2 that enterprise zones be linked to severely distressed public housing developments so that the developments can have greater access to economic development assistance.

ALTERNATIVE FORMS OF PUBLIC HOUSING

Throughout the public housing community there is strong interest in promoting cost-effective housing management approaches. Discussions in recent years have included the role of private management companies, RMCs, and nonprofit housing corporations as well as PHAs. The turnaround of one formerly severely distressed public housing development included, as one component of the overall revitalization program, management by a private management company during and after redevelopment. Another turnaround effort tried a similar approach as part of an interim step toward developing a form of management with greater resident participation but had difficulty locating an acceptable private management firm. Some PHAs have contracted with community-based housing organizations and other groups to manage public housing. All of these approaches, including resident management, can be successful. Conditions and circumstances under which such approaches seem appropriate need to be assessed.

The forms of housing management discussed in this chapter need to be studied in a thorough and comprehensive manner. The inability to manage certain public housing developments effectively is high on the list of potential causes of severe distress. When assessing conditions at a severely distressed development, it is important to distinguish between a development that is distressed because of particular site problems that make it difficult to manage and beyond the control of the PHA and a development that is distressed because the PHA operates with inadequate management systems or financial resources. The Commission believes that a demonstration program and a study of alternative management techniques should be conducted that covers the cost-effectiveness of private management companies, nonprofit corporations, and RMCs managing severely distressed public housing.

The housing management demonstration and study just discussed must be based on actual management experience and should measure or assess the operating costs of the housing developments as well as property conditions; resident satisfaction; and perceptions of the community, funding agencies, and others with a vested interest, of the housing development and management operations. To study these alternative forms of housing management adequately, there must be both an initial review and a follow-up evaluation. Too often, studies of this kind are only partially undertaken without allowing for a process and time to conduct a long-term follow-up

review, using improved and more complete information. Public housing is a valuable national resource that requires sound management as a part of any effort to preserve it. The study and demonstration should provide information for analysis that is as complete and accurate as possible so the findings and recommendations are sound and long-term benefits for the public housing program result.

OTHER OPTIONS FOR LEVERAGING FUNDING

An objective of this chapter is to discuss ways in which resources and the capability of PHAs can be expanded to treat conditions in severely distressed public housing developments. Clearly, no single strategy exists that can or should be followed by all PHAs in addressing the needs of severely distressed public housing.

As is discussed in Chapter 5, a workout plan that addresses the viability of a particular severely distressed public housing development must consider the conditions and factors contributing to the state of severe distress at that particular site. Workout plans need to be tailored to meet the specific needs of the property and to detail the corrective actions required because of conditions in the surrounding neighborhood and other related issues. The private sector usually approaches the treatment of a distressed property through the development of a workout plan, and the approach is also appropriate for public housing.

One of the options available for treating severely distressed public housing should be the sale and lease back of all or a portion of a development to private and/or nonprofit community development corporations. The proposed HUD unit for severely distressed public housing should administer a demonstration of the approach. This demonstration and the development of the entire property workout plan must be undertaken in consultation with the residents.

Under the demonstration, a limited partnership would retain title and rehabilitate the property with CGP funds, HOME funds, and other Federal resources. After rehabilitation, the limited partnership would lease the buildings or development back to the PHA.⁴ After the tax credit holding period, the limited partnership would sell the property to the residents or back to the PHA. This demonstration is one approach to involving other Federal resources, the community, and the private sector in widening the range of options for PHAs in treating severely distressed public housing. The PHA, like other housing owners and operators, must be given the opportunity to develop a program that best meets the needs of the residents and community while preserving the much-needed low-income housing resources available to the service area covered.

FOLLOW-UP STUDY OF REGULATORY AND STATUTORY BARRIERS

The follow-up study of regulatory and statutory barriers to addressing the needs of severely distressed public housing must consider the need to provide PHAs with a wider range of options for improving public housing. A high level of regulation and rules that are considered to be inflexible can limit innovation in operating the public housing program and inhibit PHAs from being able to take more creative approaches to providing housing services. The Commission believes that, with appropriate support, PHAs can be used as a platform to create new programs and entities that can effectively meet the needs of severely distressed public housing developments and residents.

With increased resources comes increased responsibility. As part of a program to evaluate PHA management on qualitative criteria, the Commission proposes a demonstration designed to create a national accreditation body. This body would evaluate a PHA, or other participating housing provider, based on its mission, goals, and success with innovative programs such as those already described. This process would improve the accountability of housing organizations subject to accreditation review and evaluation.

Commission recommendations covering the issues and concerns of this chapter follow.

RECOMMENDATIONS

8-1. Congress should authorize HUD's Office of Policy Development and Research to undertake a study to determine the appropriate methods for gathering and maintaining data on the categories of indicators contained in the Commission's definition of severely distressed public housing.

8-2. Congress should authorize HUD to review the regulatory and statutory barriers to addressing the needs of severely distressed public housing.

Barriers impeding the access of PHAs to funding and support as well as ways to promote private sector and other public support for programs to improve the conditions of severely distressed public housing need to be investigated.

8-3. Congress should authorize a demonstration of alternative management techniques to study further the cost-effectiveness of private management companies, nonprofit corporations, and RMCs managing severely distressed public housing.

8-4. Congress should take steps to authorize expanded resources for and capability of PHAs, through private sector partnerships, to address the revitalization of severely distressed developments by permitting the sale and lease back of public housing and the use of a separate allocation of low-income tax credits to support the following approach to revitalization.

Congress should authorize, on a demonstration basis, the sale and lease back of severely distressed public housing developments or buildings to private and/or nonprofit community development corporations in consultation with residents of the development.

The PHA would enter into a contract to sell the buildings to a limited partnership while retaining title to the underlying land.

The partnership would rehabilitate the buildings in consultation with residents and the PHA and use available CGP funds, HOME funds, and other Federal resources to address the needs of the development comprehensively.

After rehabilitation, the partnership would lease the buildings or development back to the PHA for the applicable holding period required by the Federal Tax Code, so that investors who purchase tax credits would not be adversely affected.

During the investor holding period, funds would be allocated by the PHA and limited partnership to train residents in property management so that after sufficient training, the residents could manage the property if they desire to do so.

After the tax credit holding period, the limited partnership would sell the property to the residents or back to the PHA.

This demonstration would require a separate allocation of tax credit authorization, so that privately assisted housing production would not be negatively affected.

Endnotes

1. One such model is the Committee for Boston Public Housing, which has experienced success in obtaining foundation and other support for public housing residents. The general purpose of this 501(c)(3) corporation is to upgrade the social, cultural, economic, and physical environment of the tenants of the Boston Housing Authority.
2. The Commonwealth of Massachusetts is currently considering proposed legislation that would provide "seed" and technical assistance funding for non-profit corporations to work in partnership with housing authorities in creating affordable housing or in developing social and support services programs for low-income households.
3. 24 CFR Part 964 covers the requirements for retention of excess revenues and the use of retained revenues by RMCs.
4. It is assumed the units would still receive PFS operating subsidy or if available through HUD another similarly acceptable form of financial support.

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APPENDIX A

Biographies of Commissioners



The Honorable Bill Green, Co-Chairman

Bill Green has represented New York's 15th Congressional District since 1978. Congressman Green is on the House Appropriations Committee and is the senior republican on its Veterans, Housing and Urban Development, and Independent Agencies Subcommittee. Through his congressional office, Congressman Green has been a champion of the public housing program as well as an advocate for urban development generally. He is a former administrator of the U.S. Department of Housing and Urban Development, and a magna cum laude graduate of Harvard Law School.



Vincent Lane, Co-Chairman

Vincent Lane is chairman of the Chicago House Authority (CHA). Mr. Lane is noted for his innovative and progressive application of business principles in improving not only the buildings and living units in his developments, but also the quality of life for the more than 150,000 residents of CHA. Mr. Lane is a graduate of Roosevelt University and received a master's degree in business administration from the University of Chicago. He is president of American Community Housing Associates, which specializes in the redevelopment of low- to moderate- and mixed-income housing.



Don Ball

Don Ball is chairman of the board of directors of Ball Homes, Inc., a company engaged in residential home development in the Lexington, Kentucky, area. Mr. Ball, a former Kentucky State legislator, is a member of the boards of directors of First Security National Bank and Trust; Virginia Place, a single-parent facility; and the Breeders Cup. He is also president of the Kentucky Thoroughbred Association. He is a graduate of the University of Kentucky.



Richard D. Baron

Richard D. Baron is president of McCormack Baron and Associates, Inc., a development firm specializing in low- and moderate-income housing. Having served as a consultant to numerous organizations and other entities such as the Urban Development Institute, the Ford Foundation, the State of Massachusetts, and the

Manpower Demonstration Research Corporation, Mr. Baron has extensive experience in the field of low- and moderate-income housing. Mr. Baron is the coauthor of an array of publications on public housing, including "Case Studies of Public Housing Management: General Design Report" and "The Purchasing/Inventory and Maintenance/Custodial Functions at Public Housing Authorities." He is a graduate of Oberlin College with a master's degree in political science from the University of California at Berkeley and a law degree from the University of Michigan Law School.



Dr. Daniel W. Blue, Jr.

Dr. Daniel W. Blue, Jr., is the deputy chief operating officer of the Chicago Housing Authority. Dr. Blue was formerly the executive director and assistant executive director of the Housing Authority of the City of Newark as well as chief of staff to the former Mayor of Newark, Kenneth A. Gibson. He has extensive experience

in the fields of public administration, education, law enforcement, housing, affirmative action, and city planning. Dr. Blue is president of Dillon Security Company, Inc., a private security firm. He is a graduate of Clafin College, Orangeburg, South Carolina, and has a master's degree in public administration and a doctoral degree in educational leadership from Farleigh Dickinson University.



The Honorable Lila Cockrell

Lila Cockrell is president of Atkins Travel by Design, Inc., in San Antonio, Texas. She is also Mayor Emeritus of San Antonio, having served five terms as a councilwoman and four terms as Mayor. She is presently chairman of the board of directors of the World Affairs Council of San Antonio, chairman of Arts San Antonio! and of the

Communications Council of the Greater San Antonio Chamber of Commerce, a trustee of Southwest Research Institute, and an honorary board member of the San Antonio Museum Association and the San Antonio Economic Development Foundation. She is a well-respected San Antonian. In 1981, the Housing Authority of the City of San Antonio named a newly completed senior citizen housing development the Lila Cockrell Apartments, and the City Council renamed the Theater for the Performing Arts as the Lila Cockrell Theater. Mrs. Cockrell, one of the first two women inducted into the Texas Women's Hall of Fame, is a graduate of Southern Methodist University and holds an honorary doctor of science from Our Lady of the Lake University and an honorary doctor of humane letters from Southern Methodist University.



Terrence Duvernay

Terrence Duvernay is executive director of the Georgia Housing and Finance Authority. Mr. Duvernay was also appointed to be the urban affairs advisor of Georgia by Governor Zell Miller of Georgia. Mr. Duvernay has an extensive background in public administration, having served as executive director of the Michigan

State Housing Development Authority, urban affairs advisor to Governor James J. Blanchard of Michigan, and deputy regional administrator for the U.S. Department of Housing and Urban Development in Seattle. He has previously served on numerous national commissions, including the National Housing Task Force. Mr. Duvernay is president of the National Council of State Housing Agencies. He is a graduate of Dillard University.



Charles E. Gardner

Charles E. Gardner is community development and relations administrator for Greenville, South Carolina. His strong commitment to the development of affordable housing has resulted in national recognition of Greenville's Affordable Housing Program as a model for the delivery of affordable housing. Mr. Gardner

serves as the charter president of the South Carolina Low Income Housing Coalition and also serves on the Advisory Council of the Federal Home Loan Bank of Atlanta, the South Carolina Governor's Affordable Housing Task Force, and the National Comprehensive Housing Affordability Strategy Advisory Committee to the Secretary of the U.S. Department of Housing and Urban Development. He attended Greenville Technical College and Voorhees College in Denmark, South Carolina.



David Gilmore

David Gilmore is executive director of the San Francisco Housing Authority. Having served as deputy administrator for the Boston Housing Authority and in numerous positions in the office of the director of housing for the Philadelphia Housing Authority, Mr. Gilmore has more than 17 years of public housing experience, 13 of which

include his guiding two large public housing authorities out of seriously distressed conditions. The San Francisco Housing Authority was rescued from the HUD "troubled PHA" list in April 1992, after 8 years on the list. He is a graduate of Pace University and holds a master's degree in social work from the University of Pennsylvania.



Mildred Hailey

Mildred Hailey, often referred to as "the grandmother of resident management," is the executive director of the Bromley-Heath Tenant Management Corporation (TMC) in Jamaica Plain, Massachusetts. The Bromley-Heath TMC, which Mrs. Hailey was a major player in creating, was the first TMC in the country. A resident of public

housing who is unfailingly dedicated to representing the interests of low-income people, Mrs. Hailey is a member of numerous boards, such as the Bromley-Heath Community Center, the Citizens Planning and Housing Association, Action for Boston Community Development, the Martha Eliot Health Center, the Task Force for Desegregation of Boston Schools, the Boston Private Industry Council, and the National Association of Resident Management Corporations.



Alphonso Jackson

Alphonso Jackson is executive director of the Dallas Housing Authority. Formerly, he was executive director of the Washington, D.C., Department of Public and Assisted Housing. Mr. Jackson serves on the boards of numerous organizations in Dallas and nationwide, including the Zale-Lipsky University Hospital at the University

of Texas Southwestern Medical School and Texas Commerce Bancshares, Inc. Recently, he was appointed to President Bush's National Commission on America's Urban Families. He holds both a bachelor's and a master's degree from Northeast Missouri State University and a law degree from Washington University School of Law in St. Louis, Missouri.



Irene Johnson

Irene Johnson, a resident of public housing for more than 24 years, is president of LeClaire Courts Resident Management Corporation. She is also a private consultant who assists housing authorities and resident groups in capacity building and motivation. Mrs. Johnson provides technical assistance to the U.S. Department of Housing and Urban Development in developing training materials and in training resident initiatives coordinators. Mrs. Johnson is active in a variety of community and national organizations, including the boards of directors of Windows of Opportunities, the National Resident Management Association, the Low Income Housing Coalition, and the Chicago Council on Urban Affairs. Mrs. Johnson is also a member of the Low Income Housing Information Service and Coalition, and recently was appointed to President Bush's National Commission on America's Urban Families.



Lenwood Johnson

Lenwood Johnson is president of the resident council of Allen Parkway Village, a public housing development in Houston. Because of an industry-related disability, Mr. Johnson, a former employee in the petrochemical industry, found himself a resident of public housing. Recognizing the differences in opportunities for private sector tenants and those in public housing, he became an advocate for public housing residents. Mr. Johnson is currently serving on the board of the Low Income Housing Information Service and National Low Income Housing Coalition. He has served as the president of the Citywide Houston Public Housing Residents Council. Mr. Johnson has previously served as a board member for Houston's Chapter of the American Civil Liberties Union, Gulf Coast Legal Foundations, and the National Homeless Coalition. With the assistance of public-interest lawyers, he successfully fought the demolition of Houston's largest and most historic public housing development, Allen Parkway Village. Mr. Johnson attended Prairie View A & M University.



Emanuel P. Popolizio

Emanuel P. Popolizio is general counsel to New York City Rehabilitation Mortgage Insurance Corporation. From 1986 to 1990, Mr. Popolizio was chairman of the New York City Housing Authority. Throughout his career, Mr. Popolizio has been active in various professional organizations and held leadership positions in numerous community organizations, including the Pro Bono Program of the Association of the Bar of the City of New York; the Committee for Artist's Housing; Community Board 2; the MacDougal Area Neighborhood Association; St. Vincent's Hospital; and the Mayor's Council on Intergroup Relations. He is a graduate of City College. A member of the New York Bar, Mr. Popolizio obtained his law degree from St. John's School of Law.



The Honorable Ron Roberts

Ron Roberts, San Diego's Deputy Mayor, grew up in public housing and has been working on improving housing for low-income San Diegans from the start of his public service. As chairman of San Diego's Planning Commission, he led the fight to cut red tape in the way of development of single-room occupancy hotels, last resort housing for many. The program has won national recognition as a model that other cities are following. Mr. Roberts was an architect for nearly 20 years before he was elected to the San Diego City Council in 1987. He is an advocate of expanding homeownership as a means of giving low-income residents a stake in their neighborhoods.



The Honorable Anne Rudin

Anne Rudin is the Mayor of Sacramento. Throughout Mayor Rudin's extensive political career, beginning with her 1971 election to the Sacramento City Council, she has given special attention to important community issues such as economic development, drugs, AIDS, and child care by forming coalitions of concerned citizens and public officials to work together to assess needs and to propose courses of action. She received a bachelor's degree in education from Temple University and a nursing degree from Temple University Hospital, School of Nursing. Mayor Rudin also has a master's degree in public administration from the University of Southern California and an honorary doctor of law degree from Golden Gate University.

APPENDIX B

Definition of Severely Distressed Public Housing

In defining "severely distressed public housing," the National Commission on Severely Distressed Public Housing reviewed case studies and the status of public housing developments and conducted site tours and literature searches. Guided by its findings and the data compiled, the Commission framed this definition and developed a rating system for evaluating and identifying severely distressed public housing developments. Within the system, the Commission provides something much more useful and lasting than a list of specific developments that currently meet its criteria for severe distress; it instead provides a working tool for periodic and as needed continuous evaluation of the fluid public housing stock for signs of distress and/or for designation as severely distressed.

The Commission's definition and rating system can be used by public housing authorities (PHAs) to evaluate developments and, if indicated by the system, to apply to have a development designated as severely distressed. Developments so designated are then eligible to receive the remedies proposed by the Commission and enacted by Congress.

When the Commission began its efforts to define severely distressed public housing, it used the four identifying features listed in the congressional authorizing language of the 1989 legislation; that is, developments with

- 500 units or more
- Elevators
- Vacancy rates of higher than 15%
- Tenants who are predominantly families with children

The Commission was also charged with identifying other factors that greatly influence the living conditions at public housing developments. It focused on family public housing, and it found that the features identified in the legislation were not always definite indicators of severely distressed public housing.

From public testimony of residents, PHA staff and directors, and local government officials, the Commission gleaned a long list of factors, that cited causes of distress ranging from problems with social services to design and physical condition. The Commission ranked the factors and sorted them into the following groups: conditions at the development, conditions in the immediately surrounding neighborhood, and factors relating to the PHA's management capability. This process led to the definition and use of indicators outlined here.

Currently, there is a serious lack of data on many indicators of distress included in the definition and point rating system. The lack of data on severely distressed public housing is a major concern of the Commission and others in the field, and the Commission pro-

poses that Congress mandate that the U.S. Department of Housing and Urban Development (HUD) collect and maintain data required to use the point rating system.

THE DEFINITION

Preamble

The National Commission on Severely Distressed Public Housing defines severely distressed public housing as that housing exhibiting the presence of one or more of the following conditions:

- Families living in distress
- Rates of serious crimes in the development or the surrounding neighborhood
- Barriers to managing the environment
- Physical deterioration of buildings

The Commission has developed a rating system to determine degrees of distress in public housing, using specific indicators in each of the categories just listed. A public housing development can be designated as severely distressed when it falls seriously short of being able to provide a safe, secure, and decent environment and a supportive community for its residents. The Commission recommends that PHAs apply the indicators to those public housing developments that show signs of distress and thus might be designated as severely distressed.

Rating System for Severely Distressed Public Housing

The Commission identified quantifiable measures for each of the categories of distress to make its definition operational. Points were then assigned to each category and the criteria within each to reflect the degree to which that aspect of a development exceeds a local average or the PHA's average standard.

Using the four categories listed in the definition of severely distressed public housing, developments can be designated severely distressed based on their scores in the following evaluation categories:

- | | |
|--|------------|
| ● Families living in distress | 60 maximum |
| ● Rates of serious crimes | 45 maximum |
| ● Barriers to managing the environment | 45 maximum |
| ● Physical deterioration of buildings | 80 maximum |

A total score of 80 or more points from any combination of categories will identify a development as severely distressed. Also, obtaining the maximum points allowable in any one category will identify a development as severely distressed even if the total score is less than 80.

This rating system is designed to measure the degree of distressed living conditions in public housing developments not to evaluate PHAs, so it is important to understand what constitutes a "development." The Commission used the definition of development given in the resident management corporation and Project-Based Accounting regulations: "(a) one or more contiguous buildings" or "(b) an area of contiguous row houses" (24 CFR 964.7). In other words, a development is not limited strictly to those units identified by HUD project identification numbers; a development can be any cluster of units that is contiguous or that is, for management purposes, treated by a PHA as an organizational unit.

Categories of Indicators

The Commission felt that the most straightforward manner of identifying public housing developments in a severe state of distress was to design a rating system. The Commission thus sorted indicators into four categories that can be applied to public housing developments, using quantifiable measures to determine the level of distress. The categories of indicators, with a brief explanation of each choice, follow:

Families living in distress. Families living in public housing often face adverse conditions such as a lack of social and support services in the immediate area and a lack of employment opportunities. Additionally, their physical residential environment often has a high concentration of very low income families living on a relatively small site. The socioeconomic characteristics of these families include low education levels, low employment rates, and low household incomes.

Rates of serious crimes in the developments and their surrounding neighborhoods. Public housing developments and their surrounding neighborhoods are closely linked; economic conditions, crime rates and drug trafficking, and activities conducted by social agencies and institutions all affect and are influenced by developments and their neighborhoods. The Commission is not blaming any single aspect of public housing or its communities for distressed conditions; however, it is important to include this category, or aspect, so that appropriate measures can be taken.

Physical deterioration of buildings. Although deteriorating physical conditions, which provide unacceptable living environments, can relate to problems with PHA management, they often relate to the lack of capital improvement funding available to housing developments, especially those that are severely distressed. A PHA's inability

ity to maintain its buildings in livable condition can result from long-term neglect; poor management systems and an inability to respond to maintenance needs; or a fundamental lack of control over the actual building because of insufficient staff, maintenance, and/or modernization resources.

Barriers to managing the environment. Basic management functions of a PHA are indicators of distress and illustrate the impact that poor management or a lack of operating resources can have on living conditions. Also, a lack of resident involvement and organization can be an indicator of a distressed development.

Although these four categories do not capture all aspects of severely distressed public housing, the Commission believes that the rating system based on these categories covers the range of possible indicators of distressed conditions and can be used as a starting point to identify developments that require immediate attention. The Commission does not intend to use the rating system to point out poorly managed PHAs; it clearly recognizes that distressed conditions at a particular housing development do not necessarily indicate a troubled PHA.

Evaluation by Category

1. Families Living in Distress. High levels of distress exist among resident populations as measured by social indicators, including the following:

Families Living in Distress: 60 Point Maximum

Criteria	Max. Points	Points Based on Score		
		1.25%	1.5%	2%
a. Percent by which development drop-out rate exceeds city drop-out rate	15	6	8	15
b. Percent by which development unemployment rate exceeds city rate (Note: PHA unemployment rate includes residents who are not full-time students and not working; this will increase the PHA unemployment rate because the city rate is based only on individuals who have sought unemployment benefits.)	15	3% 2	5% 5	10% 15
c. Average median income below	30	30% 12	25% 16	20% 30

The residents of public housing experience high levels of distress according to basic socioeconomic indicators such as education levels, unemployment rates, and income levels. These measures were selected for inclusion because they are generally used as standard figures for comparison, such as in the U.S. Census, and therefore the data may be fairly easy to collect. PHAs can simply use the data from their own HUD Form 50058 and compare those data to data for census tracts. Consultants to the Commission have also provided

additional information that may be appropriate for examining socioeconomic conditions. These data and other information (including the public comments received regarding the Commission's Preliminary Report) will be made available for the study the Commission recommends under Objective 2 of "Other Strategies" in the National Action Plan.

- a. **School dropout rate.** High dropout rates for high school age children are generally accepted as an indicator of low educational levels and therefore a decreased ability to become economically self-sufficient. This statistic measures the extent to which the dropout rate of children living in public housing exceeds that of children citywide.
 - b. **Unemployment rate.** This criterion is skewed toward the public housing population because the PHA would include all residents who are not working and are not full-time students.
 - c. **Average median income.** This criterion measures how much lower the average income of public housing residents is than the average median income citywide, using data collected from HUD Form 50058.
2. **Rates of Crimes.** Because public housing developments are greatly affected by conditions in the surrounding neighborhoods, this category incorporates the following indicators to show how elements of adjacent communities can cause a development to be severely distressed. The rates of serious crimes are measured by the percent by which incidents of serious crime in the development exceed the communitywide median.

Rates of Serious Crimes: 45-Point Maximum

Criteria	Max. Points	Points Based on Score		
		1.5%	2%	2.5%
a. Development crime rate vs. city crime rate (Note: If the development crime rate exceeds the citywide average by more than 5% the development automatically receives 40 points.)	10	6	8	10
b. Development drug-related crime rate vs. citywide drug-related crime rate	20	5% 12	10% 16	15% 20
c. Development violent crime rate vs. citywide violent crime rate	10	1.5% 6	2% 8	3%+ 10
d. Access to building controlled by security	5	Yes 0	No 5	

The Commission included some measures of crime rates in determining levels of distress because residents frequently listed security as a primary concern. However, the Commission also recognizes the need to distinguish between crime committed on PHA property and crime committed in the surrounding neighborhood. To the extent

that the rates of crimes committed and reported at the public housing development exceed rates for the same types of crimes committed in the city, the development is considered distressed.

To determine the most appropriate manner in which to measure crime rates, consultants to the Commission have conducted research on crime statistics, how crimes are reported, and how crimes are categorized. The types of crimes measured and the rates used will probably be based on the format used and the averages reported in the Federal Bureau of Investigation Standard Crime Report. Similar to the information gathered on indicators relating to families living in distress, the information on serious crimes is expected to be included in the study recommended by the Commission in the National Action Plan.

Finding data reported on the areas to be evaluated presents some difficulty in making this element of the definition operational. Although, police departments typically report crimes by ward, the boundaries of public housing developments will not always coincide with the boundaries of police wards or precincts. PHAs will have to research crime rates by referring to police reports by development address.

If the crime rate for any single criterion is more than double that for the city, the development is automatically considered to be severely distressed.

- a. **Development crime rate.** This criterion measures the extent to which the rate of all crimes committed and reported as occurring at the development exceeds the rate for all crimes committed in the city.
 - b. **Drug-related crimes committed.** Because drug trafficking is such a prevalent activity at public housing developments, the Commission understands that it is important to examine the extent to which drug-related crimes occur in the developments versus in the city in general. Points assigned to this measure and the percent used are higher than those for the other types of crime measured because there is a higher propensity for drug use among distressed and vulnerable populations.
 - c. **Violent crimes committed.** This criterion includes assault, rape, and homicide and is given as a measure because of the level of concern about such crimes.
 - d. **Access to buildings controlled by security.** This is an important indicator of distress because it greatly affects personal security.
3. **Barriers to Managing the Environment.** These barriers are indicated by a demonstrated inability of the PHA and/or the city to provide management and other services required to support the

resident population, to control the residential environment, and to maintain the housing stock. The following chart lists indicators of barriers to managing the environment.

Barriers to Managing the Environment: 45-Point Maximum

Criteria	Max. Points	Points Based on Score		
		15%	20%	25%
a. High vacancy rate (Note: The PHA vacancy rate reflects the number of units not specifically permitted to be vacant by the PHA's Comprehensive Occupancy Plan.)	14	7	10	14
b. High turnover rate	9	5	6	9
c. Low rent collection (percent of rent collected monthly)	13	7	10	13
d. Rate of units rejected by applicants	9	5	6	9

Having observed a direct connection between severely distressed public housing and management deficiencies, the Commission includes criteria for examining the extent to which conditions at distressed developments signify management problems. Although distressed developments can exist within the portfolio of a competent PHA, conditions of severe distress indicate that there are problems with the PHA's control over the site or that a PHA's management system does not adequately serve the residents and their particular living environment. The indicators used in this section are measures commonly used by private property management firms as well as PHAs.

- a. **High vacancy rate.**¹ Large numbers of vacant units almost always signal distressed conditions unless the units are vacant for a comprehensive modernization program. Vacancies can result from applicants rejecting units because they believe the building to be unsafe or because the PHA has not prepared the units for reoccupancy because of a lack of staff, limited funding, or neglect.
- b. **High turnover rate.** Instability in the resident population indicates that residents are not comfortable living in public housing developments, and given the long waiting lists for family units in most cities, residents are probably not leaving because they have other options. More likely, units turn over frequently because residents feel that their safety is threatened either by criminal activities in the building or on the site or because the units are in substandard condition. A contributing factor to these circumstances could be that the PHA does not have sufficient control over the site or its resources and operations to improve living conditions.

- c. **Low rent collection rate.**² Low levels of rent collection result from several problems, including low occupancy levels for the reasons just mentioned. In some instances, residents simply refuse to pay rent, and the PHA should enforce its lease more strictly or evaluate its rent collection system for efficiency.
- d. **Rate of units rejected by applicants.** This measure is calculated based on the number of times a unit is offered to prospective residents before an applicant actually signs a lease. Again, a high level of unit rejections indicates a low level of acceptance of the development's conditions.

4. Physical Deterioration of Buildings. This category covers physical deterioration and/or obsolescence that requires extensive remediation that costs 62.5% to over 100% of the total development cost (TDC). Any development with remediation costs above 105% of TDC is considered severely distressed.

Elements to be evaluated under physical deterioration of buildings include dwelling units, building envelopes, and development sites.

Physical Deterioration of Buildings: 80-Point Maximum

Criteria	Max. Points	Points Based on Score		
		62.5%	80%	100%
a. Percent of reconstruction cost (Note: If a development's reconstruction costs exceed 105% of TDC, it is automatically designated as severely distressed.)	20	8	12	20
b. High density, units/acre (Note: This criterion is measured in percent by which the individual development density exceeds that of the PHA average.)	10	6	8	10
c. High level of deferred maintenance	20			
1. Annual average work order backlog		4	6	10
2. High no. of units that do not meet Housing Quality Standards		6	8	10
d. Major system deficiencies	30			
Lead paint peeling and/or chipping in greater than 20% of units	5			
Lack of heat or hot water	5			
Major structural deficiencies	4			
Electrical system under code	4			
Evaluation of site conditions	3			
Leaking roof	3			
Deteriorated lateral and sewers	3			
High plumbing leaks	3			

Deteriorating physical conditions are often outward manifestations of deeper problems with PHA management and represent unacceptable living conditions. The measures used in this category were chosen because they are statistics commonly used by HUD, for example, in the Public Housing Management Assessment Program (PHMAP); by the private sector to evaluate the performance of property management firms; and, internally, by PHAs to evaluate conditions at public housing developments.

- a. **Reconstruction cost.** Expressing a development's estimated reconstruction cost as a percent of TDCs will indicate the extent to which the building and its systems have deteriorated; an estimated reconstruction cost that exceeds 105% of TDC indicates that a building and its components are no longer functioning at an acceptable level.
- b. **High density as measured by units per acre.** Acceptable density levels may vary by city, so the measure used is the percent by which the development's density exceeds the PHA-wide average density level.
- c. **High level of deferred maintenance.** The development will be evaluated for the extent to which its units have fallen into disrepair and do not meet Housing Quality Standards (HQS). The measures used are the percent of the PHA's annual number of work orders that are uncompleted and the number of units in the development that do not meet HQS.
- d. **Major system deficiencies.** This category evaluates elements of the building's mechanical and electrical systems that are not functioning—because of neglect or need for modernization.

CONCLUSION

The Commission recognizes that one of the difficulties in implementing an operational definition such as this one is collecting sufficient data, both at the development level and at the PHA level. The definition of severely distressed public housing should be examined further by reviewing the quantifiable measures included in the definition; the measures may be modified or discarded depending on the availability of data. This review of methods for collecting quantifiable measures is to be conducted with assistance from the HUD Office of Policy Development and Research.

Currently, some of the data are not available; however, HUD should be mandated to develop a system to collect needed data, and PHAs should start to collect data on most of the indicators when possible. Also, under the new PHMAP, PHAs are required to collect some of the data on measures included in the definition of severely distressed public housing. The following measures should be incorporated to the extent possible:

1. Crime rate components
2. Unit turnover rate
3. Work order turnaround
4. Unit turnaround (vacant unit preparation)
5. Unit rejection rate by prospective residents (marketability)
6. Delinquency rate (rent collection rate)
7. Percent of single heads of households
8. Percent of residents receiving public assistance and percent employed
9. Average number of bedrooms
10. Units per acre (density)
11. Average age of household members
12. Percent of median income households
13. Indicators of physical distress

HUD may currently have data for measures 6, 10, and 11.

Until adequate data exist to implement this or an appropriately revised version of the Commission's definition, PHAs should be permitted to submit narrative justifications for designating housing developments as severely distressed. These narrative justifications should be based on qualitative information on the categories of indicators used in the Commission definition.

Endnotes

1. Vacancy rate is to be calculated on units that are scheduled to be occupied and should not include units that are permitted to remain vacant in accordance with a HUD-approved Comprehensive Occupancy Plan covering scheduled modernization work.
2. Rent collection rates are defined as monthly collection rates because the amount of tenant accounts receivable can be distorted over a longer term by a few tenants with very high arrearages.

SITE TOURS AND LOCAL PUBLIC HEARINGS

1. Atlanta, Georgia—Site Tour only
2. Baltimore, Maryland
3. Boston, Massachusetts
4. Chicago, Illinois
5. Cleveland, Ohio
6. Columbus, Ohio
7. Dallas, Texas
8. Detroit, Michigan
9. East St. Louis, Illinois
10. Houston, Texas
11. Los Angeles, California
12. New Orleans, Louisiana
13. Philadelphia, Pennsylvania
14. San Antonio, Texas—Site Tour of Resident Services
15. San Juan, Puerto Rico
16. Seattle, Washington
17. St. Croix, Virgin Islands
18. St. John, Virgin Islands
19. St. Louis, Missouri
20. St. Thomas, Virgin Islands
21. Washington, D.C.—Site Tour only

FULL CASE STUDIES

1. Boston, Massachusetts
2. Chicago, Illinois (two sites)
3. Cleveland, Ohio
4. New Orleans, Louisiana

MODIFIED CASE STUDIES

1. Albany, New York—Design (high-rise)
2. Charlotte, North Carolina—Resident Initiatives/Economic Development
3. Dade County, Miami, Florida—Site Examination
4. New York City, New York—Design (high-rise)
5. San Francisco, California—Design (replacement construction)

APPENDIX C

Locations of Site Tours, Public Hearings, and Case Studies

6. San Juan, Puerto Rico—Site Examination
7. Tacoma, Washington—Site Examination
8. Tampa, Florida—Resident Initiatives/Economic Development
9. Washington, D.C.—Site Examination

PUBLIC HEARINGS—NATIONAL IN SCOPE

1. Capitol Hill, Washington, D.C.

APPENDIX D

Glossary of Acronyms

These definitions of acronyms are in condensed form. Where there are differences between these definitions and the official source, the applicable statutes, regulations, handbooks, or administrative notices shall control. The definitions are provided here for illustration and general information only.

- AFDC** Aid to Families with Dependent Children
- AEL** Allowable Expense Level: for public housing agencies (PHAs) the per unit per month dollar amount of expenses (excluding utilities and expenses allowed under 24 CFR Part 990, Section 108). The AEL is computed in accordance with 24 CFR Part 990, Section 105, which is used to compute the amount of operating subsidy the PHA receives from HUD. For a Resident Management Corporation, the AEL is computed according to 24 CFR Part 964.
- CDBG** Community Development Block Grant: funding that allows communities to develop flexible, locally designed comprehensive community development strategies to enable them to develop viable urban communities. (Title I, Housing and Community Development Act of 1974).
- CGP** Comprehensive Grant Program: the new Federal program for modernization, based on a formula rather than on competition (24 CFR Parts 905 and 968). The CGP is intended to place more responsibility on spending decisions with public housing agencies.
- CIAP** Comprehensive Improvement Assistance Program: funding for public housing modernization (24 CFR Part 968).
- HHS** U.S. Department of Health and Human Services
- HOME** Home Investment Partnership Act: an Act that created a formula-based allocation program intended to support State and local affordable housing programs. The goal of the program is to increase the supply of affordable rental and ownership housing through acquisition, construction, reconstruction, and moderate or substantial rehabilitation activities (Title II, National Affordable Housing Act of 1990).
- HOPE** Homeownership and Opportunity for People Everywhere: authorized under Title IV of the National Affordable Housing Act of 1990. It authorizes a series of programs to create homeownership opportunities for low-income families and individuals.

- HQS** Housing Quality Standards: the performance standards for housing as established in 24 CFR Part 882 and amended by the Lead Paint regulations in 24 CAR Part 901.
- HUD** U.S. Department of Housing and Urban Development
- MROP** Major Reconstruction of Obsolete Public Housing: modernization funding available to properties determined viable for at least the next 40 years. Funds are made available to support this program through the public housing development program.
- NAHA** National Affordable Housing Act of 1990: enacted by Congress to authorize a new Home Investment Partnership Act program, a National Homeownership Trust program, and programs to amend and extend certain laws relating to housing (including public housing), community, and neighborhood preservation and related programs.
- P-BA** Project-Based Accounting: a system that includes an actual set of accounts for tracking expenses at the project level. It attempts to identify all costs that can be tracked to project activities.
- PFS** Performance Funding System: procedures for calculating the operating subsidy needed for well-managed projects. The amount is determined by the difference between projected operating income and total allowable expenses of the public housing agencies computed in accordance with U.S. Department of Housing and Urban Development regulations (24 CFR 990.103; HUD Performance Funding Systems Handbook 24 CFR 990.102).
- PHA** Public housing agency: any State county, municipal, or other governmental entity or public body (or local agency instrumentality thereof) that is authorized to engage in or assist in the development or operation of housing for lower-income families (24 CFR Part 913 Section 102).
- PHDEP** Public Housing Drug Elimination Program: established to eliminate drug-related crime on or near public housing developments, to encourage public housing agencies (PHAs) to develop a plan for addressing the problem of drug-related crime, and to make available Federal grants to help PHAs carry out their plans.

- PHMAP** Public Housing Management Assessment Program: provides policies and procedures for the U.S. Department of Housing and Urban Development to use in identifying management capacities and deficiencies of public housing agencies. It allows the field offices to practice accountability monitoring and risk management (24 CFR Part 901).
- RC** Resident council: a group of public housing residents formally organized to represent the residents as a body.
- RMC** Resident management corporation: a resident-operated management entity. A specific development or part of a development is managed by residents of the development instead of the public housing agency (PHA). The RMC is formed as the legal entity to operate and manage the development within the parameters set by the PHA and the Department of Housing and Urban Development (*An Operations Guide for Resident Management Corporations*, 24 CFR Part 964; Section 122 of the Housing and Community Development Act of 1987; and Section 20 of the United States Housing Act of 1937).
- SBA** Small Business Administration
- SBD** Small Business Development
- TDC** Total development cost: the sum of all costs for planning, administration, site acquisition, relocation, demolition, construction and equipment, interest and carrying charges, on-site streets and utilities, nondwelling facilities, a contingency allowance, insurance premiums, off-site facilities, the initial operating deficit, and other expenditures necessary to develop the project (24 CFR Part 941.201). These costs must be approved by the U.S. Department of Housing and Urban Development (HUD). Funding for comprehensive modernization under the Comprehensive Improvement Assistance Program cannot exceed 69% TDCs for high-rise buildings or 62.5% for all others; under the new Comprehensive Grant Program, the funding limits are raised to 90% of TDCs without a viability review.
- TAG** Technical Assistance Grants: provided by HUD to offer assistance to Resident Councils and Resident Management Corporations to fund training and other activities for the resident management of public housing in accordance with Section 122 of the Housing and Community Development Act of 1987.

UEL Utility Expense Level: the per unit per month dollar amount of utilities as determined under the Performance Funding System (*HUD Performance Funding System Handbook 7475.13 REV, Ch. 3*).

APPENDIX E

Case Study—San Francisco Housing Authority

D R A F T

**SITE EXAMINATION REPORT on the
SAN FRANCISCO HOUSING AUTHORITY**

and the

ROBERT B. PITTS DEVELOPMENT

Prepared by
TAG Associates, Inc.

Introduction

The National Commission on Severely Distressed Public Housing's series of site examinations features the San Francisco Housing Authority and its Robert B. Pitts Plaza because of the precedent set by and unique features of this particular development. The Robert B. Pitts Plaza is an example of a public housing development that was given a fresh start. Several families that lived there previously have moved back into the newly constructed units under new housing authority policies and practices designed to sustain the revitalization.

Under a rare set of circumstances, the SFHA was allowed by HUD and received sufficient funding from HUD and the City of San Francisco to redesign the development "from scratch," thereby doing away with the previous structure that had negative connotations for public housing in the neighborhood. Originally constructed as a twelve story high-rise called Yerba Buena Plaza West, the high-rises were torn down and townhouse-style homes were reconstructed in their place. As is typical of high-rise family housing, living conditions at Yerba Buena Plaza West were severely compromised by high crime rates, neglected maintenance, and vandalism, leading to a vacancy rate of 30 percent by the time it was vacated for rehabilitation.

The impetus to rehabilitate the development was a combination of the City of San Francisco's commitment to support affordable housing and HUD's support based on a settlement agreement to restore affordable housing to the Western Addition neighborhood following extensive "urban redevelopment" of the area. Since Yerba Buena Plaza West was torn down and Robert B. Pitts Plaza was constructed, a new administration has managed the SFHA, and new policies are now in place or being implemented that were not part of SFHA practice previously. With the advantage of a fresh start, the SFHA is applying what strategies have worked at other developments as well as several new strategies to address the problems typically found in severely distressed public housing and ultimately to keep them from reappearing at the Robert B. Pitts Plaza. The SFHA has 24 family housing developments, two of which are also currently considered by housing authority staff to be severely distressed based on poor design and deteriorated physical condition of the housing stock.

This report begins with a brief history of the San Francisco Housing Authority and of the Robert B. Pitts Plaza and then examines operations at the development in detail. To learn what steps the SFHA needed to take to revitalize the development, the fourth section examines the process of planning for redevelopment. The summary section highlights steps that the housing authority has taken across all of its family developments to address conditions of severe distress in public housing and at the Robert B. Pitts Plaza to sustain the revitalization.

I. Background on the San Francisco Housing Authority

Like the San Francisco Housing Authority's (SFHA) development featured in this site examination, the Robert B. Pitts Plaza, the SFHA has made a comeback in recent years and has recently been removed from the U.S. Department of Housing and Urban Development's (HUD) list of troubled housing authorities. The SFHA manages 6,700 conventional public housing units, 4,491 of which are family housing and 2,209 are elderly units; these units are distributed among 47 developments. The SFHA provides 36 percent of all publicly assisted housing in the City. This includes 46 percent of all publicly assisted family units and 26 percent of all elderly units. The current waiting list for access to a public housing apartment--which is currently closed--consists of 1,700 applicants.

San Francisco Housing Market

The SFHA operates within a tight housing market because of the city's geographic features. The City is geographically small, 47 square miles in area, with a population of 723,959, and is surrounded on three sides by water so space is scarce. The city is one of the largest employment centers in the area. Thus landlords have replaced housing with more profitable office and commercial space, and the cost of living has risen. According to recent analysis of the 1990 Census, there has been a significant change in the ethnic population of the City. Whites are no longer the City's majority with only 47 percent. Latinos make up about 14 percent (an increase of 20 percent from 1980). Asians and Pacific Islanders make up 28 percent (an increase of 43 percent from 1980). African-Americans are about 11 percent of the population, and Native Americans make up most of the remainder.

San Francisco's household incomes are substantially lower than regional averages due in part to a large concentration of single persons and lower income households in San Francisco. According to information on 1988 household incomes (compared to HUD income categories), 36 percent of the households are of very low income (50 percent or less of median income) and 16.6 percent are considered low income (51 percent to 80 percent of median). This amounts to an income of less than \$29,000 for a family of four for more than 52 percent of the City's households.

Brief Management History of SFHA

The SFHA's current administration began in May 1989 and has made several significant changes since then. The housing authority's management structure has been reorganized around the functional tasks required of a housing agency (rather than on an executive structure basis); this organizational structure places more emphasis on specific management activities and improvements being carried out at the SFHA. When restructuring the SFHA, the Executive Director made decentralization of field operations (property management and maintenance) a priority while also consolidating financial management

functions under one department. The following new departments were created: Finance and Administration, Management and Operations, Planning and Design, and Construction and Rehabilitation (the latter two formerly operated as one department).

When the current Executive Director's administration began, the SFHA had been on HUD's troubled housing authority list since 1984. Because the SFHA was originally considered a "financially troubled" housing authority (based on low operating reserve levels), a Memorandum of Agreement (MOA) was executed in September 1989 which cited the following areas of poor performance: low operating reserve levels, low occupancy rate, lengthy vacancy turnaround time, insufficient unit inspections, lack of a management/maintenance, need for development stabilization, and high tenant accounts receivable. This MOA expired but was unfulfilled, so that a HUD review of the agency was conducted in September 1990 which led to negotiation of a new MOA starting July 1991. The current MOA focuses on three areas of improvement, none of which relate to the SFHA's financial management. The three areas that the administration is still focusing on are resident rent collection, annual unit inspections, and vacant unit turnaround time.

To address other areas needing improvement, the SFHA created units within departments to focus on specific tasks. For example, within the Management Operations Division are the Rent Collection Unit--which targets the SFHA's poor but improving tenant accounts receivable record by closely monitoring rent payments with assistance from the new position of Delinquent Revenue Monitor--and the Relocation Unit, which was created in anticipation of extensive modernization work to be conducted at other family developments. The Office of the Executive Director has also been expanded to include Resident Services and Internal Audit, a sign of the importance attached to both addressing residents' needs and implementing sound management controls at the highest level.

Management Objectives for Improving Severely Distressed Public Housing

Based on the MOA and a Comprehensive Plan for Modernization (CPM) prepared by the housing authority for the Comprehensive Improvement Assistance Program (CIAP), the SFHA is moving to implement management improvements identified in the 14 functional areas studied for the CPM. The emphasis is on development-specific management in order to account, as fully as possible, for the individual conditions which apply to each public housing community.

Based on assessments by housing authority staff, the SFHA has two large family developments, Hayes Valley (314 units) and Yerba Buena Plaza East (276 units, the other half of the former Yerba Buena Plaza West development), which are considered severely distressed. In general, the conditions at these developments consist of

- history of poor and neglected maintenance
- poor physical design which often lends itself to crimes being committed on housing

- authority property
- lack of local government support in the form of police protection services; activities are permitted to go on that would not be tolerated elsewhere in the city
- the resident population consists mostly of single women parents and children who are vulnerable to the criminal activities conducted on SFHA property

Decentralization of field operations was driven by the need to improve the SFHA's performance by emphasizing conditions at individual developments. The SFHA has determined that in order to provide the best services to residents, management decisionmaking must take place at the development level and not be tied to the Central Office. Thus, on the SFHA's organizational chart the person delegated responsibility for establishing managerial priorities is more likely to be someone on the Property Management or district-oriented maintenance staff. Bringing this capacity closer to the development level through revised functions for Property Managers is intended to provide each development with the type of tailored management oversight needed. Decisions such as should staff time be directed to repairing exterior lighting or removing graffiti are best made at a local level and not based on Central Office estimations as to which item provides greater benefit in terms of site control.

The Authority's move to decentralize field operations was made to improve conditions at these developments. The SFHA's properties are now divided up into three districts, two for family housing and one for elderly developments. Each district has a District Manager with a staff of several Senior Managers and Property Managers. Maintenance activities are conducted via seven mini-warehouses, which allows for a more timely response to emergency requests, will provide for better planning and will reduce both travel time and costs to the Authority. Maintenance services are provided on two levels: (1) at the development level, the Property Manager and Maintenance Superintendent will control the work flow, enabling the development staff to plan and schedule work orders and to dispatch quickly appropriate craft personnel; (2) at the Central Maintenance level, tasks are performed which require specialized work beyond the technical scope of the development level.

In keeping with the theme of decentralization, resident involvement has taken on more importance as a strategy for improving conditions in family developments. The SFHA has begun examining the potential for resident management at three of its developments, which are Robert B. Pitts (a reconstructed site), Holly Courts, and Alemany. The Authority selected these three developments as the first sites for resident management because they are currently or soon will be undergoing substantial modernization, and the general belief is that residents will have a greater chance for success in management if they are not simultaneously fighting serious physical viability and maintenance problems.

Although the SFHA originally planned to turn three pilot developments over to resident management corporations, it concluded that the agency had insufficient ability to set up systems capable of supporting resident management. The Authority currently has centralized budgeting, accounting, management, and maintenance systems. In addition to

training public housing residents to operate their own development, the Authority would have to establish project-based systems for budgeting, accounting, management, and maintenance. SFHA concluded that this would be too much to undertake successfully at one time, and decided to pursue contracting with private management firms so that it could focus on coordinating with residents and providing the training and other supports needed.

RFPs were issued which required that residents be involved in selecting the professional management companies, and selected management firms must actively recruit, hire, and train residents of public housing for position vacancies within its organization, and must prepare residents to assume management responsibilities when the firm's contract expires. The SFHA found, however, that private management firms generally could not fulfill its requirements. Accustomed as they are to private housing, the companies who responded to the Authority's RFPs seemed not to sense the need for resident involvement and did not have a training component that would sufficiently accommodate residents.

Other resident involvement is focused on anti-drug efforts and initial efforts to establish a nonprofit corporation to assist residents on economic development activity. Also, a resident leadership forum has been established which meets on a regular basis to discuss resident initiatives and to discuss major resident concerns.

II. Overview and Description of the Robert B. Pitts Development

The former Yerba Buena Plaza West development was considered severely distressed public housing back in the late 1970's and early 1980's, so that in 1982 discussions were begun with residents about the future of the development. Since then, the original high-rise buildings have been torn down and new townhouse style units have been built on the same site. The new units, called the Robert B. Pitts Plaza, have only reached approximately 80 percent occupancy, so the timing of this site examination will limit the extent to which the report can make certain conclusions.

Brief History of Original Development, Yerba Buena Plaza West

The Yerba Buena Plaza West complex was originally constructed in 1955 as a high-rise public housing development for 332 families. This facility, like other similar structures, soon developed serious problems. High vandalism, vacancy, and crime rates resulted. The resident population was fairly unstable, as the bedroom size configuration no longer met residents' needs: half the bedrooms in the Plaza West building were one bedrooms and the other half were two bedrooms. Residents typically consisted of young mothers with a very young child who moved out if the mother had more children or as the child grew older, and single adults some of whom had mental disabilities and whose tenancy also resulted in frequent turnover. In the SFHA's 1984 Occupancy Report to HUD the development's (Plaza East and West) vacancy rate was 30 percent.

While one former resident remembers growing up at Yerba Buena Plaza West with fond memories, another current resident interviewed for this report (who was relocated during the rehabilitation process) remembered the neighborhood as deteriorated during the 1970's. The former resident recalled the surrounding community as thriving, with commercial enterprises such as a bowling alley, two theaters, restaurants, and an active African-American community. The current resident recalls how store after store shut down until there was one convenience store left in the surrounding area where there were formerly as many as eight or nine.

The Western Addition neighborhood suffered heavily from redevelopment activities conducted by the San Francisco Redevelopment Agency in the 1960's and 1970's because so much housing was torn down and not rebuilt; also, the redeveloped area was under construction for almost 10 years, a long time for a neighborhood to be torn up. This effort to rejuvenate the area actually resulted in the loss of hundreds of units of affordable housing and disrupted commercial activity, resulting in an overall economic loss.

Redevelopment Process

In addition to problems in the surrounding community, physical deterioration, fire code problems, and serious earthquake structural problems were identified in the buildings. Further, the building itself offered too many entrances which were easily accessible by non-SFHA residents who wanted a place to hide from the police or conduct drug trades.

In an attempt to address these problems, the Authority requested and received \$18,000,000 from HUD to rehabilitate the facility. An architectural team developed a rehabilitation plan which not only addressed the physical deterioration issues but also attempted to remedy most of the inherent problems of high-rise buildings. In August 1984, the work was publicly bid, but the lowest bid exceeded the available funding by \$4,000,000, causing a considerable delay in the redevelopment process.

The design of the new construction is based on a number of design principles most of which are derived from the research, interviews of tenants and staff, and knowledge of the problems with public housing for families, acquired during the programming phase of the modernization of the Yerba Buena Plaza West. These design principles are largely based on the overriding concerns regarding image, safety from crime, and maintenance and management issues.

Much emphasis was placed on making the project as compatible and as similar as possible to the housing in the community around it, in terms of scale, overall organization with respect to the street, and in general appearance. The units and entrances line the street, so that they are part of the neighborhood instead of being pushed back and isolated. Exterior finish is all horizontal wood siding. The budget did not allow for bay windows, but there is an attempt to detail the windows so that they are articulated as much as possible. Victorian-

looking cornices, wood entry stairs and low picket fences help give the project a San Francisco residential look.

The project is organized so that all units and their entrances are directly off the streets instead of having to travel through long corridors or elevator galleries. This makes access to the units direct, visible, and safe. All units are walk-ups; there are no elevators, which are always a problem in family public housing. The buildings are three story flats or two story four bedroom townhouses. The ground floor units have individual entrances through private front yards while the two second-floor and two third-floor units share an open stair and front porch at the second level. From these second-floor porches, there are two private doors leading directly into the second floor units, and two private doors and private stairs leading to the third floor units. There are no shared interior lobbies or stairs, which usually cause crime and maintenance problems. Parking lots are small and open to the street so they are visible and safe. They are lined with units and do not connect to the interior communal open spaces, keeping the communal open spaces completely private to residents.

The original and new developments compare as follows:

Original Development

332 units, 631 bedrooms
3 and 12 stories, concrete composition
no on-site management office space
density of 72 dwelling units per acre

Reconstructed Development

203 units, 542 bedrooms
1, 2, and 3 story wood frame
management office and community facility on site
density of 44 dwelling units per acre

With the advantage of a clean slate and a development in excellent physical condition, the SFHA is working towards resident management at Robert B. Pitts Plaza. The SFHA administration is committed to fostering resident participation at all developments as much as possible, and therefore the ultimate management goal of the SFHA and the Robert B. Pitts Resident Council is to have the Robert B. Pitts Plaza managed by the residents of the development. Currently, the SFHA Office of Resident Services is working with the Robert B. Pitts Plaza's Resident Council to help select a training firm to provide instruction to the Council in board development and community outreach.

III. Detailed Profile of the Robert B. Pitts Plaza

Because the development is so new, it has several elements that distinguish it from other SFHA family housing and of which SFHA management can take advantage: design features intended to provide greater personal security; emphasis on resident management and services; maintenance operations have been decentralized so the development gets more attention than it would have prior to the change in service delivery; and a resident tenant selection screening committee. Thus, the SFHA's and residents' efforts are currently

focused on management, rather than maintenance, in order to train residents to be managers, keep the area safe and free from drug activity, and implement residential policies to encourage residents to take care of their homes and surroundings.

The head of the Robert B. Pitts Resident Council reported that the priorities for the development are to (1) keep the development as nice as it is, (2) get a security system with buzzers to units installed, and (3) establish routine Saturday clean-ups of the development and get all residents involved. As mentioned above, the SFHA staff is also helping the residents develop the capacity for resident management. Currently, the resident council is in the process of selecting a training firm to teach them board of director development and community outreach. The SFHA has held to its commitment to fostering resident management by contributing \$40,000 of CIAP management improvement funding for a management consultant, as well as by making a commitment of operating dollars to fund a staff position for working with resident organizations.

While the SFHA originally intended to hire a private property management firm to run the Robert B. Pitts Plaza development, its requirements for such a firm included the capacity to involve residents in management decisions, train residents in property management, and eventually prepare residents to take over management of the development. None of the firms that responded to the SFHA's request for proposals sufficiently addressed these concerns, and this fact makes a case in point: the SFHA cannot hand over responsibility to residents without sufficient preparation, and realizes that it must play a very supportive role in providing training opportunities and informing residents of what is required of a property management organization. The SFHA is involving the resident council as much as possible in management decisions, such as the use of community space for resident services programs, but also recognizes that assigning responsibility for the entire development immediately to a young resident organization would be too great a burden.

In keeping with promoting resident involvement throughout the redevelopment process, residents have been involved in the tenant selection process for re-occupying the development. A resident screening council was established which consisted of members of the Pitts Plaza Resident Council and SFHA staff. The council assesses suitability for occupancy at Robert B. Pitts Plaza, including reviewing rent payment history, history of relations with neighbors, lease action, and assessing ability to abide by Pitts Plaza House Rules. All applicants for units at Robert B. Pitts Plaza, including former residents and other certificate holders who were given priority, were subjected to this screening process. Residents who clear normal SFHA screening do not automatically qualify for occupancy at Robert B. Pitts Plaza. While the resident screening council did not have the authority to reject an applicant, it did have the opportunity to recommend to the SFHA that certain applicants be denied eligibility for the Robert B. Pitts Plaza.

Because the Robert B. Pitts Plaza development is actually a reconstructed site, the development's occupancy plan awards two tenant selection priorities in addition to the usual procedures. The SFHA placed residents based on a settlement agreement (for a lawsuit on

replacement of affordable housing in the Western Addition, of which Robert B. Pitts Plaza is a part; details follow in next section), which was designed to accommodate households displaced from the neighborhood by redevelopment activity and the reconstruction of Yerba Buena Plaza West. Top priority went to former residents of Yerba Buena Plaza West, some of whom still lived in other SFHA family developments and were expected to apply for return to a unit at the Robert B. Pitts Plaza. Priority 2 status went to "A-2" Certificate holders who had been relocated from the adjacent Western Addition based on a settlement from a suit against HUD. The SFHA advertised extensively, and after all applicants from those two groups were given time to apply and decide, the SFHA went to its family housing waiting list and invited those families to apply for a unit at Robert B. Pitts Plaza. The end result was that approximately 70 families out of the eligible "entitlement" families (former Yerba Buena Plaza West residents) moved back into Robert B. Pitts Plaza, only three families from the A-2 certificate holders list responded to notices, and the rest of the units were filled by applicants from the SFHA's waiting list.

Becoming a resident at Robert B. Pitts Plaza also includes attending an orientation session conducted by SFHA staff and residents, which covers introduction to the Resident Council, description of management and maintenance functions, review of House Rules, rent payment, annual reviews, SFHA eviction and grievance policies, care of unit and appliances, use of thermostats, appliances and systems, trash collection, safety, parking, site tour, and general orientation to the surrounding community. Finally, the SFHA and the Pitts Resident Council worked together on establishing a set of House Rules which go beyond the SFHA lease requirements. The House Rules are aimed at encouraging residents to take care of and keep clean their surrounding environment.

Residents are also involved in securing on-site services and have been approached by several social services providers who would like to set up programs in the community facility. Examples of such programs are a child care center and an after-care program for school-age youth; residents are also interested in starting up youth programs. The SFHA is acting as a facilitator for residents in negotiating issues of providing program space at Robert B. Pitts Plaza to service providers. The SFHA believes that the residents would benefit from concentrating on establishing a resident management component at the development first though, before taking on too many additional responsibilities.

Residents and housing authority staff are also working together to maintain the development in its new and attractive condition. In addition to housing authority maintenance activities, residents have organized a regular Saturday clean-up event, for which they have requested special T-shirts for the kids, which are meant to clean up litter and do some light maintenance on the grounds. SFHA maintenance staff loan equipment and have provided groundskeeping advice to residents.

As a development in SFHA's District C, the Robert B. Pitts Plaza is supervised by a Property Manager, Senior Manager (clustered with other developments), and a District Manager (who supervises nine developments as well as scattered sites). Maintenance

responsibility lies with the Maintenance Superintendent who reports to the General Superintendent. Although Robert B. Pitts Plaza does not receive any extra maintenance attention, the development has benefited in terms of timing, as the decentralized maintenance plan went into effect a few months before the development was occupied. Robert B. Pitts Plaza shares maintenance staff with only one other development and some scattered sites.

According to the Robert B. Pitts Plaza Management Plan, staffing for the development is as follows:

<u>Position</u>	<u>% of Time Devoted</u>
Property Manager	100
Administrative Clerk	100
Senior Manager	45
District Manager	10
Maintenance Superintendent	45
Laborers (3)	100
Custodian	100
Carpenter	100
Painter	100
Plumber	100

When Robert B. Pitts Plaza was redesigned, the main criteria employed were as follows:

- provide maximum security for residents and the neighborhood;
- develop a complex which will not attract criminal activity;
- develop a stable, fully occupied and well managed facility;
- develop structures which will require low maintenance attention;
- develop structures which are attractive and which fit into the surrounding neighborhood; and
- reduce the number of apartment units on the site.

From a design perspective, the following solutions were implemented:

- communal open spaces are completely enclosed from the street; one cannot get to them except through the units;
- communal areas are organized around different areas for different age groups, i.e. tot lots (visible from units), playgrounds, half basketball court;
- private yards protect ground floor unit windows and give them privacy; undesig- nated communal open space (e.g. space not designated for a specific use like a playground or attached to a unit) was avoided because it tends to be neglected and unclaimed;
- community center can be accessed from the street and from the common outdoor

- area; spaces are organized so that the receptionist/clerk in the office has a view into the laundry, mail area, public toilets, and the entrances to the building; and
- provide private entrances off open common stair and front porch, thus eliminating semi-public spaces which usually cause both crime and maintenance problems.

To address residents' security concerns, Robert B. Pitts Plaza is included in a police protection program conducted at all family developments. The SFHA contracts with the San Francisco Police Department for patrols, and the residents consult with police officers about what times of day they feel are the most crucial for police presence. In addition, the nonprofit group Safety Awareness For Everybody conducts safety training for kids and training for residents on organizing neighborhood block clubs and crime watch groups. SAFE maintains a very close relationship with the San Francisco Police Department, and had been working with residents in other SFHA family developments before becoming involved with residents at Robert B. Pitts Plaza. So again, residents at this new development are benefiting from the experience of programs established before the new development was occupied.

IV. Review of Steps Taken by SFHA to Improve Conditions at Pitts Plaza

As mentioned earlier, discussions were begun as early as 1982 with residents on how the Yerba Buena Plaza West should be rehabilitated to make the site more livable. Clearly, the process was quite time consuming, since residents have just recently (December 1991) moved back into the reconstructed buildings. Yerba Buena Plaza West was located in an area known as the Western Addition, and in the 1980's the SFHA decided to concentrate on that part of the city because it had spent the better part of the 1970's rebuilding housing in the Hunter's Point section of the city. Within the Western Addition, the SFHA's high-rise developments had the greatest problems in terms of vacancy rates and need for modernization.

Once the SFHA decided to conduct comprehensive modernization on the three high-rises in the Western Addition, it applied to HUD for funding. The year that HUD implemented "Total Development Cost" (TDC) guidelines and limited CIAP funding to 69 percent of TDCs for high-rise buildings, which was 1984, was the same year that the SFHA publicly bid reconstruction of Yerba Buena Plaza West. Bids for rehabilitating the 332 units came in at \$22 million, architects' estimates for the project totaled \$18 million, and HUD funding limits according to its development cost guidelines allowed \$14 million for the project. The SFHA then applied for a waiver to the cost limitation guidelines, and at this point HUD reviewed the options. After a detailed evaluation of the options available, HUD chose to recommend the removal of the existing buildings, and the construction of fewer, non-high-rise apartments in their place. Had the SFHA been attempting this project one and a half years later, the scenario would have been much different, for in February 1988, Congress imposed a unit-for-unit replacement rule on all renovation or reconstruction projects. Estimates indicated that new construction would be cheaper than modernization.

HUD approved the reconstruction option by amending the ACC and providing development funds, instead of CIAP monies for the project. HUD's support of this particular project was influenced by earlier redevelopment activities in the Western Addition and its participation in a settlement agreement between HUD, the SFRA, and the SFHA. The San Francisco Redevelopment Agency cleared and redeveloped an area, referred to as the A-1 area, surrounding what is now Geary Boulevard, and in the process eliminated many units of affordable, low-cost housing. HUD then established what is known as the A-2 area surrounding the redeveloped corridor, but the needed replacement housing still was not built. When the redevelopment was completed, 200 units of family housing had been eliminated, another 200 owned by the SFHA as part of the Rosa Parks development were eliminated because that building was rehabilitated from family and elderly housing into just elderly units. Western Addition residents, represented by the San Francisco Neighborhood Legal Assistance Foundation, filed a suit against HUD for failing to fulfill its pledge for more affordable housing. Therefore, when HUD began the Comprehensive Improvement Assistance Program (CIAP) in 1980, the SFHA was invited to submit an application for funding to restore the vacant units. Based on events in that particular community, HUD had some responsibility to help the SFHA improve the housing conditions there.

When the SFHA began planning for Yerba Buena Plaza West's re-design and improvement back in the early 1980's, the Mayor's Office had decided to make affordable housing a priority issue. The City became interested in trying to help the SFHA and in meeting HUD halfway by matching funding contributions. The Mayor's Office was very supportive of the public housing program in general, and was known for showing up for clean-up or work days at public housing developments. Prior to this, competition for housing funds from sources like Community Development Block Grant (CDBG) had been stiff because housing nonprofits like CDCs felt they should get all the assistance and the public housing was only for very low-income families. At this time the City also had a budget surplus and housing interest groups built up pressure to create an affordable housing trust fund; \$10 million was set aside for this fund and an Office-Housing Linkage Program was also started. From the Housing Trust Fund the SFHA received \$2.9 million for the Pitts Plaza redevelopment.

Funding amounts contributed and sources for the entire reconstruction project are as follows:

City and County of San Francisco	\$ 2,900,000
CIAP for Relocation, Demolition, and Soil Work	400,000
SFHA	16,000
SFHA Section 8 Reserves	1,800,000
HUD Development Funds	<u>17,062,700</u>
Total Cost	\$ 22,178,700

Temporarily, to get the project started, the SFHA put up \$1.8 million to get the project done, but has since applied to HUD for approval to raise the TDC appropriation to 105 percent and recapture the \$1.8 million. This was required because HUD delayed

publishing new TDCs for one year, which made the SFHA eligible for a higher amount of HUD development funds. The SFHA was held to TDCs for an earlier building year, which were not appropriate for building costs of that period.

Another obstacle was neighborhood opposition. After the SFHA moved resident families out of Yerba Buena Plaza West in 1986, the buildings sat empty until they were torn down in 1989. In the meantime, other housing was built in the neighborhood, some Section 8 new construction and some other privately owned subsidized housing. Once these units were built and their residents became established in the neighborhood and the area became economically viable again, opposition to rebuilding public housing in the community sprung up.

The planning process for this project involved many different groups. A working group was set up by the SFHA which included residents, representatives from SFHA departments of Planning & Design, Construction, Maintenance, and Housing Management. This practice, which was initially begun *ad hoc*, has become part of SFHA's standard operating procedures for planning at other developments. On design issues the SFHA also engaged the services of a social science consultant (observed site 24 hours/day for 3 days and transposed usage patterns onto a map), met with the City Planning Department, presented the design to the Mayor and City Department directors, the Police Department's Crime Prevention Unit, met with the neighborhood group Planning Association for Divisadero Street (PADS), and met periodically with a group of former residents to give them updates on the project's status and discuss design changes. Architects and traffic engineers were also consulted to discuss traffic flow and parking patterns and how to adequately accommodate their impacts.

The redesign process consumed an enormous amount of housing authority staff and architectural consultants' time, as a *rehabilitation* plan was initially drawn up in the early 1980's, but then reworked for *reconstruction* in 1986 - 1988. Former Yerba Buena Plaza West residents were consulted early and often during both phases. Also involved in design discussions were city agencies and several neighborhood advocacy groups. One particular group, PADS, was particularly vocal in its opposition and filed several appeals to City Planning Department and San Francisco Board of Supervisors' decisions, thus delaying the process even further. With the assistance of the former Yerba Buena Plaza West residents, these appeals and an eventual lawsuit were defeated and the reconstruction of the development was able to proceed.

As discussed earlier, the SFHA and Robert B. Pitts Plaza residents are anxious to ensure that the development remains a viable one for a long time to come, and are thus implementing procedures such as resident screening of applicants, establishing House Rules (a copy is attached), and encouraging resident involvement in property management.

V. SFHA Major Objectives and Program Activities

Based on what the SFHA has learned from its operations at severely distressed family developments, conversations with residents and staff during the planning process for Robert B. Pitts Plaza and other developments to be modernized, and from the assessment process of writing a Comprehensive Plan, the housing authority is concentrating its efforts on the following management objectives.

The SFHA has made a commitment to decentralize operations, including maintenance activities. With the establishment of seven mini-warehouses, the SFHA plans to provide maintenance services much more efficiently because geographic proximity to developments will allow for more timely responses and more efficient scheduling of work activities; the Robert B. Pitts Plaza development will be serviced by several full-time maintenance staff who report to a District Manager.

Finance and MIS activities will also reflect more project-based emphasis, as the SFHA administration will be implementing project-based accounting and project-based budgeting: budgeting will be done at a project level and will be more efficient by accounting for how resources are allocated on a development-by-development basis, and indicating whether resources could be allocated in a more efficient manner. The SFHA plans to install a comprehensive data processing computer system, which will include terminals at development sites for property managers' use in rent collection and maintaining residents' tenancy records.

As mentioned earlier, the SFHA administration has made a commitment to fostering Resident Management: targeting three developments for the establishment of resident management corporations; these three developments are Robert B. Pitts Plaza, Holly Courts, and Alemany, and were chosen because they will offer residents an opportunity to learn property management without simultaneously facing the burden of a physically nonviable property; some resident organizations have applied for and received Technical Assistance Grants from HUD for their training, and for others the SFHA has allocated some funding.

To address conditions at other severely distressed developments, the SFHA is conducting renovations at other developments: Sunnydale: applying for Comprehensive Grant formula modernization funding to make yards private; Bernal: planning major re-design, ideally would like to remove high-rise buildings and build low-rises that are scattered around but connected.

Resident services: the SFHA has concentrated on developing a comprehensive services model at all of its family developments, based on the principal that one type of social service is insufficient, e.g. simply providing education or public health programs is not enough; many residents need a range of services to support them while trying to improve their economic standing. The five objectives of its Resident Services Work Plan are as follows:

- to identify, coordinate, and implement a comprehensive structure of support services for children, youth, and families in our developments;
- to create a better understanding of the needs of SFHA residents and to educate SFHA staff on resources available to residents;
- to support the needs of the family to enhance self-sufficiency;
- to stabilize and increase staff of the Resident Services Division; and
- to develop a mechanism for increased security at public housing sites.¹

The SFHA has worked to get city and nonprofit organizations to provide services at as many developments as possible; to date, Health Department is at three sites, the Recreation Department is at four sites, and Boys and Girls Club is at three sites. However, the SFHA realizes that it must be careful not to put too great a demand and strain on the service delivery system, e.g. the City cannot afford to locate offices at every site. In an effort to reach as many developments as possible, the Resident Services Office applied for and received CIAP funding for a multi-resource van, which would be staffed with providers of services such as dental care, physicians, and would rotate each day among family developments.

Services are also provided on-site using Public Housing Drug Elimination funding for youth recreation programs, sponsoring citywide sports events, and will be used to start up three drug-abuse treatment programs (one on-site, one drop-in, and one off-site).

In an effort to involve residents in the upkeep of developments, the housing authority has dedicated \$100,000 of CDBG funding to awarding mini-grants of \$5,000 to residents. The SFHA designed a mini-grant application, which residents had to complete on their own (SFHA provided some assistance) and will be responsible for carrying out the specified project; projects include new front doors and security buzzers for a building, security lighting, and childrens' play areas.

Other resident services being promoted by the SFHA include economic development, child care, tutorial programs, health care services, Head Start programs, youth and adult employment and training opportunities, literacy programs, family planning, AIDS training, and mobile multi-resource vans which will be used to provide these services (funded from CIAP management improvement funds).

To facilitate and promote better planning around improving severely distressed housing, the SFHA's Planning & Design has been split off into a separate department; however, this department coordinates working groups to facilitate planning for significant modernization projects.

¹ SFHA, "Restoring Control: The First Two Years, Executive Director's Semi-Annual Report, October 1, 1990 - March 31, 1991," pp. 118 - 121.

On a housing authoritywide basis the SFHA is focusing on more aggressive property management practices such as

- much stricter screening procedures so that the application process does not "recycle" previous residents with poor tenancy records;
- lease enforcement: an SFHA attorney has been assigned specifically to work with Housing Management department on lease enforcement issues; and
- rent collection: the SFHA has hired two Rent Collection Assistants (for the two family housing districts) to assist District Managers in monitoring the rent collection process; the Rent Collection Assistants are responsible for following through on rent collection actions, i.e. following up on late notices and monitoring payment agreements; the SFHA hired these two staff on the condition that they collect rent equal to their salary in the first 6 months, or they would be let go.

V. Summary

In the SFHA's efforts to revitalize the Yerba Buena Plaza West development and restore its features to habitable conditions, the most important feature seems to be the redesign of the property, bringing the dwellings up to contemporary standards of housing design, and usefulness to residents. In this case, construction of new units was considered more cost effective than rehabilitation of the existing ones, and gave the SFHA and its residents what residents needed: more units with larger bedrooms, a safer environment with private entries and a courtyard they could protect, and housing that blends in with the surrounding neighborhood instead of stigmatizing residents. The development's "facelift" also gave the SFHA the freedom to implement new policies and make a fresh start in areas like establishing a resident screening council and instituting House Rules.

The Robert B. Pitts Plaza also benefits greatly from other management practices being implemented at the SFHA, primarily the decentralization of operations and support for resident management. With maintenance and property management functions broken down into districts across the SFHA's properties, the Robert B. Pitts Plaza receives much more individual attention from SFHA staff than would previously have been possible under a centralized management structure. Ultimately, the SFHA's management goal for the new development is to have residents be fully responsible for managing the property. Towards that end, the SFHA has committed staff support and financial resources to encouraging resident management. With residents making decisions about their development, they can manage the property in a way that will help ensure its viability for many years to come.

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Interviews:

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Jack Geary, Assistant Director for Conventional Housing Operations
Eugene Jones, Controller
Karen Moone, Deputy Executive Director for Management Operations
Raenette Saunders, District Manager
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DRAFT

**CASE EXAMINATION of
REDEVELOPMENT OF A
DISTRESSED PUBLIC HOUSING DEVELOPMENT**

**ROBERT B. PITTS PLAZA
SAN FRANCISCO HOUSING AUTHORITY**

Prepared by
Lane, Frenchman and Associates, Inc.
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1. OVERVIEW

This site examination of the San Francisco Housing Authority's (SFHA) Robert B. Pitts Plaza deals with the rare situation where a public housing development, originally called Yerba Buena Plaza West (YBPW), was demolished and where new public housing has been constructed on the same site. The case is of interest not only for a comparison of what exists and what was built to replace it, but also because, as part of the process, a complete redesign of the original development was completed through full contract documents, enabling a final cost estimate which led to the finding that comprehensive modernization would be too costly. Therefore, a comparison among the original development, the rejected modernization plan, and the replacement is possible here. Further, a very similar development to the original development still stands, unmodernized, within four blocks of the site, enabling a "before and after" comparison.

Aspects of this case of particular interest to the National Commission on Severely Distressed Public Housing (NCSDPH) include: (1) the planning and design process, including the methods used to identify problems and their solutions; (2) the earlier proposal for modernization of YBPW which, although found too costly in this case, contains several design concepts which may prove useful applied to comparable projects elsewhere; (3) the cost of the rejected modernization effort, which illuminates some difficulties inherent in achieving a comprehensive redesign effort of a severely distressed and poorly designed environment within HUD's cost guidelines, and; (4) the eventual redesign of RBP, which appears highly successful and includes numerous features worthy of further study.

This case examination is based on a two-day visit to SFHA which included interviews with the Executive Director, Director of Management, Director of Planning and Design, and the architect for project and a site visit.

2. BACKGROUND: SFHA'S MODERNIZATION EFFORTS

The SFHA manages 51 properties, of which 47 are public housing developments, containing 6,722 units, with an average age of over 27 years. The modernization history of these properties has included the following CIAP grant budgets over the recent past: ¹

1991	\$23,769,500
1990	\$18,274,320
1989	\$8,521,000
1988	\$7,308,300
1987	\$4,663,500

In 1992, the future modernization needs of SFHA properties were documented in the agency's Comprehensive Plan for Physical Improvements. The plan estimates comprehensive needs of \$336 million, of which \$150 million were judged to be of immediate priority. The physical improvements plan recommends removal of all hazardous materials, new roofing at 26 developments, selected mildew abatement and heating repairs, and the start of comprehensive modernization at ten (10) developments over the next five years. The study estimates anticipated accrual costs of \$12-15 million, with a recommended annual expenditure level of \$30-35 million. HUD modernization funding for the SFHA is now projected to be \$16,899,000 per year. Comprehensive modernization of Yerba Buena Plaza East, a development similar in configuration to YBPW, was recommended to be initiated in Year 3; however, the level of anticipated HUD funding will not enable this timetable.

Modernization of SFHA properties is the responsibility of the Planning and Design and the Rehabilitation and Construction Divisions of SFHA, which contain a staff of approximately 15, including six registered architects, 2 engineers, 1 planner, and several additional non-registered professional staff.²

3. THE DEVELOPMENT OF ROBERT B. PITTS PLAZA

A. Yerba Buena Plaza West

Yerba Buena Plaza West was constructed in 1955; the project included 332 dwelling units on 1 1/2 blocks in San Francisco's Western Addition Urban Renewal project. Figure 1 shows the site location within San Francisco. A second part of the project, Yerba Buena Plaza East, was located four blocks away from YBPW and contained identical building types. YBPW included two building types: three twelve story high rise buildings were located at the interior of each block, oriented in the north-south direction and each containing 40 1 BR and 40 2 BR units; three story low rise buildings lining Eddy and Turk Streets were located at the east and west ends of each high rise element, containing 2 BR, 3 BR, and 4 BR units.

The high rise blocks were identical. Ground floors were devoted to elevator lobbies, tenant storage areas, and mechanical services, with no dwelling units. Elevator cores were located near both ends of each building, serving a double loaded corridor with eight units per floor: two 2 BR units at either end and four 1 BR units at the center. The top floor, with a smaller central enclosed area, was designed to include laundry facilities, with rooftop drying yards on either side.

The low rise blocks were fifteen sets of flats; each was accessed by a central stair serving six apartments, one on either side of the stair on each floor. Nearly two thirds of these were 3 BR units, stacked, although several addresses had 4 BR units on one side of the stair and two addresses had 2 BR units on both sides. Secondary means of egress was provided through fire balconies and stairs to the rear, or interior of the block.

All construction was reinforced concrete. Parking areas were provided on the east and west edges of each block, with a large paved and landscaped play yard defined at the block interior.

Figure 2 shows views of the existing Yerba Buena Plaza East, similar in plan and character to the original YBPW development.

B. The Initial Redesign Process (1982 - 1984)

The SFHA initiated meetings with YBPW residents in summer of 1982 to ascertain needs and priorities for a comprehensive modernization effort. At approximately the same time, SFHA entered into an agreement with the firm of ED2 and the Community Design Collaborative to provide planning and architectural design services for the development.

Initial activities by the architectural and planning team included resident surveys to identify the location and magnitude of problems as well as on site observations to ascertain the character and intensity of resident use of exterior spaces. Additionally, SFHA staff and local service agencies, including the San Francisco Police Department, were contacted to identify problems and concerns. Major problems were identified through this analysis and are summarized in Table 1.

Figure 1: Site Location of Yerba Buena Plaza West/Robert B. Pitt Plaza



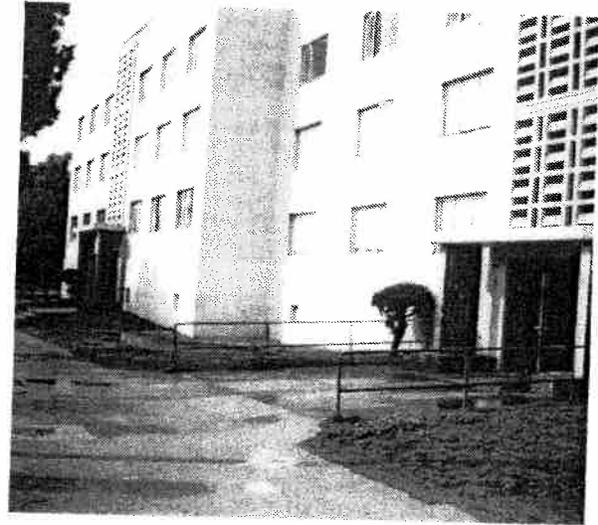
14 Yerba Buena Plaza East

48 Robert B. Pitt Plaza

Figure 2: View of Yerba Buena Plaza East, showing relationship of high rise and low rise elements



Parking area, with view of junction between low rise and high rise



Low rise elements along sidewalk showing open entry stair



Courtyard between pairs of high rise structures, with gate and fence



Distant view of Yerba Buena Plaza East, showing relationship to adjacent low rise housing

Table 1:
Yerba Buena Plaza West: Summary of Major Problems ³

SAN FRANCISCO HOUSING AUTHORITY

Exterior Site Problems	<ul style="list-style-type: none"> o site not safe from falling objects; o site not safe from crime; o playgrounds unsafe; broken glass; equipment outdated; o playgrounds unsupervised and not in view of many units; o parking lots too big, noisy, and used to dump cars; o building approaches intimidating; o no places for teens and older adults; o outdoor lighting poorly laid out and easily damaged; o landscaped areas along sidewalks not well used; o common outdoor areas not well used.
Interior Common Area Problems	<ul style="list-style-type: none"> o building appearance institutional; out of scale with neighborhood; o elevators unsafe and unreliable; o stairways dirty and unsafe; o entrances uncontrolled and windy; o corridors unsafe, unpleasant and noisy; o poor lighting in lobby, elevators, stairs, and corridors; o ground level spaces empty, open to vandalism and crime; o single garbage chute in tower poorly located; o garbage chutes too small and too high o laundry too far from units and inconvenient; o no mailboxes for many units; o SFHA offices too far away; o children need toilets near playgrounds; o people do not know one another in high rises; o roofs of high rises dirty and used as escape routes; o fire hose equipment cabinet equipment vandalized.
Apartment Unit Problems	<ul style="list-style-type: none"> o vacant units vandalized; o windows do not work properly; o damaged entrance doors and hardware; o walls around door frames crumbling; o plumbing breaks down often; o roof leaks; o heating cannot be controlled; o no doors on closets; o no showers; o not enough kitchen storage; o no private outdoor space.

This menu of problems was used by the design team, residents, and SFHA as a means of generating possible solutions. The design, finalized in the spring of 1983, incorporated a wide variety of measures to respond to these problems.

The comprehensive modernization plan included significant redesign of the high rise towers and site as well as modernization of the low rise buildings, while retaining their original configuration. The major features of the plan included:

- o **High rise buildings** -- the two open breezeway entries for each high rise were eliminated in favor of a single expanded building lobby oriented to the exterior street frontage. The effect of this change was to eliminate through building movements and make the entries more secure. Common facilities were located near the lobby entry and elevator lobbies were enlarged to eliminate blind corners and hiding places. Additionally, one dwelling unit was located opposite each high rise elevator on the ground floor, to be occupied by a tenant who would also take some building supervisory responsibilities to ensure that the lobby would have active surveillance. The four lower floors of the tower buildings were gutted to create walk-up units for large families with private entries, reducing density within the common elevator lobbies and providing increased ground contact for large families on the site. Two sets of exterior stairs were added to each high rise building to service these units from within the courtyards.

Within floors 5-10 of the high rises, the four 1 BR units were combined into two 2 BR units. In conjunction with this change, the center loaded corridor was eliminated, allowing the elevator on each side of the building to service only three units, further reducing the number of people on each floor sharing common corridors. Where possible, design changes were conceived to enable modification of the monotonous character of the building exterior; the combination of the first floor lobby extension, four story exterior stairways serving walk-up units on the first four floors, new trash chutes, and small bay window additions in unit living rooms combined to break up the texture and scale of the high rise slabs.

- o **Site** -- the entire site was redesigned to respond to the problems identified and to engender a sense of custody and security which would lead to its more effective use by the residents. Parking was divided into smaller lots, close to building entries. Tot-lots were designed to be near major common entries, encouraging ease of child surveillance by parents. Larger play spaces for various age groups were located to the interior of blocks, discouraging "walk-through" use by non-development residents. Privacy fences enclosing exterior yard spaces of walk-up units were added, as well as defined exterior spaces along the street edge. Finally, site entry portals, sufficiently wide to allow fire equipment access, were placed at the pedestrian entries to the site at

the middle of each block to define the site and provide a greater street front identity.

- o **Low-rise buildings** -- an effort was made to reclaim some of the unused ground floor space in these buildings for either common use or for living space, through creation of two-story townhouses. Additionally, upper floors of these structures were retained as flats, but terraces were added to define a better separation between these buildings and the street and to serve as clearer semi-private access routes to the upper floor units.
- o **Units** -- were treated relatively uniformly throughout, with replacements of kitchens and baths, and, in most cases, reconfiguration of layouts to yield workable kitchen spaces, sufficient space for family dining, adequate bedroom layouts, and sufficient storage space. On the upper floors of the high rise, the central double-loaded corridor was eliminated, giving the space over to reconfigured units, combining the four 1 BR units at the center of the building into two 2 BR units.

The result of the process, carried out in consultation with YBPW residents, and the Plan was the elimination of most of the problems which had been identified previously (see Table 1). Figure 3 shows a rendering of the proposed rehabilitated development. Figures 4 and 5 indicate some of the design principles which were incorporated into the rehabilitation plan.

C. The Decision to Demolish (1984 - 1985)

In August of 1984, bids were received for the rehabilitation and were substantially above the estimated cost. The low bid was for approximately \$22,000,000 and exceeded the available funding by approximately \$4,000,000. In December of 1984, SFHA requested approval from HUD to exceed Prototype Cost Limits for the rehabilitation project, having reviewed the design and determined that approximately \$3,289,700 could be cut from the project by making non-critical changes, potentially reducing the construction cost to \$18,710,300. Despite these reductions, when prior expenditures and other eligible CIAP costs were added, the total required budget for the project at that time would have been \$22,680,380, as compared to an estimated allowable cost, using HUD prototype cost limits, of \$15,208,390.

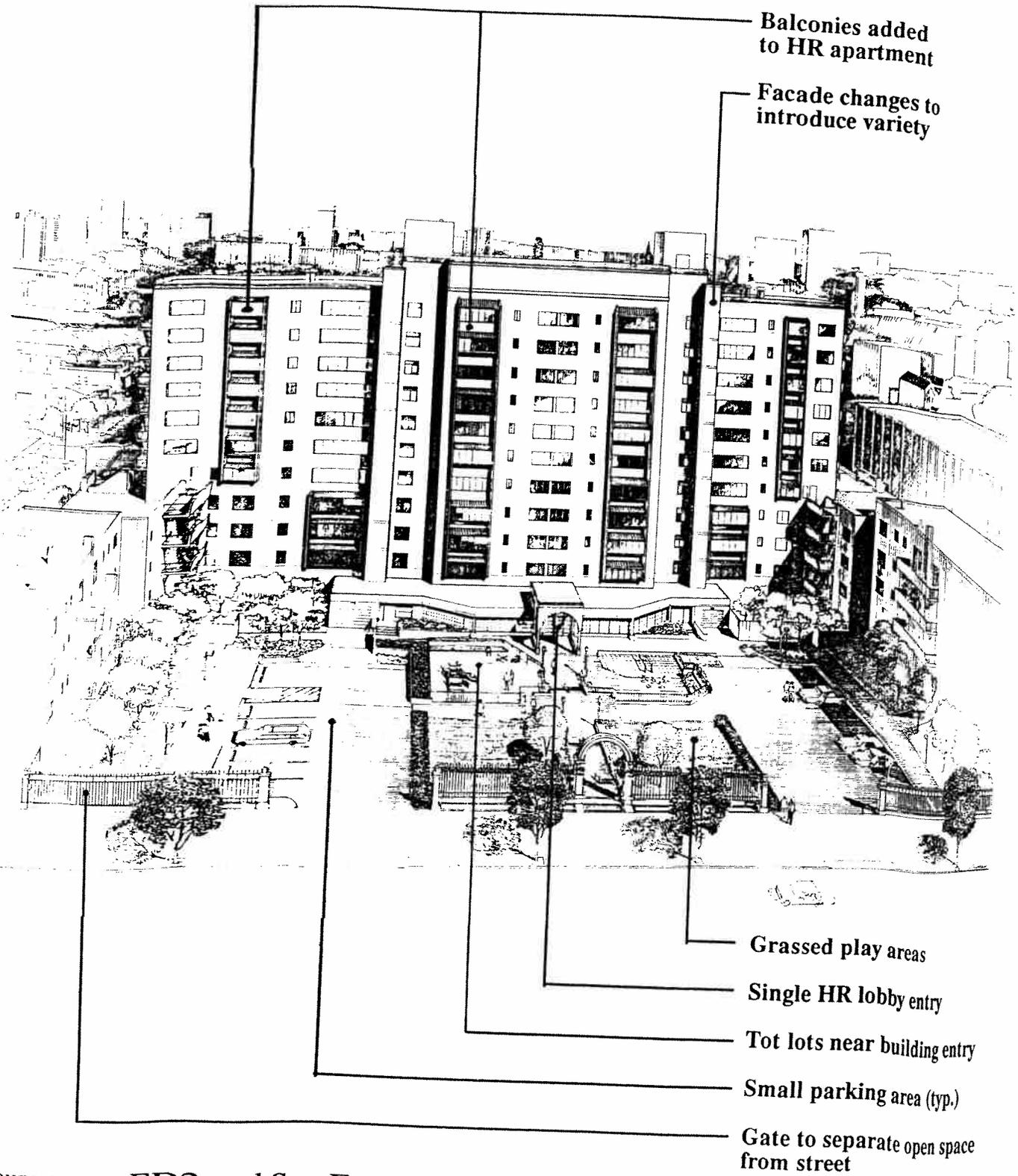
In spring of 1985, SFHA had a series of meetings with HUD regarding the project, culminating in a request by SFHA, subsequently approved, to demolish the project and to replace it with new construction, providing a lesser number of units. SFHA's request for demolition was based on substantial resident support for this decision; residents were assured that demolition would be followed by construction of new apartments and that these same residents would be allowed to return to these units. The YBPW residents did support this approach and agreed to be temporarily relocated

to allow the process to proceed. At the time, the number of units requested was approximately equal to the number of residents still remaining on site, just over 200. The decision was made concurrent with settlement of outstanding litigation regarding HUD's and the City's prior commitment, not yet fulfilled, to include new housing in the Western Addition Renewal project.

D. The Design for New Construction of Robert B. Pitts Plaza

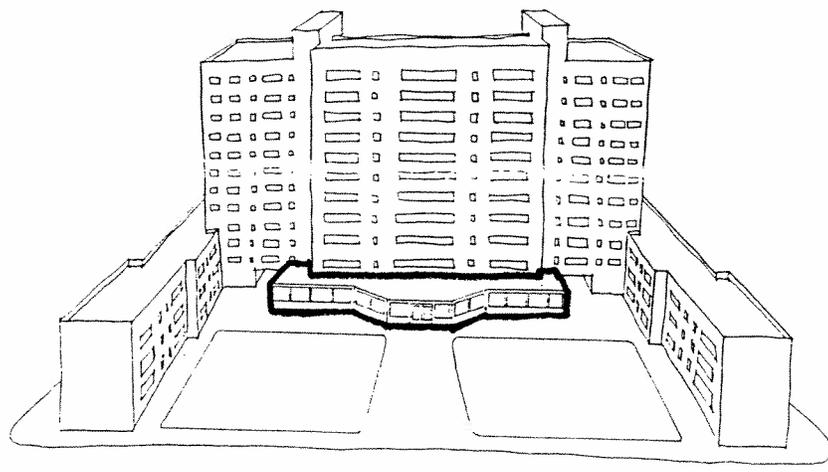
By early 1986 the design process was reactivated; a series of meetings with residents and neighborhood groups took place in the summer. By early 1987, coordination meetings were taking place with City agencies, residents, and neighborhood groups to discuss the proposed design. During this process, objections were raised to the effort by a group of neighbors who formed an organization called the Planning Associates for Divisadero Street (PADS). This group appealed the San Francisco Planning Department's approval of the development to the City's Board of Supervisors, appealed each building permit issued, and finally filed a lawsuit to stop the effort. With help of former YBPW residents, who spoke eloquently in support of the new complex, the SFHA was able to defeat each challenge. Although the SFHA was eventually successful, the efforts of PADS did delay the construction process and resulted in increased staff, legal, and construction costs.

Figure 3: **Architects Rendering of Design Proposal for Rehabilitation**



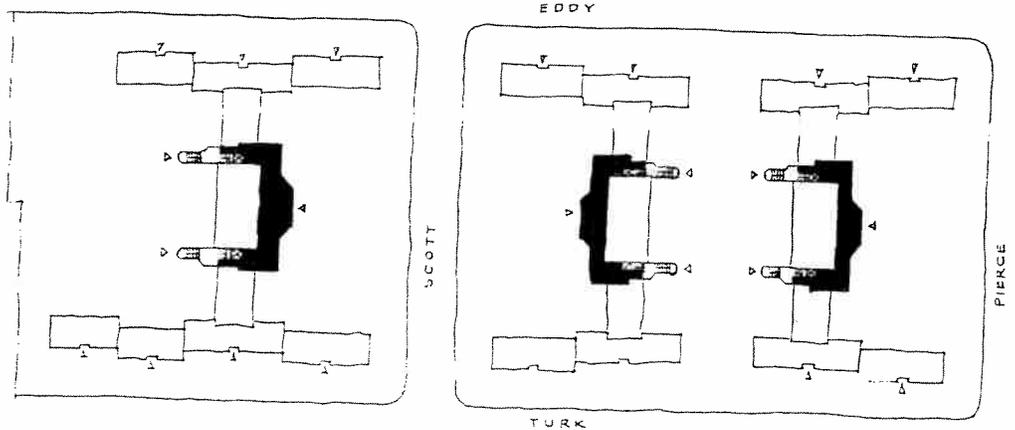
Source: **ED2 and San Francisco Housing Authority**

Figure 4: Selected Design Principles Incorporated into the Rehabilitation Proposal

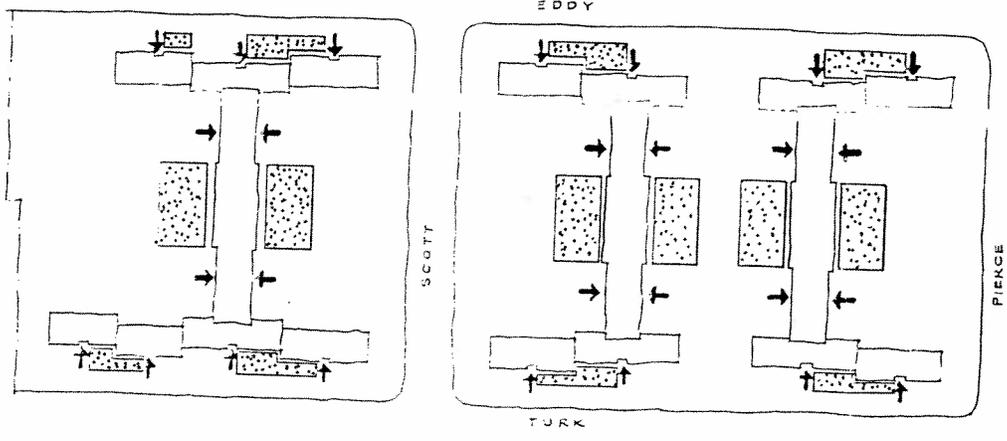


LEGEND
 [Black Box] Central Controlled Lobby to Floors 3-11
 [White Box] Open Exterior Stairs to Walk-ups

Defined Entrances



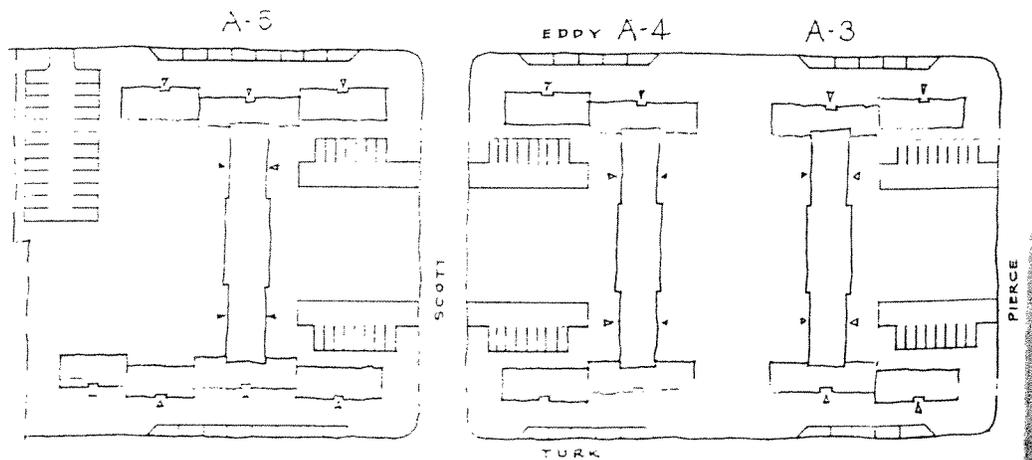
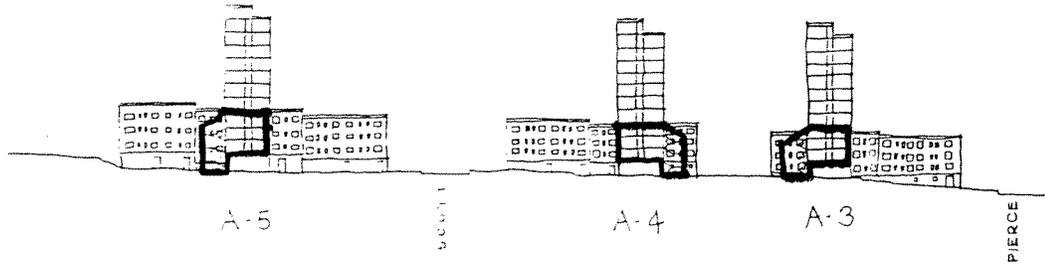
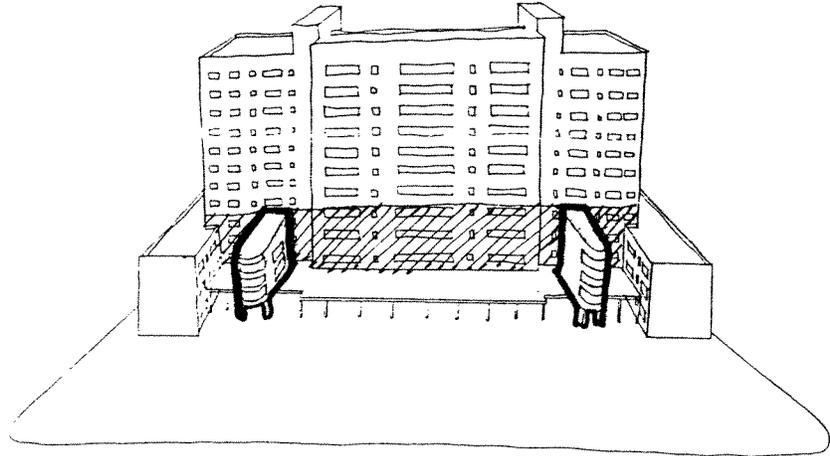
Visible Playgrounds Near Entrances



Source: ED2 and San Francisco Housing Authority

Figure 5: Selected Design Principles Incorporated into the Rehabilitation Proposal

**4 Story Walk-ups
in Tower Buildings**



**Parking in
Small Lots**

Source: ED2 and San Francisco Housing Authority

Other such replacement efforts in the future are likely to experience similar opposition from neighbors who may see them as an opportunity to remove low income families from their neighborhoods. A construction contract was let by 1990, with occupancy completed by early 1992. The total construction cost was approximately \$19.2 million, of which \$1.2 million was provided through HUD CIAP funds and \$2.9 million from City of San Francisco housing assistance funds.

In developing an approach to new construction on the site, SFHA and the design consultant used the previously gathered user needs and preferences information, attempting to avoid many of the shortcomings of the predecessor project. Major features of the resultant design include the following: 4

- o **Development Image** -- all buildings were designed to a maximum height of 3 stories, configured to blend with the prevailing neighborhood scale. Consistent with other San Francisco housing, segments of buildings step up and down with the topography, further breaking down the scale of the overall complex. Units and public entrances are all oriented to the streets. Materials were used on the exterior that were residential in scale and compatible with nearby private housing. Exterior wood siding, ground floor stucco, metal grillwork and gates, and details of windows and cornices were designed to emphasize a residential feel and scale. Small bay window elements (projecting only 8"), segments of protruding parapets, and decorative cornice details were all used to provide a textured and varied feeling for the facade which, while not "Victorian style," is in character with the surrounding neighborhood. Varied colors were used for building segments which further accentuated the sense of variety and affinity of scale and detail with adjacent, older housing.
- o **Differentiation of Public and Private Spaces** -- all units and entrances were placed directly accessible from adjacent streets, with front entries set off from the street by small yards or porticoes, creating small private entry areas separate from the sidewalk. In the case of upper floor units, stairs are run from the street to upper level porch entries at the second level, leading to private entry doors, one per unit. This pattern of private entry off an open common stair and front porch is very characteristic of San Francisco; thus it both meets the needs of residents for security and identifiability of their entry and is consistent with the prevailing residential patterns in the community. There are no common hallways or entry spaces. Further, the block interior is accessible only through the units (via back doors) or through site common facilities; thus these spaces are used only by residents of the development and their guests.

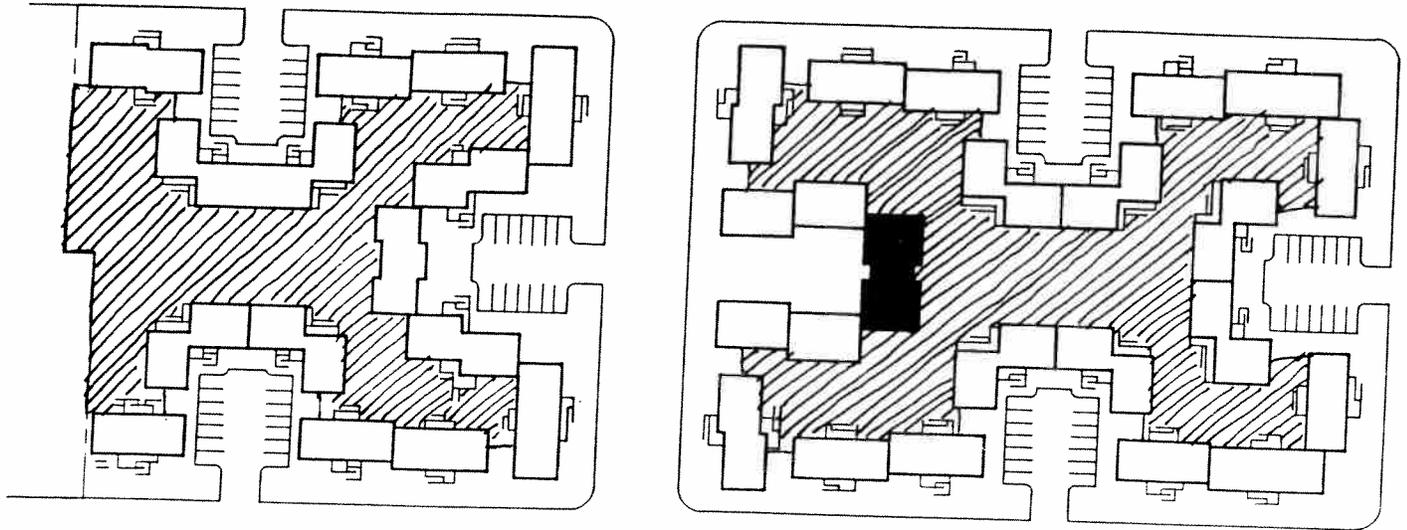
- o **Hierarchy of Exterior Spaces** -- common open spaces were designed to serve a variety of on-site users and age groups; these range from a half basketball court at the center of the full block portion of the development, overlooked by the management office, to tot lots with play equipment, climbing structures, and planting beds intended for eventual personalization by resident gardeners. The stairs which connect upper level units to the rear common areas incorporate small sitting areas at landings where doors are located, providing back "stoops" for outdoor sitting with good visibility of neighbors and childrens' play areas. Small private yards are provided to the front and rear of all ground floor units to serve as a buffer to more public spaces and to enhance security.
- o **Careful Location and Design of Common Facilities** -- a SFHA site management office, laundry, and other common rooms are located at the mid-block of the larger parcel. These facilities provide a monitored common entry to the rear yard as well as a point of surveillance for SFHA staff at the center of the development. Parking was broken into a series of small lots of no more than 12 cars, visible from the front doors of many units.
- o **Unit Design to Meet Family Needs** -- most ground floor units are either accessible or adaptable for use by the disabled. Eleven units (5%) are fully wheelchair accessible and 64 units (nearly all ground floor units) are adaptable. Separate dining, kitchen, living areas are defined for all units, proportioned to the occupancy anticipated. Adequate storage is included, including coat closet, linen closet, and bedroom closets, all with hinged doors for long term durability. All kitchen cabinetry is heavy duty for long term durability. The four bedroom townhouses have a half bath downstairs and a full bath upstairs.

Figure 6 shows the site plan of the Robert B. Pitts Plaza development. Figures 7 and 8 show views of the completed project.

E. Comparison of Original, Rehabilitation, and Replacement Designs

Table 2 compares unit mix, unit size, density, and building type for the original Yerba Buena Park West development, the rejected rehabilitation plan, and the completed replacement design.

Figure 6: Site Plan of Robert B. Pitt Plaza



-  **Community Center/
Management Office**
-  **Rear yard enclosed to
prohibit street entry.
Contains a variety of
open spaces for different
tenant age groups**

Figure 7: Selected Views of Completed Robert B. Pitt Plaza Development



Entry to community center at middle of block



Street edge, showing relationship to adjacent housing on block beyond



Street view, showing varying topography, cornice line, stair details

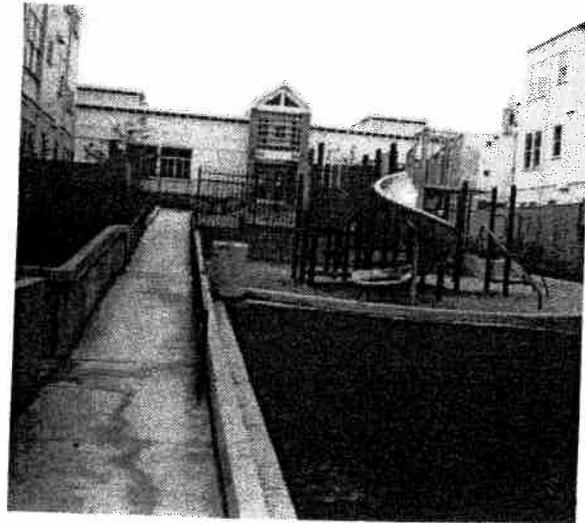


Parking courtyard, with housing entries surrounding it.

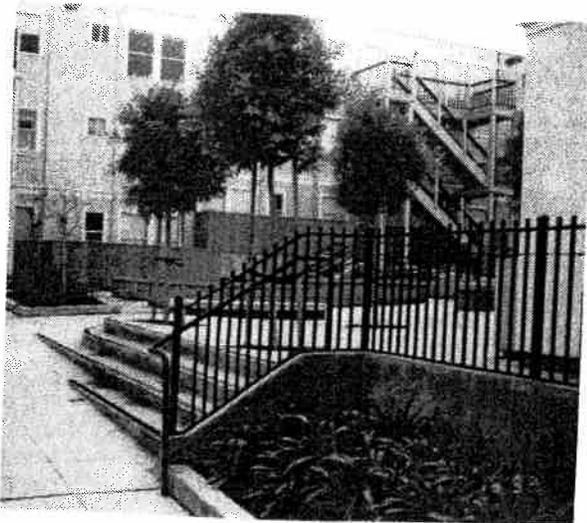
Figure 8: Selected Views of Completed Robert B. Pitt Plaza Development



Basketball court at private center of block interior



View of play structure; housing on either side, community center in distance



Fence and planting in common yard area. View of rear entries with stoops beyond.



Play structure within view of rear unit entries.

**Table 2:
Robert B. Pitts Plaza: Comparison of Major Features
SAN FRANCISCO HOUSING AUTHORITY**

	Original Yerba Buena Plaza West	Redesign Proposal	Replacement Design: Robert B. Pitts Plaza
# of Units:			
Studio	-	16	-
1 BR	120	26	-
2 BR	137	119	78
3 BR	63	84	114
4 BR	12	12	11
Total	332	257	203
Unit Size (SF):			
Studio	-	560	-
1 BR	488-506	630	-
2 BR	650-660	650-900	725
3 BR	780-920	780-1,450	925
4 BR	1,035	1,035	1,200
Building Type	12 story HR 3 story walkups with 6 units per stair	12 story HR, redesigned to convert floors 1-4 to walk-ups and townhouses 3 story walkups modernized	3 story walkups and townhouses
Density:			
DU/Acre	72	56	44
BR/Acre	136	126	96

Clearly, each iteration of the design resulted in a reduction of units. The rehabilitation plan reduced the unit count from 332 to 257, although this reduction was principally caused by a shift in the unit mix, removing 1 BR units, and consolidating other smaller units to accommodate more large families. The eventual new construction project resulted in 203 units; although these were largely 3 BR units, this still resulted in considerable reduction of site density, as indicated by the comparison of bedrooms per acre.

The principal and most apparent difference between the rehabilitated approach and the new construction is the scale of the resultant environments. At a maximum height of three stories, the project as built relates well to the surrounding neighborhood, whereas the rehabilitated approach would have always been visible from a distance and, perhaps always identifiable at a distance as "public housing." Additionally, although the rehabilitation design was highly creative in making the first four floors of the high rise workable for large family units, there would still have been substantial density of use on the immediate open spaces surrounding these structures, as they would have served both the elevator lobbies and new stairways.

The rehabilitated approach would have maintained family occupancy in the high rise structures, changing the mix of units on the typical floor by converting four 1 BR units to two 2 BR units. Consequently, the rehabilitation approach would have retained considerable common circulation space to be shared by families; both on the corridors of the typical floors and at the ground level. Despite the improvements from the original design, such an approach has the potential to retain some proportion of the original problems which characterized common space at the development. Similarly, the higher density of the rehabilitated approach compared to the new construction results in a site plan where more users compete for less space and where the minority of on-site families have private access to exterior spaces. Both of these attributes are attributable to density, although the increased parking for the rehabilitated scheme further "squeezes" to available site space.

F. Comparison of Costs

It is difficult to accurately compare the rehabilitation and new construction approaches, as they were designed at different times and included different unit mixes. In an effort to get an approximate comparison, costs of the rehabilitation effort have been inflated to the time of receipt of bids for the new construction, yielding the following comparison. (See Table 3) It should be noted that this comparison, although expressed in terms of average cost/unit, does not account for presumed cost of replacement units which current day regulations would require for both the rehabilitation and new construction designs. If included at "market" levels, accounting for the high cost of land in the San Francisco area, replacement housing units could cost from \$120-140,000 each.⁵ This would substantially change the cost comparison, as shown in Table 4.

Table 3:
Robert B. Pitts Plaza: Analysis of Costs
SAN FRANCISCO HOUSING AUTHORITY

	Date	Cost Estimate	Units	Actual Cost/unit at time	Inflation Adjusted Cost/unit*
Rehabilitation Proposal:					
1/84 HUD Prototype Cost Limits	01-Jan-84	\$ 15,208,390	257	\$ 59,177	\$ 70,420
Rehab: low bid	24-Aug-84	\$ 22,184,000	257	\$ 86,319	\$102,720
% of Prototype				146%	
Rehab: w/o non-critical items	01-Dec-84	\$ 18,894,300	257	\$ 73,519	\$ 87,487
% of Prototype				124%	
New Construction:					
3/29/90 HUD Prototype		\$ 18,553,800	203	\$ 91,398	
New Construction: actual cost	28-Oct-91	\$ 19,255,097	203	\$ 94,853	\$ 94,853
% of Prototype				99%	
New Construction including demolition and soft costs		\$ 24,109,640	203	\$118,767	\$118,767
				124%	

* Inflation calculated based on Boekh National Index

Table 4:
Robert B. Pitts Plaza: Comparison of Alternative Approaches
SAN FRANCISCO HOUSING AUTHORITY

	Rehabilitation Design *		New Construction Design *	
	Units	Cost	Units	Cost
Rehabilitated Units	257	\$25,421,892		
New Units, on-site			203	\$19,255,097
1:1 Replacement	75	\$9,607,089	129	\$16,524,193
TOTAL	332	\$35,028,981	332	\$35,779,290

* All costs adjusted to 10/91 assumed 5% per year inflation

4. MAJOR FINDINGS OF INTEREST TO NCSDPH

Several aspects of this case are of particular interest to the Commission regarding planning and design of distressed public housing developments:

- 1 **the planning and design process** -- in the rehabilitation effort, considerable time was invested to ascertain the problems which existed at the site, using a wide variety of investigatory techniques: resident surveys, workshops, on-site participant/observers, and conventional field investigation techniques for determination of physical conditions. These methods yielded a strongly grounded assessment of aspects of the original design and layout which were considered to be dysfunctional, providing a basis for a search for appropriate solutions. The effort and type of diagnostic products produced provided a foundation for subsequent decisions, including the ultimate finding that "band-aid" solutions to the YBPW development would not work. It is crucial that efforts to turn around distressed public housing developments be based on sound diagnostics of the environment and its use, which should be encouraged as part of the initial planning and scoping process.

In asking why such a process was devised in this case, it is interesting to note that the Director of Planning and Design is an architect, trained at the University of California at Berkeley, who has been with SFHA for over 15 years. Berkeley, in addition to having a well-recognized environmental design program, is well recognized for its faculty's expertise in environmental behavioral and user needs analysis, a local resource which has been used by SFHA and has affected numerous SFHA modernization efforts. Clare Cooper Marcus, who supervised the diagnostic and attitudinal surveys, is on the Berkeley faculty and is a widely recognized expert on housing design to meet user needs. The key architects from the firm of ED2, who were in charge of the project's design for both the rehabilitation and new construction efforts, are also Berkeley graduates.

The availability of these specialized resources and the predisposition of agency and consultant staff to follow a sequential diagnostic methodology has a strong effect on the ultimate design. Additionally, the professional training of its key staff has had some effect on SFHA modernization practices, as it is now accustomed to develop detailed problem assessments of design concerns at each development where it plans a major modernization effort, and intends to routinize post-occupancy evaluations to ascertain whether design changes are being used as they were intended. These efforts should, over the long run, result in a substantial body of expertise in planning and design which should translate into more responsive environments for SFHA residents.

- 2 **proposals for renovating the high rise development** -- although not constructed, the design for YBPW represents one of the few public high rise public housing developments which has been completely redesigned to accommodate family living. Several concepts appear worth further consideration in other locations, including: (1) the reconfiguration of lower floor units for larger families with grade access; (2) the creation of single point of lobby entry control on the ground floor; (3) the assignment of a resident/manager to apartments which can supervise the ground floor elevator lobby; (4) the elimination of upper floor central corridors, where possible while complying with fire safety regulations, to reduce the number of apartments sharing common access, and; (5) site design to articulate sub-zones designed for the needs of various age groups and to increase the sense of territorial control and supervision.
- 3 **the high cost of the rejected high rise modernization effort** -- the inability to bid the project successfully within HUD's cost guidelines illuminates some difficulties inherent in achieving a comprehensive redesign effort of a severely distressed and poorly designed high rise housing development. Even with elimination of "non-critical" items, the inflation-adjusted per unit cost of the rehabilitation appears to be more than the per unit cost of the eventual new construction, as previously shown on Table 2. This is due to a number of factors which may include: (1) the cost of substantial reconfiguration of non-workable layouts in the entirety of the high rise; (2) penalty costs associated with rehabilitation efforts where existing conditions are often unknown for bidding contractors; (3) total site reconstruction. Additionally, it is also possible that the bidding environment in 1984 was less favorable than in 1989, since the economy had started to slump and less private construction activity was ongoing at the time, influencing contractors to look more favorably on public work.
- 4 **the design of new construction at Robert B. Pitts Plaza** -- which appears highly successful and includes numerous features worthy of further study. These features, described in further detail above, included: (1) design at a scale and architectural character to be compatible with the surrounding neighborhood; (2) differentiation of public and private spaces to reinforce the sense of control and territoriality exercised by occupants of each unit on their immediate environment; (3) provision of a hierarchy of exterior spaces to accommodate the needs of various age groups on the site, while enabling appropriate surveillance of site activities from units; (4) location and design of common facilities to enable clearly identifiable and visible management presence, and; (5) design of units to meet family needs.
- 5 **resident involvement in the planning and design process** -- was an essential ingredient in building a consensus of support for the decisions which were made and is likely to have a positive impact on the long term manageability of the development. Resident involvement and support was a critical factor in identifying and solving design problems, leading to an understanding of project needs which

strongly influenced planning and design decisions. Resident involvement in the process and advocacy of the decision to demolish YBPW were key factors in successfully defeating opposition to reconstruction of the development. Finally, once the development was reconstructed, approximately seventy of the former YBPW families returned to the new Robert B. Pitts Plaza. These residents formed the core of the Robert B. Pitts Plaza Association and have begun exploring resident management possibilities for the new development. The decision of SFHA to give priority to former residents of YBPW in moving into the new apartments was an important policy which maintained the stake of former residents in the new development, engendered their continuing involvement, and increased the likelihood of resident support for the effort.

ENDNOTES

1. Material excerpted from San Francisco Housing Authority Comprehensive Plan for Physical Improvements, October 1991.
2. Interview with Ronald Atkielski, Director of Planning and Design, SFHA.
3. List excerpted from ED2/Community Design Collaborative, Problems - Solutions: YBP West, Draft Report, December 1982.
4. Narrative on design features based on report by ED2/Community Design Collaborative, Yerba Buena Plaza West: The Design, undated.
5. Conversation with SFHA staff regarding typical cost for replacement units, including allowance for land.

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