Evaluation Of
The Urban Homesteading
Demonstration Program

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EVALUATION OF THE URBAN HOMESTEADING DEMONSTRATION PROGRAM

FINAL REPORT

Volume I

SUMMARY ASSESSMENT

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Chapter I

INTRODUCTION AND MAJOR CONCLUSIONS

Urban homesteading is the twentieth century version of a strategy used to settle the American frontier. To attract settlers to wilderness areas, the government gave away land to anyone who would improve and live on it. Just as it was necessary to offer incentives for these pioneers, some cities are now using a similar approach to improve and resettle declining urban neighborhoods. The concept of urban homesteading is fairly simple. It involves transferring publicly-owned, abandoned property to individuals or families in exchange for commitments to repair, occupy, and maintain the property.

Early urban homesteading programs were launched in 1973 in Baltimore, Philadelphia, and Wilmington. These locally-initiated programs used municipally-owned houses as homestead properties in an effort to combat housing abandonment. The nationwide publicity that arose out of these early experiments aroused Congressional interest. By the close of 1973, urban homesteading legislation had been submitted in both the House and Senate. The legislative history of urban homesteading is remarkably brief -- less than a year passed from the first legislative proposal to its enactment. The concept attracted a broad base of political support, and opposition was more procedural than substantive. The Federal urban homesteading program was established on August 22, 1974, pursuant to Section 810 of the Housing and Community Development Act of 1974 (12 U.S.C. 1706e). Section 810 authorized HUD to transfer repossessed vacant one- to four-unit properties to localities for use in HUD-approved urban homesteading programs. HUD implemented Section 810 as a demonstration to test the homesteading concept in various communities.

The Urban Homesteading Demonstration Program began operation in the fall of 1975. HUD issued to local communities an "Invitation to Participate in an Urban Homesteading Demonstration." This solicitation also defined the basic program parameters. To assure that the program was essentially a local initiative, and to allow for maximum

flexibility, the HUD invitation contained a minimum number of constraints and requirements. The basic prerequisite for participation in the urban homesteading demonstration was that the city designate a target neighborhood that was not severely blighted, but which contained HUD-owned one- to four-family properties. From this inventory of properties, the city could select those it felt were most appropriate for homesteading and then convey them, under its approved homesteading plan, to the eligible applicants it selected as homesteaders.

The cities were encouraged to design a homesteading plan which best met their particular needs and most effectively utilized their available resources. Apart from having to demonstrate to HUD that the city had a well conceived plan for implementing the program, only a few specific requirements were legislatively imposed. Cities were required to convey the properties to homesteaders "without substantial consideration," with title being conditional upon the homesteader's completion of the necessary repairs and occupancy of the property for a minimum of three years. Prior to occupancy, the properties had to be brought up to minimum health and safety standards, but the homesteaders were allowed an additional eighteen months to meet local standards for decent, safe and sanitary housing. Consistent with the philosophy that homesteading should essentially be a locally-designed program, the establishment of minimum post-rehabilitation property standards was left as a local matter.

Although the cities were required to document the current condition of their proposed target neighborhoods, wide latitude was allowed to localities in designating appropriate homesteading areas. Limitations were placed on neighborhood selection only insofar as the program was to be implemented in predominantly residential areas which were in the initial stages of decline. This was in keeping with the expectation that homesteading could best serve as a device for stabilizing and preserving marginal neigborhoods rather than as a tool for reviving seriously blighted areas. It was not necessary that the city contain a large number of HUD-owned properties located within a well-defined neighborhood. However, it was necessary for the city to demonstrate that the HUD-owned vacant properties were a contributing factor to the decline of the neighborhood or that they were crucial to the implementation of local preservation efforts.

It is important to recognize that the program was not intended to achieve substantial depletion of the HUD-owned inventory by conveying a large volume of unmarketable properties to the cities. Participating local governments had a considerable range of choice in their selection of properties for urban homesteading. At the city's request, the HUD field office was required to "freeze" its target area inventory of one-to-four family homes for a period of 90 days to allow the local homestead program adequate time to select properties eligible to be included in the program.

Under Section 810, each participating city received a fixed allocation of funds for the acquisition of homestead properties. The so-called "810 values" of the properties were computed as the current as-is fair market value less the anticipated holding and disposition costs to HUD if the property were retained in the HUD inventory. The 810 allocation could be used by the city in the manner it deemed most appropriate to meet its objectives. Depending on its situation, a city could, for example, spend $50,000 by acquiring ten properties worth an average of $5,000 or five properties whose average value was $10,000. A city's property selection criteria generally include location, condition and general ability to advance local stabilization objectives.

Similarly, HUD set very broad guidelines for the selection of households to become homesteaders. Beyond the criterion that the selection procedure be equitable and not arbitrarily exclude any potential group from participation, cities were given wide latitude in identifying households with a need for housing and a capacity to repair their homestead properties. Since it was felt that local officials were the persons most familiar with their housing markets, neither maximum nor minimum income limits were specified.

In addition to demonstrating that the local agency was able to deal effectively with the legal, administrative and management aspects of implementing a homesteading program, the city was required to satisfy HUD that it was capable of providing requisite support services for homesteaders. The city's plan had to include, among other items, provisions for assisting homesteaders in obtaining rehabilitation estimates, in contracting for and supervising rehabilitation work, in understanding applicable local health and property standards, in familiarizing themselves with resident self-help organizations, and in obtaining short- and long-term financing for rehabilitation. These elements of the plan were intended to assure that homesteaders would be provided with whatever assistance they were likely to need to make their homesteading efforts a success.

Since homesteading was viewed as only one element of a local neighborhood stabilization effort, the cities were also required to indicate other programs to be implemented concurrently in the target areas. A wide range of general neighborhood improvement efforts were considered acceptable by HUD. These included plans for service improvement, such as police and fire protection, code surveillance, street improvements and traffic control. It was also considered desirable for cities to include plans for coordinating public and private efforts to expand or improve services such as recreation and day-care centers. To maximize the leverage of the homesteading effort, it was also desirable for the city to provide mechanisms to rehabilitate other abandoned properties and to include plans for encouraging or assisting other property owners in the homesteading area to upgrade their properties.

Besides their own local resources, cities could utilize other Federal programs to support their homesteading efforts. Along with its Section 810 allocation, each participating city received an allocation of Section 312 funds for low-interest rehabilitation loans, as provided for by Section 116 of the Housing and Community Development Act of 1974. These funds were specifically targeted for the homesteading neighborhood and were intended to assist homesteaders as well as other eligible families in the neighborhood to upgrade their homes. Another Federal resource available to many of the participating cities was Community Development (CD) Block Grant funds. If the homesteading neighborhood was also a designated CD area, the city could apply its CD funds to eligible activities which would directly or indirectly support its homesteading effort.

In August 1975, sixty-one cities submitted applications in response to the invitation, and in October 1975, HUD announced that 23 cities had been selected to participate in the Demonstration. Between November 1975 and April 1976, urban homesteading agreements were executed between these cities and HUD. In May 1977, a second round competition resulted in the selection of 16 additional Demonstration Cities.

Concurrently with designing and implementing the Demonstration, HUD designed and initiated in the summer of 1976 a comprehensive longitudinal evaluation of the urban homesteading effort. The focus of the evaluation, which was conducted only in the original 23 Demonstration Cities, was (1) to assess the success of homesteading as a strategy to rehabilitate the housing stock in urban neighborhoods, and (2) to measure the impact of the homesteading effort on the target neighborhoods. Encouraged by the preliminary results of the Demonstration Program, HUD announced in September 1977 that the program would move from demonstration to operating status. Since that time, 44 cities have signed agreements with HUD to undertake a homesteading program, bringing the total number of cities to 83 as of April 30, 1980.

Major Conclusions

This first volume of the Final Report of the Evaluation of the Urban Homesteading Demonstration Program summarizes the analyses of the program's operations and of its impacts on the neighborhoods and the families who participated. These analyses support a number of major conclusions which together add up to a very positive assessment of urban homesteading as a mechanism for encouraging homeownership, providing housing assistance to families, and stabilizing declining neighborhoods.

- The participating cities designed efficient, manageable homesteading organizations and successfully resolved minor administrative difficulties.

The flexibility of the HUD guidelines for the Urban Homesteading Demonstration led to wide variation among the cities in terms of specific administrative arrangements. Many of the Demonstration Cities modified these arrangements during the first two years of the Demonstration, but no administrative changes were made during the final year. The primary source of funding for operating expenses was the Community Development Block Grant program. Only three of the 23 Demonstration Cities supplemented these CDBG funds with city revenues or CETA grants.

- Although the cities exercised wide latitude in their approaches towards the planning and management of rehabilitation, repairs were generally made in a timely fashion and to high standards.

Some cities maintained very strict control over the rehabilitation process, giving homesteaders little discretion in determining what rehabilitation would be undertaken and who would perform it. At the other extreme, some cities delegated to the homesteader the entire responsibility for planning the rehabilitation, selecting the contractor, and determining the amount of self-help. Most cities fell between these two extremes, allowing the rehabilitation process to be a collaborative venture between local officials and the homesteaders.

In comparing these alternative approaches, there are two major findings. In cities which exercised a high degree of control over the process, the rehabilitation was typically completed in a more expeditious manner. There was no apparent difference, however, between the quality of workmanship and choice of materials in those cities which exercised a high degree of control and those which allowed the homesteader a greater degree of latitude.

Almost all the homesteaders indicated that they were very satisfied with the assistance provided by the local urban homesteading agency. The satisfaction of homesteaders is evidenced by the extremely low dropout rate (3.2%). Of those who did drop out, a significant number cited changes in personal circumstances as their reason for doing so.

- Cities satisfied the dual legislative criteria of the program in selecting families who had a demonstrated need for housing as well as a capacity to carry out the repairs.

The urban hometeaders, as a group, are typically young families with incomes only slightly below the national median and somewhat higher than the median incomes of the neighborhoods in which they

are located. Almost all of them were previously renters; in terms of racial mix and economic circumstances they are similar to other owner-occupants in the urban homesteading neighborhoods, although they are younger.

- Homesteader self-help, which accounted for a substantial portion of the repairs which were made, generally resulted in high quality workmanship.

The predominant reasons given for becoming a homesteader were a desire for better housing and a wish to improve financial circumstances. To achieve these ends, the homesteaders typically undertook fairly substantial amounts of rehabilitation work, and committed almost 300 hours of labor on their properties.

- Homesteaders realized substantial benefits in the form of increased housing quality with only a modest increase in the monthly cost of housing.

When compared to the previous dwelling units of the participating families, the homesteads provided significant increase in the value of housing services received ($64), at a very modest increase in the cost of housing ($3). The net monthly benefit was therefore approximately $61. The principal source of these benefits is the write-down in the value of the property, although homesteaders also received benefits from property tax abatements and interest rate subsidies. Homesteaders also enjoy substantial benefits from appreciation in the value of the property over and above the rehabilitation cost they incurred. The monthly benefits realized during the residency period, combined with the benefits from the estimated property value appreciation, yield an average total benefit to participants in the homesteading program of approximately $11,500.

- The costs of the urban homesteading program to Federal and local government are substantial, but less than the benefits enjoyed by the homesteaders.

Local governments incur administrative costs of $1,635 per property and also commit resources in the form of interest subsidies and tax abatements. On average, the aggregate costs borne by local governments are $1,960 per property. The Federal government foregoes an average of $6,015 in the "as-is" value of the property when it is conveyed for use in the urban homesteading program. In addition, the Federal government provided an average of $483 in interest subsidies through the 312 loan program, for a total cost to the Federal government of $6,397. The combined total costs to Federal and local governments, however, are still significantly less than the benefits enjoyed by urban homesteaders. The net benefit of the program on a per-unit basis averaged $3,832.

- The positive net benefits of the program reflect the creation of real value by combining rehabilitation assistance, professional support from local government, and and a dedicated family.

The creation of net benefits through homesteading is the result of the value of the property, when repaired and reoccupied, being much greater than that when it is disposed of by FHA on an "as-is" basis. This difference exceeds the rehabilitation costs incurred by the homesteader, and supports the basic hypothesis of urban homesteading -- namely, that a focused cooperative effort can restore useful economic life to a property, help stabilize the surrounding area and, in effect, create value.

- The socioeconomic decline of urban homesteading neighborhoods was arrested or considerably moderated during the period of the Demonstration.

Urban homesteading was implemented as a tool of neighborhood stabilization. The urban homesteading neighborhoods were selected because they had a history of past decline, but were not so severely blighted that they could not regain their viability. The cities had to commit to undertaking homesteading as one of a range of neighborhood stabilization activities in these areas which had experienced significant decline in income and relative property values during the first half of the 1970s.

Over the course of the Demonstration, the relative decline in the income of neighborhood residents was arrested; changes in the median income of neighborhood residents approximated the national experience. The racial change which had characterized the earlier years continued, but at a much slower rate. There is very little evidence of any displacement occurring in these neighborhoods. Investment activity by owner-occupants increased significantly between 1977 and 1979, whether measured by the frequency of investing or the average investment expenditures. In fact, the latter increased more rapidly than the national average. Property values, which had been declining relative to those in the rest of the SMSAs, maintained their relative position during the Demonstration. When compared with similar control neighborhoods in the same cities, the urban homesteading neighborhoods were no longer losing ground after 1977.

- The rehabilitation and reoccupancy of homestead properties appears to have had a direct, positive influence on the immediately surrounding properties and an overall impact on the stabilization of the homesteading neighborhoods.

One cannot prove that the improvements in the neighborhoods were the result of urban homesteading activity, especially since urban homestead properties accounted for less than 2% of the

dwelling units in the neighborhoods. In general, however, the neighborhood stabilization objectives of the Urban Homesteading Demonstration were largely realized, and there is substantial evidence to suggest that urban homesteading contributed to the realization of these objectives.

The blocks and properties closest to the urban homesteads were, at the outset of the Demonstration, typically occupied by lower-income families and were generally less well maintained. By the end of the Demonstration, the incomes of families in close proximity to homestead properties had more than caught up with the incomes of families further removed. Similarly, the differences in the condition of properties and the physical infrastructure had largely vanished. Thus, the "gap" between areas closest to homesteads and those further away was virtually eliminated during the course of the Demonstration.

During the course of the Demonstration, racial change stopped in the areas around homestead properties, and mobility rates declined. The relatively new, mostly black, owner-occupant households enjoyed significant property value appreciation and household income growth. Racial change did continue to occur in the areas next removed from the urban homestead properties, and mobility rates remained relatively high in these areas. Investment in home maintenance and improvement, which had been highest around the urban hometead properties in the first year of the Demonstration, shifted outwards over time, suggesting a "rippling" of the homestead impact.

Organization of Report

The remaining chapters of this report summarize the analyses upon which the above conclusions are based. Chapter II focuses on the local administration of the Urban Homesteading Demonstration Program. An estimate of the administrative cost of the program to local governments is provided, along with program recommendations. In Chapter III, the experiences of participants are analyzed and the costs and benefits accruing to them are discussed. Chapter IV discusses the net benefits of urban homesteading. Finally, Chapter V presents the major findings regarding the impact of the Urban Homesteading Demonstration on the 45 target neighborhoods.

Volumes II-V of this Final Report parallel the chapters of this volume. In essence, they constitute the detailed and technical descriptions and analyses upon which this report is based. Volume II, Local Administration of Urban Homesteading Programs, contains a review of the evaluation findings regarding local program administration. These findings are primarily based on the annual on-site interviews with local officials and other actors charged with the

administration of local homesteading program. Volume III, The Rehabilitation of Urban Homesteads, specifically addresses issues relating to the rehabilitation of urban homestead properties. A sample of homestead properties are analyzed in terms of the types of repair, the costs of rehabilitation and the time required to complete rehabilitation. The report also describes the kinds of tasks undertaken by homesteaders and calculates the savings which were achieved through self-help efforts.

Volume IV, The Urban Homesteading Experience, focuses on the urban homesteaders themselves. Their demographic, social and economic characteristics are reviewed, along with comparisons between homesteaders and other residents of their neighborhoods. A comprehensive analysis of the homesteaders' experience with the process of urban homesteading is also presented. Finally, Volume V, The Neighborhood Impact of Urban Homesteading, presents a descriptive analysis of general neighborhood trends, an examination of household mobility and home improvement activity, and an examination of relative property value trends. Together, these five volumes constitute a comprehensive review of the Federal Urban Homesteading Demonstration Program as it was implemented by 23 cities in 45 target neighborhoods from 1975 to 1979.

Chapter II

LOCAL ADMINISTRATION OF URBAN HOMESTEADING PROGRAMS

The Housing and Community Development Act of 1974 authorized the Department of Housing and Urban Development to transfer properties in its inventory for use in local urban homesteading programs. The Congress established broad guidelines to insure the fairness, timely completion, and coordination of urban homesteading with other neighborhood improvement efforts, but did not dictate specific procedures for satisfying these requirements. Recognizing the value of local initiative, HUD encouraged local officials to tailor programs to particular local needs and conditions. Thus, local governments were allowed to define their own goals and design their own programs.

Although this emphasis on local input led to great diversity among Demonstration Cities in terms of program design and intent, all urban homesteading programs contain the same basic components. These necessary functions are:

- Property selection;
- Homesteader selection;
- Arrangement of financing;
- Planning and management of rehabilitation.

The 23 local programs varied in their sequencing of and approach to these tasks. These variations reflect both practical considerations -- available staff, financing options, the number and condition of candidate properties in the HUD inventory -- and policy decisions -- the relative emphasis on self-help as opposed to contracted repairs, the level of agency involvement in the homesteading process and the target homesteader population. In many respects, each local program represents a unique design, a carefully tailored configuration of these elements. Yet, across the 23 Demonstration Cities, certain patterns emerge. This chapter identifies these patterns and presents the effect of these design decisions on the costs of the homesteading program to local governments. The chapter concludes with recommendations concerning program administration.

Local Administration -- How Homesteading Works

Although there was variation among cities, there were three basic models for operating responsibility: cities designated either a city department, an independent public agency or a non-profit housing corporation. The city departments were usually those responsible for local housing and community development programs. The independent public organizations included Community Development agencies, local redevelopment authorities, and housing authorities. The non-profit housing corporations contracted by the city to administer the homesteading program were chosen because of their past experience in similar projects. Generally, local officials sought to give operating responsibility to the local agency with the most complete capabilities. Over the course of the demonstration, a pattern of progressively fewer administrative changes were made at the local level. This suggests that the Demonstration Cities were successful in designing administrative frameworks within which the program functioned.

With respect to how local agencies performed their administrative tasks in operating a homesteading program, the Demonstration Cities structured the basic design elements in many ways. There was considerable variation not only in the sequencing of these tasks but also in the time allotted for each task. These decisions determined the relative amounts of control exerted by the homesteader and the agency staff over the homesteading process. Taken together, these design considerations reflect local objectives and affect the likelihood of achieving those objectives.

Exhibit II-1 presents the most basic sequence for accomplishing the required tasks: property selection; homesteader selection; arrangement of financing; planning of rehabilitation; execution of rehabilitation; and technical assistance and monitoring. This figure, while it affords a convenient overview of the homesteading process, is somewhat simplistic. Rarely was the sequence so linear or the tasks so discrete. More often, the agency performed several functions simultaneously, with the outcome of one phase directly affecting the timing or scope of the next.

The most common scheduling pattern encountered was one where the selection of properties and homesteaders preceded the conveyance of the property to the homesteader. Arrangement of financing and rehabilitation planning occurred concurrently. This scheduling model is depicted in Exhibit II-2.

In addition to the sequencing of tasks, the time allotted for each phase of the homesteading process is another scheduling factor. Fifteen of the Demonstration Cities imposed specific deadlines for the elapsed time between conveyance and occupancy. Many cities eliminated the time period between transfer of the property to the city and transfer from the city to the homesteader by

Exhibit II-1

SIMPLE, SEQUENTIAL MODEL OF THE HOMESTEADING PROCESS

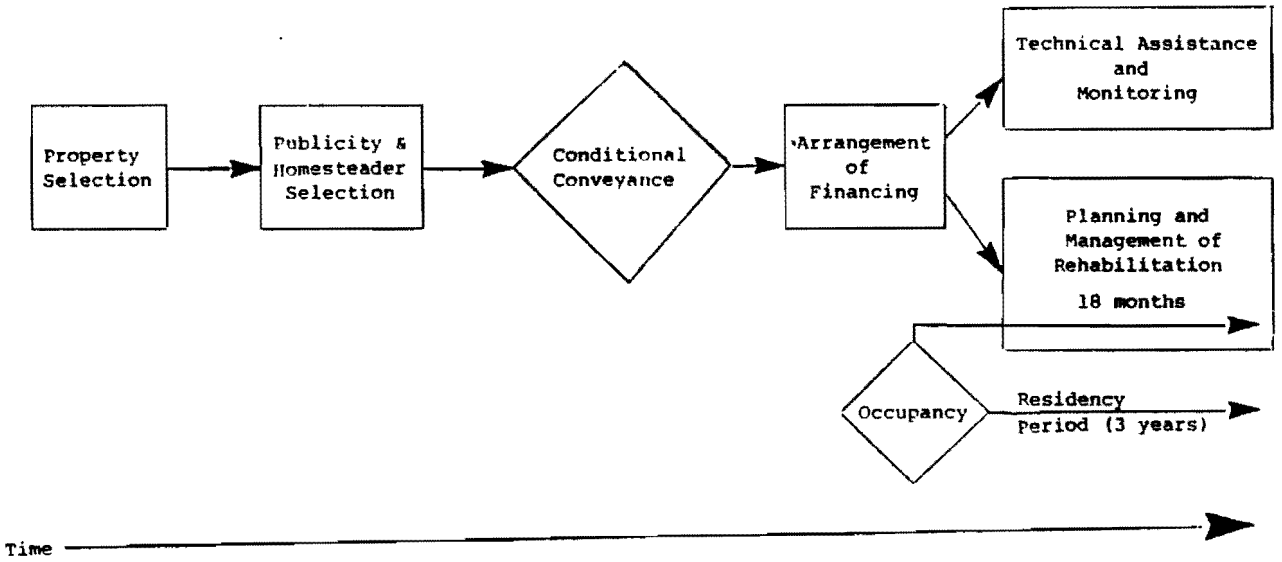
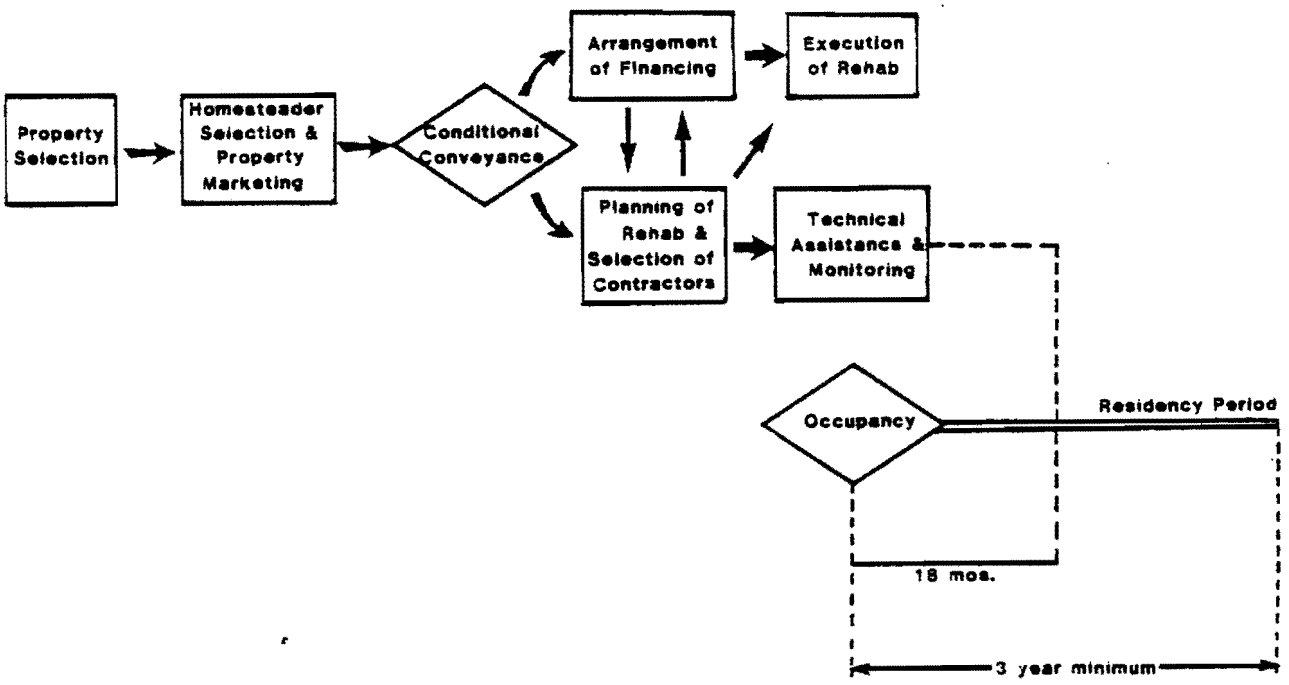


Exhibit II-2

THE MOST COMMON SCHEDULING MODEL



having the city take conveyance from HUD and immediately transferring the property to the homesteader, often in a single closing session. This procedure reduced, and in many instances eliminated, the interim period of city ownership and the attendant responsibility for city maintenance and security of the property. Finally, although the completion of rehabilitation was required to occur within 18 months of conveyance to the homesteader, several cities advanced this deadline to insure prompt rehabilitation.

Before examining the effects of these different programmatic elements on the cost of running an urban homesteading program, it is useful to review the demonstration experience with selecting homestead properties, selecting homesteaders, financing rehabilitation, and managing the rehabilitation process. Detailed analysis of the types of properties that were repaired, the administration of rehabilitation, and the experience of homesteaders are presented later.

Selecting Homestead Properties

All of the Demonstration Cities scheduled property selection as the first step in the homesteading process. It is at this point that the city determines the number, size, and condition of the homestead properties. At the same time, the selection of properties implies decisions about the type of homesteaders the program will attract and can attract. Thus, the method and criteria for property selection become crucial factors in setting the scope and scale of a local homesteading program.

At the outset of the Urban Homesteading Demonstration, twenty cities developed procedures and criteria for selecting properties from the inventory. Of the remaining three cities, one had already chosen properties at the time of its application; the other two found the HUD inventory so small that they accepted all available properties.

Of the cities which did select homesteads from candidate properties, all attempted to screen out the "extremes"; properties that were either so deteriorated that rehabilitation would overburden the homesteader or in such good condition that they would be considered "give-aways." To select properties from those that fell between these extremes, the Demonstration Cities used two models. The first approach was to select propertes with higher "810 values" and low rehabilitation costs.[1] This approach reduced the financial burden for homesteaders and the technical demands on agency staff, but it

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[1]The "810 value" is the amount by which a city's allocation is reduced by the transfer of a property; in the Demonstration, "810 value" was defined as the fair market value of the property minus the estimated carrying cost which HUD would have to pay to hold the properties for conventional disposition.

also limited the total number of properties that could be homesteaded in a given location. The second approach was to select properties with lower "810 values." In this case, rehabilitation costs and hence, financing needs and agency costs, may have been higher, but the city could homestead a larger number of properties with their Section 810 allocation.

As of April 1979, the 23 Demonstration Cities had selected a total of 2,273 properties with a total 810 value of $13,653,336 (Exhibit II-3). The average value of the properties selected by the Demonstration Cities increased from the first year of the Demonstration ($4,800) to the second year ($6,582), then remained approximately the same for the third year ($6,344). By definition, all urban homestead properties were vacant 1-4 family properties which had arrived in the HUD inventory by reason of the owner's default on an FHA-insured mortgage. While the provisions of the program permitted homesteading properties with up to four units, 14 cities chose only single-family properties.

From an inspection of a sample of the repaired properties, the median year of construction of the homestead properties was 1943.[1] The properties selected by local programs from the available HUD inventory resembled the central city single-family housing stock quite closely in terms of age, but tended to be somewhat smaller than the average central city dwelling unit and substantially smaller than the average central city owner-occupied dwelling unit. The extent, nature and actual cost of the rehabilitation work are discussed in Chapter III.

Homesteader Selection

The local agency functions most directly related to property selection are homesteader selection and financing. To attract the homesteader applicants with the desired financial and personal criteria, the local agency must select properties that suit the needs and tastes of these individuals. Once homesteaders have been chosen, the agency must arrange financing consistent with the rehabilitation needs of the selected properties.

During the Demonstration period, the cities selected 2,101 homesteaders from a cumulative applicant pool of nearly 50,000. The ratio of applicants to homesteaders, approximately 25:1, was fairly consistent throughout the Demonstration period.

The number of homesteaders selected was higher in the first year (750) than in either of the following two program years (second

[1]See Appendix for a description of the data sources included in the evaluation study.

Exhibit II-3

URBAN HOMESTEAD PROPERTIES BY CITY, NUMBER OF DWELLING UNITS, TOTAL 810 VALUE, AND MEDIAN 810 VALUE
(Properties Transferred as of April 1979)

City	Number Transferred HUD to City	Number One Family	Number 2-4 Family	Total 810 Value ($)	Median 810 Value ($)
Atlanta	119	112	7	727,633	5,708
Baltimore	60	60	0	415,328	6,408
Boston	26	13	13	202,536	7,699
Chicago	179	178	1	1,032,738	5,800
Cincinnati	30	30	0	235,366	6,684
Columbus	151	141	10	1,251,706	8,205
Dallas	355	351	4	1,445,614	3,533
Decatur	88	88	0	549,828	5,669
Freeport	63	63	0	633,628	9,386
Gary	209	209	0	527,745	284
Indianapolis	153	153	0	585,123	3,400
Islip	67	67	0	606,224	8,644
Jersey City	14	2	12	20,309	900
Kansas City	93	93	0	441,889	4,195
Milwaukee	150	111	39	1,020,900	6,444
Minneapolis	77	77	0	508,361	5,200
New York City	29	27	2	168,104	5,111
Oakland	109	109	0	1,263,128	9,860
Rockford	98	93	5	516,134	4,700
South Bend	61	61	0	213,575	2,462
Tacoma	57	57	0	823,274	13,544
Wilmington	85	85	0	464,183	4,899
TOTALS[1]	2,273	2,180	93	13,653,336	5,319

[1]Due to legal problems with the urban homesteading program in Philadelphia, no data exists other than the total number of 362 properties transferred from HUD to the city.

Exhibit II-4
HOMESTEADERS SELECTED BY CITY BY PROGRAM YEAR

	Program Year				
	Year 1	Year 2	Year 3	Year 4**	TOTAL
Atlanta	67	19	24	-	110
Baltimore	15	17	13	-	45
Boston	3	10	10*	-	23
Chicago	45	52	74	-	171
Cincinnati	11	8	11	-	30
Columbus	20	34	65	32	151
Dallas	113	142	84	14	353
Decatur	41	20	11	4	76
Freeport	20	11	11	-	42
Gary	61	34	67	-	162
Indianapolis	67	54	28	-	149
Islip	22	12	25	-	59
Jersey City	10	-	1	-	11
Kansas City	18	35	24	9	86
Milwaukee	24	43	70	13	150
Minneapolis	39	29	8	-	76
New York City	18	2	-*	-	20
Oakland	43	30	27	3	103
Rockford	33	39	24	-	96
South Bend	28	3	18	-	49
Tacoma	17	24	12	1	54
Wilmington	35	29	21	-	85
TOTAL	750	647	628	76	2,101

*Includes only 11 months of the third program year.

**Fourth year data does not represent a full program year, but rather data as of April 1979.

year - 647; third year - 628). The drop in the later years reflects the fact that several cities experienced a decline in the number of available properties in the HUD inventory. Also, several cities encountered delays in the early phases of program implementation and as a result, were forced to carry-over homesteaders from the first to the second year. They then postponed or scaled down subsequent homesteader selection activities. However, these problems were specific to certain local programs; there was no consistent pattern of declining figures across all Demonstration Cities.

Throughout the Demonstration period, there was considerable variation among cities in terms of both the number of applicants and the number of homesteaders. For example, during the third year, the number of applicants for local programs ranged from a low of 100 to a high of 10,000. That year, the number selected ranged from 23 to 353.

Considering the Demonstration-wide selection ratio and the volume of applicants, homesteader selection is a major responsibility of local program agencies. Local administrators cited homesteader selection as the single most time-consuming duty of program staff.

For purposes of this evaluation, homesteader selection was broken down into a series of subtasks. These include:

- Program publicity and marketing;
- Applicant evaluation and screening; and
- Matching selected homesteaders with homestead properties.

The first of these subtasks -- program publicity and marketing -- was not a particularly taxing responsibility for local program staff. Local newspapers and television in all of the Demonstration Cities featured the urban homesteading program as a news item or a community interest story. In addition, 16 cities purchased advertising space in local papers and/or staged direct mail campaigns to city residents.

The second subtask -- processing and screening the applicants -- proved to be the most time-consuming phase of homesteader selection. All of the Demonstration Cities developed standardized procedures, although there was considerable variation in the intensity of these procedures. Further, some cities devised several stages of screening: a preliminary review for eligibility and a more refined procedure to rank applicants and designate eligible homesteaders prior to selecting them by lottery or other means. This two-phase approach reduced the number of applicants who had to be fully evaluated.

The screening process included both objective and subjective or judgmental screening. In all cities, individual program staff conducted the initial screening; however, in 18 cities, the judgmental screening was performed or at least confirmed by a review board. The composition of these review boards varied and included program

staff, lenders, representatives from other municipal agencies and/or neighborhood residents. In all cases, the boards were established to insure "fair and equitable procedures" required by the urban homesteading legislation.

In addition to the review boards, lotteries were another mechanism used by the cities to insure fairness. Nineteen of the Demonstration Cities included a lottery or public drawing in the selection process. However, these cities used lotteries for different purposes and thus staged them at different points. Thirteen cities held lotteries before screening to reduce the number of candidates for full review. Three cities used lotteries to designate homesteaders from eligible applicants. Three other cities used lotteries to determine the order in which homesteaders would choose properties.

The third subtask -- matching homesteaders with homestead properties -- also occurred at several points in the selection cycle. However, all but three of the Demonstration Cities matched applicants with properties at some point prior to final homesteader designation. A lottery, a board decision, or homesteader choice were used to determine the match-up.

The Selection Cycle

Two factors merit consideration in organizing the homesteader selection process: (1) the sequence and timing of each subtask, and (2) the frequency of selection cycles. Although all of the local programs began the process with publicity and marketing efforts, local programs managed the subsequent tasks -- judgmental screening, matching and in most cases, lotteries -- in a variety of ways.

The most common approach (adopted by 13 cities) scheduled screening of applicants and matching eligible homesteaders with properties prior to a lottery; the lottery then designated homesteaders for each property. Another sequence, used by three cities, placed the lottery at an earlier point in the selection process, i.e., before matching. These cities screened applicants to determine eligibility and then held lotteries to rank applicants. Matching occurred after the lottery, with eligible applicants choosing properties according to their lottery numbers. A third approach scheduled a lottery at an even earlier point: before applicant screening. The three cities that used this approach received more than 500 initial applicants and thus, used the lottery to reduce the number of applicants for full review. A fourth variation of the homesteader selection cycle used no lottery; rather a homesteader selection board determined eligible applicants and then selected a homesteader for each property.

Another dimension of the selection process is the frequency of the cycle. Some cities selected all homesteaders at once, creating

a "peak load" condition for program staff. Other cities staggered the selection process either by conducting several discrete rounds of homesteader selection or by initiating a new selection cycle every time the city acquired a new property. Both of these "staggered approaches" created a more continuous flow of applications and thus eliminated uneven staff demands. An on-going, rather than one-time, review of applicants also enabled program staff to modify homesteader selection criteria in response to changes in property selection or financing strategy, and thus closely coordinated these related activities.

Financing Mechanisms for Rehabilitation

Conditional conveyance of homestead properties from the Demonstration Cities to the selected homesteaders had to occur "without substantial consideration." The need for financing arose, therefore, not from the need to secure a mortgage for purchase of the property, but rather from the need to pay for the rehabilitation of the property to local code standards.

The financing needs of urban homesteading are similar to the financing needs of conventional rehabilitation and home improvement activities. Because of cost, financing the repair of a homestead property usually requires a "permanent lender" who will extend long-term loans similar to conventional mortgages as opposed to traditional home improvement loans. Depending on the cost and speed of rehabilitation and on the resources of the contractor, construction or interim financing may also be required. Finally, the homesteader may elect, or be required, to contribute some portion of his own assets.

In principle, it would be possible for local programs to make no special financing arrangements and to rely solely on the ability of homesteaders to independently secure financing. In practice, each of the 23 Demonstration Cities established some mechanism for financing homestead rehabilitation. These mechanisms included formal arrangements with local banks and thrift institutions, municipal loan programs and the federal Section 312 Rehabilitation Loan Program. In some instances, other forms of financial assistance such as grants, interest write-downs and tax exemptions and abatements were also provided.

The variety of financing options arranged by local programs increased during every year of the Demonstration. In response to the varied needs and resources of the homesteader population, most cities offered several financing alternatives and set different eligibility criteria for various types of loan programs. In general, cities reserved lower-interest loans for homesteaders who had low incomes or who undertook substantial, relatively costly repairs. Conversely, higher income homesteaders were more likely to pay market or close-to-market interest rates.

All of the Demonstration Cities offered at least one type of city-assisted loan financing, although there was considerable variation in terms of the types and combinations of city-assisted loan programs. Broadly, there were three categories:

- City-assisted private loans (banks and savings and loan institutions;
- Municipal or county loan programs; and
- Section 312 loans.

However, within these categories, there was wide variation among cities and even within some city programs. All 23 cities offered some type of city-assisted loan; eleven others offered two or more types. Of all homesteaders who started rehabilitation work by April 1979, over two-thirds used city-assisted loans to finance at least a portion of their rehabilitation costs.

Eleven Demonstration Cities used Section 312 loans either as principal financing or in tandem with other loans for homesteaders. Perhaps the most interesting trend in local financing arrangements was the increase in the use of city-assisted private financing. The share of rehabilitation financing provided by private lenders rose steadily during the Demonstration, both in terms of the number of loans to homesteaders and the amount of these loans.

The extent of the rehabilitation of homestead properties frequently necessitated that construction financing techniques be employed, either to make progress payments to contractors or to make funds available to self-help homesteaders for the purchase of materials. Generally, these requirements were not an obstacle to the rehabilitation of homestead properties and in fact, only five cities made special arrangements for interim construction financing. Typically, these cities established a revolving loan program, either as a public fund or by arrangement with a local bank.

Many of the Demonstration Cities provided additional assistance to homesteaders in the form of grants, interest write-downs and tax abatements. Over the Demonstration period, six cities offered grants to homesteaders. Although the number of grants awarded increased, the average amount of individual grants decreased from $9,441 the first year to $5,605 the third year.

During the Demonstration, homesteaders received over $14.2 million through city-assisted loan programs. The six cities which offered grants to homesteaders provided an additional $1.1 million, bringing the Demonstration-wide total for all forms of city-assisted financing to nearly $15.4 million.

In examining these cumulative figures, it is clear that Section 312 loans were the principal source of city-assisted financing, providing $7.1 million in loans to homesteaders. Not only did the 312 loan program provide the largest number of loans (485), it provided 50% of the total dollar amount committed to homesteaders. However, as mentioned earlier, local program officials reported decreased reliance on Section 312 loans. While Section 312 accounted for 56% of the dollar amount of loans to homeseaders in the first year, its share had dropped to 38% by the third year.

Several factors contributed to the decreased reliance on Section 312 loans. First, local officials reported dissatisfaction with the delays in processing loan applications and with the administrative burden imposed by requirements of the Federal program. Also, some local administrators expressed their concern about the amount of funds available and the funding schedule. As a result, fewer cities now rely exclusively on Section 312 loans than was the case at the beginning of the Demonstration.

A second factor was the continued effort, at the local level, to arrange private financing for homesteaders. In several cases, local officials approached private lenders at the outset of the Demonstration but were unable to complete arrangements until the second or third program years. As a result, by the end of the third year, 17 cities had arranged private financing for at least some of their homesteaders.

The relative contribution of city-assisted private loans increased steadily over the Demonstration period, both in terms of the dollar amount and the number of loans issued to homesteaders. By the close of the third year, city-assisted private loans accounted for 54% of all loans and for 49% of the dollar amount. The cumulative total amount of city-assisted private loans was $4.2 million. However, it should be pointed out that the average loan amount for Section 312 loans exceeded that for the private loans throughout the Demonstration.

While the balance between Section 312 loans and private loans shifted, the relative contribution of municipal and county loan programs remained fairly constant over the Demonstration period. The number of municipal loans was approximately 20% for all three years; the share of the total amount loaned to homesteaders through these programs was 22% for the first two years, then dropped to 13% during the third year. During the Demonstration period, municipal and county programs provided homesteaders with a total amount of $2.8 million.

In summary, homesteaders selected by the Demonstration Cities were able to secure adequate financing. Over the Demonstration period, only five selected hometeaders dropped out of the program because they were unable to obtain financing. This figure reflects program success at two levels. First, local programs were able to attract and select homesteaders who had the capacity to secure financing. Secondly, local program officials arranged financing mechanisms with sufficient variety and dollar volumes to satisfy the financing needs of chosen homesteaders.

Managing the Rehabilitation of Urban Homesteads

The typical urban homestead property conveyed under Section 810 is in serious disrepair. Whatever the condition of the property when it was last occupied, the effects of neglect and vandalism have generally resulted in deterioration of the property, creating a need for a substantial rehabilitation effort.

The Housing and Community Development Act of 1974 identified minimum standards for the scope and schedule of the rehabilitation effort. According to the Act, the recipient homesteader must agree to repair the property to minimum health and safety standards prior to occupancy. Then, within 18 months of the occupancy date, the homesteader must complete further repairs to meet local standards for "decent, safe and sanitary housing."

During the Demonstration period, homesteaders began rehabilitation on 1,785 properties which represents 92% of the properties conveyed to homesteaders and 79% of the properties conveyed to the cities. Of these, rehabilitation was completed on 1,128 by April 1979.

Alternative Approaches to Rehabilitation Management

The Demonstration Cities enjoyed wide latitude in the planning and management of rehabilitation activities. However, in the early phases of program design, local officials faced a number of trade-offs which often created conflicts and impeded the achievement of all their objectives. As a result, local administrators had to weigh a number of issues -- some practical, some conceptual -- in planning their approach or strategy to rehabilitation.

The major issues appeared to involve the level of agency control over the rehabilitation process and the role of the individual homesteader in planning and performing or supervising the repairs. The trade-off here is apparent. As the agency exerts more control, the homesteader loses certain freedoms. Conversely, as the homesteader becomes the active, or, in some cases, the principal agent in the rehabilitation, the city yields direct control over the process. While most programs sought to incorporate some degree of both agency control and homesteader participation, the relative balance varied from city to city.

In devising a rehabilitation strategy, local program administrators made decisions concerning several aspects of the process: rehabilitation standards, responsibility for work write-ups, the level of self-help permitted, the responsibility for contractor selection, and the timing and requirements for occupancy. A decision in any one area affected the rehabilitation process; taken together, as a set of decisions, they indicated a particular rehabilitation strategy.

Considering the full range of choices for the design of the rehabilitation process, it is possible to classify cities into three groups based upon the city's degree of control over the rehabilitation process, as reported by local officials. The first group initially included five cities which emphasized high standards of rehabilitation quality, rapid completion of repairs and a high degree of agency control over the specification and performance of work. These cities -- Jersey City, Kansas City, New York City, Freeport and Decatur -- severely limited the input of homesteaders in planning the repair work. At the beginning of the Demonstration, all of these cities also discouraged or prohibited self-help. Since that time, all but Jersey City have modified their self-help policies.

The second group of cities emphasized less stringent standards for rehabilitation, greater participation of homesteaders in work planning and contractor selection and a controlled use of sweat equity. This group included 13 cities -- Atlanta, Tacoma, Oakland, Rockford, Islip, Cincinnati, Columbus, Boston, Dallas, Milwaukee, Philadelphia, Chicago and Minneapolis -- at the beginning of the Demonstration and now includes a fourteenth city -- Decatur -- that initially used the strategy of the first group. This shift toward a more moderate strategy was the only major change with respect to rehabilitation management reported by any city during the Demonstration period.

The third group -- South Bend, Wilmington, Baltimore, Gary and Indianapolis -- required less stringent standards of rehabilitation, encouraged significant involvement of homesteaders in work planning, generally placed more reliance on homesteaders for contractor selection, and encouraged the use of sweat equity.

The groupings into which the cities fall indicate the objectives implicit in their approach to the rehabilitation of homestead properties. Cities in the first and second groups tended to place high value on the quality and speed of rehabilitation and, hence, opted for a process which is tightly controlled by local program staff. Cities in the third group exhibited more concern for cost control and for fostering homesteader attachment to the property.

The management of the rehabilitation of homestead properties involves several activities. These include the specification of tasks performed; the assignment of the repair work; and actual con-

struction. Exhibit II-5 presents the four alternative paths for the specification and assignment of rehabilitation work. All begin with identification of code violations after initial inspection of the property by agency staff. After that, the paths diverge.

By far the most common approach and that used by 17 cities is IIb. Here the homesteader is allowed to amend the work write-ups and to collaborate with agency staff in contracting repairs. However, these cities differ in terms of the types of amendments they permit the homesteader to make. All are receptive to his suggestions for cosmetic improvements, but only a few allow general property improvements -- such as additions or optional bathrooms.

The table highlights the differences in approach to rehabilitation planning, but it stops short of the actual repair work. At this point, the local agency must address the next issue in rehabilitation management: the role of self-help.

Self-help or "sweat equity" is closely linked to homesteading, both historically and in the public mind. Also, there are economic and motivational advantages to allowing the homesteaders to perform their own repairs. However, self-help does impose certain administrative burdens on the local agency staff: evaluating the skills of homesteaders at the time of selection, providing technical assistance and monitoring the quality of their work.

Recognizing these demands, several cities actively, and many others subtly, discouraged self-help at the beginning of the Demonstration. Some limited self-help to cosmetic items or small-scale repairs. However, over the Demonstration period, there was a tendency toward increased reliance on self-help. By the end of the third year, all but Jersey City not only allowed but generally encouraged homesteaders to perform at least interior finish chores -- painting, floor refinishing and panelling -- on their new homes. In fact, increased self-help activity was the most frequently reported change in rehabilitation approach, according to local program officials.

Our ultimate interest in these alternative rehabilitation strategies relates to their relative effectiveness in accomplishing the program goals. For analytical purposes, effectiveness can be measured by the time required to complete the rehabilitation and the quality of the workmanship. The latter was determined from detailed inspections of repaired homestead properties. Three general conclusions emerge from analyses of program performance.[1] First, there is no relationship between the average speed of the rehabili-

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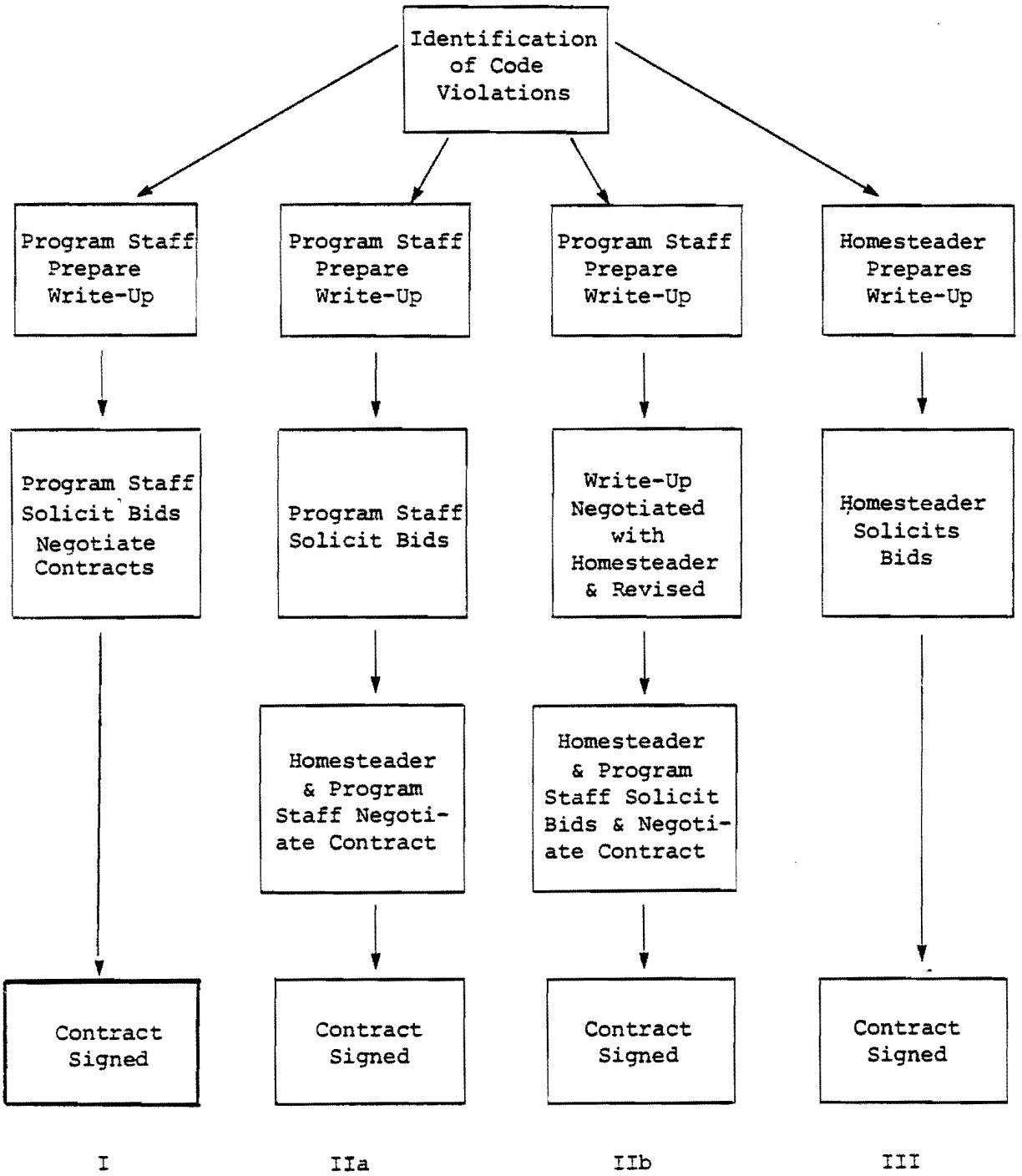
[1]For the detailed discussion and analysis of the findings, see The Rehabilitation of Urban Homesteads, Evaluation of the Urban Homesteading Demonstration Program, Final Report, Volume III.

Exhibit II-5

FOUR PATHS FROM CODE VIOLATIONS TO EXECUTED CONTRACTS FOR REHABILITATION



tation and the average quality of rehabilitation. Cities which carry out their rehabilitation programs on a fast schedule are just as likely, or unlikely, to produce good quality workmanship as those which perform the work more slowly. Secondly, there is no evidence that cities which permit and encourage self-help do much worse than cities which use less self-help in terms of the quality of the resulting workmanship. Finally, however, the findings show a convincing negative association between the percentage of self-help and the speed of rehabilitation. Only two of the 11 cities where self-help was relied on most heavily averaged less than 11 months to complete rehabilitation. Conversely, 10 of the 12 cities with less than 36% self-help took less than 11 months on average to complete rehabilitation.

These results are presented in more detail in Exhibit II-6. This classification of the Demonstration Cities in terms of the major dimensions of program design and performance supports to some degree the original groupings of rehabilitation strategies. There are six Demonstration Cities which undertake larger than average jobs, have less than average self-help percentages and complete the work in under 11 months. These are Boston, Decatur, Jersey City, Baltimore, Freeport, and New York City. Four of these cities were among the five cities included in the group which "emphasized high standards of rehabilitation quality, rapid completion of repairs and a high degree of local program control over the specification and performance of work." The groupings seem clearly appropriate, but the emphasis on high quality work is questionable, since only three of the six cities exceeded the median rate of standard and above standard workmanship.

Four cities (Atlanta, Kansas City, Rockford and Wilmington) resemble these six in all respects except for the average size of the rehabilitation job undertaken. Each of these cities had lower than average participation of homesteaders and each achieved relatively rapid completion of rehabilitation. Like the first six, however, these four are distributed equally above and below the median quality levels. Together, these two groups, which differ only by the size of the jobs undertaken, represent one basic model of urban homesteading rehabilitation: modest homesteader involvement and rapid completion of repairs.

At the other extreme are nine cities which permit or encourage self-help and which complete repairs more slowly. These include Minneapolis, Indianapolis, Milwaukee, South Bend, Chicago, Columbus, Dallas, Gary and Islip. Two-thirds of these cities undertook jobs which averaged less than $14,000 in rehabilitation value (unlike the low self-help, fast repair programs which tended to undertake the larger jobs). Once again, these programs are almost equally divided by the median of the quality of workmanship. Three of the five cities originally classified into the group which "encourages the

Exhibit II-6

FOUR-WAY CLASSIFICATION OF DEMONSTRATION CITIES BY REHABILITATION VALUE, SELF-HELP PERCENTAGE, QUALITY OF WORKMANSHIP & SPEED OF REHABILITATION

Rehabilitation Value	Mean % Self-Help	Quality of Workmanship (% Standard & Above Standard) ≥78% — Time to Complete Rehab: <11 months	≥78% — >11 months	<78% — <11 months	<78% — >11 months	
≥$14K	≥36%		Minneapolis	Oakland	Chicago Columbus	4
	<36%	Boston Decatur Jersey City	Cincinnati Philadelphia	Baltimore Freeport New York City		8
<$14K	≥36%	Tacoma	Indianapolis Milwaukee South Bend		Dallas Gary Islip	7
	<36%	Atlanta Kansas City		Rockford Wilmington		4
TOTAL		6	6	6	5	23

use of sweat equity" are among the cities which encourage self-help and which complete repairs more slowly.

The four cities which remain are those which rely heavily on self-help but still manage to complete rehabilitation rapidly (Tacoma and Oakland) or where the time dividend for limited use of self-help is not received (Cincinnati and Philadelphia). The relative infrequency of these examples suggests that these do not represent typically available choices for cities undertaking urban homesteading programs.

It is clear that several distinct approaches to the planning and management of urban homestead rehabilitation were adopted by cities participating in the Urban Homesteading Demonstration. The basic trade-off is between the percentage of the work performed by the homesteader, with its implications for cost reduction, and the time required to complete rehabilitation. At the beginning of the Demonstration, local program officials indicated that self-help also implied a trade-off in terms of the quality of the repair work. However, the inspection of both self-repaired and contractor-repaired properties did not support this assumption. It was not who performed the repairs -- the homesteader versus a contractor -- but rather how the repair was managed by the local program that determined the quality of workmanship. This finding clearly indicates that high-quality workmanship and cost reduction through sweat equity are, in fact, compatible objectives in an urban homesteading program.

The Costs to Local Government

In an important sense urban homesteading is a local, rather than a federal, program. The federal government contributes properties from its single-family inventory, but the burden of selecting homesteaders, arranging financing, and planning and managing the rehabilitation is borne entirely by local government. These administrative expenses are not insignificant. Furthermore, local governments frequently subsidize interest on rehabilitation loans made to urban homesteaders and these subsidies constitute another category of local government expense. Thirdly, many urban homesteading cities provide a variety of property tax abatement and exemptions to urban homesteaders, and these must also be counted among the costs of the program.

Local Administrative Costs of Urban Homesteading

No provision was made in the design of the urban homesteading demonstration to help local governments meet the cost of administering their programs. Typically, local governments simply used existing staff who were working on rehabilitation projects and were being supported by the local CD program. In some cases, individuals would be assigned full-time to urban homesteading, but in many in-

stances, Community Development staff would divide their time between homesteading and other CD activities. Because there was no requirement that local governments keep accurate records of the expenses associated with urban homesteading and because homesteading is one of a number of activities on which individual CD staff members worked, it is quite difficult to estimate the local costs of administration.

In the absence of local job-cost accounting systems, program staff were asked to estimate the percentage of time which they spent on activities relating to urban homesteading. These estimates were then combined with payroll data to estimate the labor costs of administration. Program staff also supplied information on non-labor expenses, such as legal fees, newspaper advertisements and so forth. The sum of these provides a rough estimate of the cost of administering each local urban homesteading program.

The use of these data to support the cost/benefit analysis is not without its problems. Because the benefits of the program must be estimated for a given set of properties or on a per-property basis, it is necessary to determine the amount of local administrative expense attributable to a particular set of properties. Because properties are at different stages in the process at all times, this would formally require an allocation of local administrative cost to each stage of the urban homesteading process; this is a form of inference which the data simply cannot support.

To deal with this problem it was decided to select an intermediate stage in the local urban homesteading process and to use the number of properties at that stage as the denominator in the computation of the average per-property cost of administering a local homesteading program. The intermediate stage selected was occupancy. Approximately 73% of all the properties in the pipeline (i.e., conveyed to a local government but on which rehabilitation was not complete) were occupied as of April 1979. This avoids both underestimating average costs by dividing by the total number of properties which have entered the pipeline and overestimating by dividing by the total number of properties which have exited the pipeline.

The mean per property administrative costs incurred by local governments vary substantially across cities (Exhibit II-7). In Dallas average administrative costs were less than $500. At the other end of the range, in what is clearly an anomalous position, is New York, with average administrative costs of $14,563. The overall mean per property administrative cost is $1,635, largely because cities with a larger production such as Dallas, Milwaukee and Indianapolis, have relatively low per property costs. There is some association between the classification of the cities by degree of control over the rehabilitation process and the per property costs

Exhibit II-7

ESTIMATED LOCAL ADMINISTRATIVE COSTS PER OCCUPIED PROPERTY BY CITY

City*	Estimated Local Administrative Costs Through April 1979	Homestead Properties Occupied by April 1979	Mean Administrative Cost Per Property
Atlanta	$183,200	90	$2,036
Baltimore	47,730	21	2,273
Cincinnati	78,946	25	3,158
Dallas	143,500	313	458
Decatur	91,108	50	1,822
Freeport	143,500	31	4,629
Gary	58,385	98	596
Indianapolis	74,480	124	601
Islip	43,000	57	763
Kansas City	203,277	69	2,946
Milwaukee	156,168	150	1,041
Minneapolis	118,091	69	1,711
New York City	233,000	16	14,563
Oakland	141,235	77	1,834
South Bend	43,350	45	963
Tacoma	202,178	47	4,302
Wilmington	222,369	53	4,196
TOTAL	$2,183,067	1,335	$1,635

*Columbus and Rockford are excluded as the administrative costs of the agency covered non-810 properties; Philadelphia and Chicago are excluded because of lack of data. Boston and Jersey City are excluded as their properties include rental units and satisfactory data on those units, necessary for cost/benefit analysis, were not available.

experienced. The original high control cities (Decatur, Freeport, Kansas City and New York) have per property administrative costs which are all above the average. Conversely, the low control cities include three (Gary, Indianapolis and South Bend) with very low per property costs, but also include two (Wilmington and Baltimore) whose per property cost averages were substantially above the overall mean.

Rehabilitation Loan Interest Subsidies

Many local governments have provided subsidized financing to homesteaders from local rehabilitation loan programs. The cost of the interest write-downs is generally met through the use of CD funds and in a few instances, it is covered by revenues from other sources. In all cases, however, it is appropriate to include these interest subsidies in the local costs of urban homesteading.

Estimating the amount of such costs requires some assumptions. In a situation where a local government makes loans out of its CDBG funds at below-market interest rates, the actual cost incurred by the local government is not immediately obvious. Local governments are not permitted to draw down on their CD block grants and thereby reduce their short-term borrowing requirements. The obvious measure of cost (the difference between the subsidized and municipal borrowing rates) is, therefore, not applicable.

An alternative line of reasoning is available, however. There is an interest rate presumably higher than the subsidized rate at which local governments could provide credit for rehabiliation and still find takers. The private sector lending rate for home improvements and/or home mortgages is the maximum rate at which municipalities could lend for similar purposes. The city's cost of providing credit at lower rates is, therefore, properly measured by the difference between the below-market interest rate and the market interest rate on similar loans.

In principle, provision should also be made for differences in default rates between below-market loans to urban homesteaders and market loans to bankable borrowers. In practice, the default rate by urban homesteaders has been so low that such a comparison would not lead the attribution of further costs to local government operation of rehabilitation loan programs. For this reason, it is ignored.

Also omitted from the local cost is be the cost of servicing loans to homesteaders from local rehabilitation loan programs. No source of data exists to support such estimates. Furthermore, the absolute level of these costs is likely to be small when compared to the margin of error in the estimation of local program administrative expense.

Consistency with the method of calculating benefits (see Chapter III below) requires that the costs of interest subsidies to homesteaders be calculated over the three-year residency period rather than over the full term of the loan. Since homesteader benefits are computed on this basis, and it has been shown to be a conservative basis, calculation of the costs of interest subsidies over a longer period would introduce a hybrid scenario. In interpreting the results, however, the understatement of the costs of interest subsidies which flows from this assumption should be borne in mind. The estimated cost of municipal interest subsidies to homesteaders over the three-year residency period is presented by city (Exhibit II-8). These estimates were developed by estimating the additional payments which homesteaders would have made if the interest rate on these loans had been set at 8% per annum.

Property Tax Abatement and Exemption

All local governments provide their homesteaders partial or complete relief from local property taxes during the residency period. In some cases, the subsidy flows from the form of conveyance used; this is the case when title does not pass to the homesteader until the residency period is complete and the property remains in city ownership, thus granting the homesteader full exemption from local property taxes. More commonly, local governments have negotiated some form of abatement of taxes during the residency period, either formally or informally.

Foregoing full taxes on these properties is clearly a cost to local government. If the properties had remained in the HUD inventory, taxes would continue to have been paid by the Federal government. If they had been sold by HUD, the new owners would be liable for local taxes on the properties. The technical problem here is not to determine whether or not abatements and exemptions constitute a cost to local governments. Instead it is to find a way to estimate this cost.

Because there is no way of knowing what the property taxes would have been on individual properties if they had not been in the urban homesteading program, it is necessary to resort to statistical methods. The simplest, and most appropriate, method involves a comparison between the property taxes paid by urban homesteaders and the property taxes paid by comparable residents of the urban homesteading neighborhoods living in owner-occupied dwelling units. Estimated costs of property tax abatements and exemptions to urban homesteaders are also presented by city in Exhibit II-8.

This chapter has presented the Demonstration experience with the key components of an urban homesteading program -- property selection, homesteader selection, financing the rehabilitation efforts, and managing the rehabilitation of urban homesteads. In addition, three identifiable categories of costs incurred by local governments in the administration and support of urban homesteading

Exhibit II-8

INTEREST SUBSIDY AND PROPERTY TAX ABATEMENT/EXEMPTION EXPENSE PER PROPERTY INCURRED BY LOCAL GOVERNMENTS

City*	Interest Subsidy Expense	Tax Abatement/ Exemption Expense
Atlanta	$136	$136
Baltimore	802	119
Chicago	10	101
Cincinnati	0	245
Columbus	11	30
Dallas	11	184
Decatur	428	200
Freeport	0	815
Gary	0	114
Indianapolis	19	33
Islip	29	620
Kansas City	203	151
Milwaukee	20	417
Minneapolis	727	194
New York City	228	552
Oakland	219	348
Philadelphia	5	225
Rockford	0	69
South Bend	13	470
Tacoma	0	18
Wilmington	0	182
TOTAL	$113	$212

*Boston and Jersey City are excluded as their properties include rental units and satisfactory data on those units, necesary for cost/benefit analysis, were not available.

have been presented, together with a description of the basis for arriving at these cost estimates. Before moving to discussions of the homesteaders, the neighborhoods in which they live, and a final accounting of the costs and benefits of the Urban Homesteading Demonstration Program, recommendations are presented to conclude this discussion of local program administration.

Program Recommendations

The evaluation of the Urban Homesteading Demonstration Program has encompassed all aspects or elements of the homesteading process. These elements have been examined individually and collectively as components of the homesteading process. The evaluation has focused not on the particular strengths or shortcomings of individual programs, but rather on patterns or general issues which concern all program administrators. The findings highlight certain issues or problems which delay or complicate the administration of local programs. Thus, some specific recommendations are offered, not as absolutes, but rather as practical suggestions.

The first concerns the coordination of homesteader selection and property selection. Most cities use separate and staggered screening processes for these two activities. If property selection occurs first, properties may remain vacant while homesteaders are chosen; if homesteaders are chosen first, the homesteaders may reject the properties or may be ill-suited for particular houses. If the two selection processes were synchronized, local programs could minimize delays and reduce administrative costs.

In addition to the timing of selection, the criteria for property and homesteader selecion should also be integrated. Often, local programs set financial criteria for homesteaders that are inconsistent with the cost of rehabilitating the homestead properties and the availability of loans. If these elements of program design were tightly coordinated, the homesteading process could proceed smoothly.

In terms of managing the rehabilitation of homestead properties, local programs should encourage self-help repairs. The economic benefits of self-help are apparent, but some programs questioned the ability of homesteaders to perform high-quality work. However, inspection of rehabilitated properties revealed no qualitative differences between work performed by homesteaders as opposed to contracted repairs. Self-help does, in most cases, prolong the repair period, but this seems to be an acceptable trade-off given the significant savings.

Another issue of concern is the legal aspect of homesteading, specifically the documents used as homesteading agreements. To date, many of these have been inadequate and have not clearly addressed such issues as the homesteader's obligations, property tax

policies and revocation procedures. Each of these issues should be fully articulated in the legal documents to eliminate confusion among homesteaders and time-consuming delays.

Finally, to insure effective management of local programs and to allow for periodic review of all homesteading programs, each local program should be required to maintain complete records on each homestead property. These records need not be complex, but they should be updated on a regular basis. This would enable local program administrators to detect problems and take immediate corrective action.

Chapter III

THE URBAN HOMESTEADERS

This chapter presents a detailed description of the urban homesteaders and their experience in the homesteading program. Three major issues are addressed:

- Who are the urban homesteaders?
- What was the homesteading process like? and
- What benefits accrued to urban homesteaders as a result of their participation in the program?

The chapter begins with a demographic and socioeconomic profile of urban homesteaders at the time they entered the program. It then describes the nature and scope of their renovation efforts, as well as their attitudes towards the homesteading process *per se*. The last section presents estimates of the monetary value of the benefits that were received by urban homesteaders as a result of participating in the homesteading program.

For the most part, data for the analysis were drawn from interviews with over 800 individual homesteaders. These interviews were conducted shortly after the homesteaders had moved into their homestead properties, and in most instances were supplemented with one or two annual follow-up surveys. In addition to these interviews, approximately 400 detailed inspections of the renovated homestead properties were also conducted. These data provided additional information on the nature and quality of the rehab work.[1]

The Characteristics of Urban Homesteaders

The 1974 Housing and Community Development Act required that homesteaders be selected with "special consideration to the recipient's need for housing and capacity to make or cause to be made"

[1]See the Appendix for a description of the various data bases.

the needed repairs to the properties. In designing local programs, each city decided how it would implement program elements to meet this requirement. In order to assess how cities have satisfied the "need" and "capacity" requirement of their homesteaders, interviews with 812 homesteaders were conducted during the course of the evaluation. This section presents a demographic profile of program participants, as well as a summary of their income, assets, and employment. It also compares the characteristics of urban homesteaders with the characteristics of other households in the target neighborhoods.

Characteristics of Urban Homesteading Households

Exhibit III-1 presents aggregate data on the size and composition of homesteading households, as well as the race, sex and age of the household heads. The statistics presented in this chart were derived from the baseline interviews, and thus describe the characteristics of urban homesteaders when they first moved into their homestead properties. The major findings include:

Racial Composition of Heads of Homesteading Households. On average, about 68 percent of the homesteading households are headed by a member of a minority group; however, the extent of minority participation varied considerably across the different sites. Of the 22 programs where ten or more homesteaders were interviewed, nine had more than 75 percent white households, four had fewer than 25 percent white households, and nine programs had a mixture of white and non-white households in the range of 25 to 75 percent.

Sex of Head of Homesteading Households. Seventy-one percent of the homesteading households were headed by males. Only two cities, Baltimore and Oakland, had less than 50 percent male-headed households.

Age of Head of Homesteading Households. The mean age of the head of the homesteading households for the sample was 35.8 years. The Demonstration Cities were remarkably similar in this respect, ranging from just under 32 years in Cincinnati and Wilmington to about 40 years in Gary.

Size of Homesteading Household. The average size of the homesteading households was 3.2 persons, ranging from a high of 5.0 in Jersey City to a low of 2.2 in Columbus. The majority of cities registered family sizes that were fairly close to the overall average.

Presence of Children Under 18. About 65 percent of all urban homesteaders had children under 18 years of age. This proportion ranged from a low of 29 percent in Columbus -- which also had the lowest average household size -- to 100 percent in

Exhibit III-1

SELECTED DEMOGRAPHIC CHARACTERISTICS OF URBAN HOMESTEADERS BY CITY AND IN TOTAL

City	Mean Age of Head	Mean Household Size	Race			Percent Female Head	Percent Households with Children ≤ 18	Sample Size
			White	Black	Other			
Atlanta	33.7	2.9	14.0	86.0	0.0	31.1	60.0	45
Baltimore	33.8	3.1	0.0	100.0	0.0	53.8	61.5	13
Boston	37.3	3.7	13.3	86.7	0.0	26.7	80.0	15
Chicago	37.4	4.1	2.4	97.6	0.0	38.6	84.1	43
Cincinnati	31.7	2.7	46.7	53.3	0.0	13.3	53.3	15
Columbus	35.2	2.2	43.8	56.3	0.0	35.3	29.4	17
Dallas	37.2	2.7	20.5	70.5	8.9	24.1	50.9	116
Decatur	34.4	2.6	71.0	29.0	0.0	12.1	45.5	33
Freeport	36.4	3.8	55.6	38.9	5.6	0.0	77.8	18
Gary	39.7	3.4	0.0	100.0	0.0	24.0	80.0	50
Indianapolis	37.2	3.2	50.0	50.0	0.0	24.5	53.1	49
Islip	32.4	3.8	66.7	11.1	22.5	16.7	94.4	18
Jersey City	35.7	5.0	0.0	100.0	0.0	16.7	93.3	6
Kansas City	34.9	2.7	17.8	92.1	0.0	37.5	65.0	40
Milwaukee	36.6	4.4	22.2	74.1	3.7	18.5	81.5	27
Minneapolis	33.5	2.5	76.9	17.9	5.2	10.3	38.5	39
New York City	38.6	3.3	13.3	86.7	0.0	13.3	60.0	15
Oakland	37.0	3.6	7.5	85.0	7.5	72.1	93.0	43
Philadelphia	37.0	3.3	0.0	100.0	0.0	38.8	79.1	67
Rockford	36.2	3.5	25.5	72.5	0.0	36.5	75.0	52
South Bend	32.4	2.7	65.7	22.9	11.4	15.8	42.1	38
Tacoma	33.8	4.1	82.4	17.6	0.0	29.4	100.0	17
Wilmington	31.9	2.9	30.6	63.9	5.6	41.7	55.6	36
TOTAL	35.8	3.2	28.3	68.2	3.6	29.3	65.2	812

Tacoma. In only three sites -- Columbus, Minneapolis, and South Bend -- were childless households in the majority.

Household Income, Employment and Assets

The socioeconomic characteristics of urban homesteaders are presented in Exhibit III-2. For the most part, the values of these variables are taken from the baseline survey data. However, to control for inflation, monetary variables are based on the 1979 survey data and include homesteaders who had entered the program over a two-year period. The major findings can be summarized as follows:

Income. The average urban homesteader had an annual income of about $17,000 in 1979, only slightly below the national average of $17,730. Average household income varied considerably across the different programs, with a low of $10,411 in Tacoma and a high of $29,586 in Jersey City. In all, thirteen areas registered incomes that were above the national mean.

When income is viewed in light of the household's eligiblity for other forms of housing assistance, one discovers that only about 42 percent of participating households have income below the locally determined cut-off for Section 8. Oakland had the highest proportion of eligible households at 68 percent; at the other extreme, none of the urban homesteaders in New York City and Jersey City would have qualified for Section 8 assistance. Overall, homesteaders had average incomes that exceeded the Section 8 limits by about 22 percent. Only five sites had average incomes that fell below the local cut-offs that were used for Section 8.

Employment Status. In general, the homesteader heads of household showed rather high rates of employment. At the time of the baseline interviews, about 90 percent of the homesteader heads had part-time or full-time jobs. With the exception of Tacoma, all sites had employment rates that were in excess of 80 percent. Conversely, the proportion of households that were on welfare was relatively low (3.2 percent). Only two sites -- Tacoma and Milwaukee -- had welfare rates in excess of 10 percent.

Assets. While homesteaders' incomes were relatively high, their accumulated assets were fairly low, at least when viewed in light of their ability to purchase homes in the absence of the homesteading program. The average urban homesteader had a savings deposit of only about $1,500. Even with the value of stocks and bonds and potential borrowings against insurance, homesteaders' assets remain relatively low. Indeed, at the time of the baseline interview, only about 24 percent of the households interviewed could have met the down payment required

Exhibit III-2

SELECTED SOCIOECONOMIC CHARACTERISTICS OF URBAN HOMESTEAD HOUSEHOLDS BY CITY AND IN TOTAL

City	Mean Household Income (1979)	Percent Eligible for Section 8 Housing Assistance	Percent Head Employed	Percent on Welfare	Mean Savings Deposit	Sample Size
Atlanta	12,214	57.1	86.7	0.0	1,384	45
Baltimore	14,897	61.5	92.3	0.0	1,326	13
Boston	16,369	42.9	93.3	0.0	818	15
Chicago	19,433	39.5	95.3	4.8	2,125	43
Cincinnati	18,795	21.4	93.3	6.7	479	15
Columbus	17,628	26.7	94.1	0.0	1,634	17
Dallas	12,588	57.5	88.8	1.7	1,254	116
Decatur	18,092	30.0	87.9	0.0	2,009	33
Freeport	21,594	29.4	88.9	0.0	764	18
Gary	19,607	26.3	86.0	6.0	1,929	50
Indianapolis	18,825	29.3	91.8	4.1	1,875	49
Islip	15,532	58.8	88.9	0.0	515	18
Jersey City	29,586	0.0	83.3	0.0	10,000	6
Kansas City	17,793	30.8	87.5	5.1	1,154	40
Milwaukee	15,931	58.3	81.5	11.1	1,432	27
Minneapolis	20,136	35.5	87.2	2.6	1,740	39
New York City	25,990	0.0	100.0	0.0	3,964	15
Oakland	13,902	68.3	88.4	7.0	524	43
Philadelphia	20,450	39.6	91.0	0.0	1,130	67
Rockford	18,869	31.9	96.2	3.8	1,014	52
South Bend	14,883	44.1	92.1	0.0	1,308	38
Tacoma	10,411	64.7	64.7	23.5	700	17
Wilmington	18,132	41.4	97.2	2.8	1,107	36
TOTAL	16,964	42.4	89.8	3.2	1,465	812

for a home that was roughly comparable to the renovated homestead property.[1]

Household Formation and Previous Tenure

A significant number of homesteaders (15%) had previously lived in larger households of which they were not the head. Urban homesteading, therefore, facilitated the formation of many new households.

Not too surprisingly, most of the remaining urban homesteaders (91 percent) had previously rented their homes. In part, this reflects the fact that many Demonstration Cities considered owner-occupant status as a factor for disqualification in reviewing applications to the program. In addition, as described in the previous section, the majority of urban homesteaders had relatively modest assets compared to the amounts that would have been required for a home in the conventional mortgage market.

Comparison of Homesteaders to Other Residents in the Target Neighborhoods

Another area of interest is the resemblance -- or lack of resemblance -- between the urban homesteaders and their new neighbors in the urban homesteading target areas. There are a number of subgroups of the neighborhood residents with whom these comparisons may be made. In Exhibit III-3, selected demographic and socioeconomic characteristics of the urban homesteaders are compared with those of all residents, with residents broken down by tenure type, and with residents who have lived in the homesteading neighborhoods for less than two years (the so-called "movers-in").

When compared to all other residents of the target neighborhoods, homesteaders are remarkably similar in terms of race. However, when viewed along other dimensions, some significant differences emerge. In general, homesteaders tend to be younger, have a higher proportion of families with children, and have significantly higher incomes and employment rates. Most of these differences are reduced -- but do not disappear -- if one compares homesteaders to the subset of neighborhood residents who currently own their homes. Even then, it is apparent that homesteaders are younger and more affluent than the average owner in their neighborhoods.

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[1]See The Urban Homesteading Experience, Evaluation of the Urban Homesteading Demonstration, Final Report Volume IV, pp. 101-102.

Exhibit III-3

SELECTED CHARACTERISTICS OF URBAN HOMESTEADERS AND RESIDENTS OF URBAN HOMESTEADING NEIGHBORHOODS

	Urban Homesteaders	All Residents			Movers-In Only[1]		
		Owners	Renters	Total	Owners	Renters	Total
Mean Age of Head	35.8	48.5	38.0	44.9	37.0	31.9	33.9
Mean Household Size	3.2	3.5	3.1	3.4	3.3	2.9	3.1
Percent Black	68.2	63.9	71.4	66.3	72.5	67.8	69.3
Percent Female Head	29.3	26.2	55.2	35.7	18.8	53.8	40.0
Percent with Children under 18	65.2	49.2	56.8	51.7	56.1	61.2	59.0
Mean Household Income	16,964	15,060	9,413	13,130	16,390	9,969	11,714
Percent Heads of Household Employed	89.8	75.9	59.0	70.3	88.3	54.6	67.8
Percent Welfare Recipients	3.2	5.5	24.5	12.8	4.4	24.2	16.4

[1]Defined as having moved into their units between 1977 and 1979.

In contrast, homesteaders are remarkably similar to one particular subset of neighborhood residents -- namely, householders who have purchased homes in the target neighborhoods within the last two years (i.e., movers-in who are owner-occupants). While homesteaders have a higher proportion of female-headed households, their age, family size, race, income, and employment status are virtually identical to those of movers-in who own their homes. The striking similarity between these two suggests that at least some of the urban homesteaders would have eventually purchased homes, and that the opportunity provided by the program was to accelerate this event, primarily by precluding the need for downpayment.

Based on these overall characteristics, the urban homesteading families appear to fulfill two basic requirements of need and capacity as stated in the legislation authorizing the program. Judged in terms of their "need" for housing services, it is to be noted that almost all of the families surveyed lived in rental accommodations immediately prior to joining the program. Many were living in a household headed by someone else, presumably parents or other relatives. The average homesteading household size is 3.2 persons and almost three-quarters of the households are members of minority groups. These statistics present an overall picture of those who apply to and are accepted by the program as one of fairly young, minority families with children, who are living in rental housing, in many cases shared with another household. It is not difficult to imagine that such families have genuine need for the housing opportunities which homesteading provides.

The urban homesteaders also appear to fulfill the requirements that they have the "capacity" to make needed repairs to the property and to assume the financial responsibilities of homeownership. Despite fairly meager financial assets, which would have precluded them from buying a comparable home in the private market, the homestead households have incomes which are close to the national average and a high rate of employment. This combination of "need" and "capacity" among the homesteaders suggests that local urban homesteading programs have responded quite successfully to the requirements of the legislation which were incorporated in their urban homesteading agreements.

The Homesteading Experience

The previous section addressed the question of who participated in the homesteading program. This section looks at the homesteading process *per se*, and describes how the homesteaders heard about the program, why they chose to participate, what they did in terms of rehabilitating their dwelling units, and how they rated their homesteading experiences in general.

Program Outreach

A wide variety of marketing efforts were used by homesteading agencies, ranging from radio and TV to open houses. However, according to the urban homesteaders, two sources of information were far and away the most important in almost every site. Among all homesteaders, 42 percent first heard of the program from the newspapers, followed by information from family and friends (35 percent); together, these sources accounted for over three-fourths of all responses. In general, newspapers tended to be more important for whites, for better-educated households, and for individuals living alone. Conversely, other sources of outreach -- particularly family and friends -- tended to be more important for minorities, for households with less education, and for families with children.[1]

Reasons for Participating

Homesteaders were also asked which of six possible responses was their main reason for joining the program: (1) to have better housing, (2) to have more space, (3) to improve their financial situation or make an investment, (4) to live in the homestead neighborhood, (5) to move out of their old neighborhood, and (6) for some other reason. As is evident from Exhibit III-4, the most important reasons for becoming a homesteader were better housing (37 percent of all responses) and improved finances (39 percent); the next most important category was the desire to have more space (12 percent). Together, the housing motives of better housing and more space constituted almost half of all responses, and dominated the financial (and other) motives in 13 of 23 sites. In contrast, neighborhood-related reasons were given by fewer than four percent of all respondents, and never accounted for more than seven percent of the responses at any site.

Overall, the financial motive appeared to be strongest among smaller white households whose heads were male and relatively young. In contrast, older households, minorities, large families, and female-headed households tended to give housing-related motives as their primary reason for participation.[2] This latter finding may reflect the fact that -- due to discrimination and to a general shortage of larger rental units -- such households often find it difficult to locate suitable housing in the private market.

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[1] Ibid, pp. 24-29.

[2] Ibid, pp. 29-44.

Exhibit III-4

REASON FOR BECOMING A HOMESTEADER:
PERCENT RESPONSE
(Baseline Survey)

City	Better Housing	More Space	Improve Finances	Live in This Nbhd.	Move Out of Old Nbhd.	Other	Total	Sample Size
Atlanta	33.3	2.2	46.7	2.2	2.2	13.3	100.0	45
Baltimore	46.2	15.4	23.1	0.0	0.0	15.4	100.0	13
Boston	40.0	13.3	46.7	0.0	0.0	0.0	100.0	15
Chicago	47.7	27.3	20.5	0.0	2.3	2.3	100.0	44
Cincinnati	33.3	6.7	53.3	6.7	0.0	0.0	100.0	15
Columbus	23.5	0.0	58.8	0.0	0.0	17.6	100.0	17
Dallas	30.5	10.2	41.5	4.2	2.5	11.0	100.0	118
Decatur	32.4	11.8	50.0	0.0	0.0	5.9	100.0	34
Freeport	33.3	27.8	33.3	0.0	0.0	5.6	100.0	18
Gary	38.8	8.2	42.9	0.0	4.1	6.1	100.0	49
Indianapolis	24.0	4.0	50.0	2.0	6.0	14.0	100.0	50
Islip	77.8	11.1	5.6	0.0	0.0	5.6	100.0	18
Jersey City	33.3	33.3	16.7	0.0	0.0	16.7	100.0	6
Kansas City	32.5	12.5	37.5	0.0	5.0	12.5	100.0	40
Milwaukee	29.6	25.9	29.6	3.7	0.0	11.1	100.0	27
Minneapolis	28.9	2.6	55.3	0.0	2.6	10.5	100.0	38
New York City	46.7	20.0	26.7	0.0	6.7	0.0	100.0	15
Oakland	37.2	7.0	30.2	0.0	4.7	20.9	100.0	43
Philadelphia	66.7	15.2	13.6	3.0	0.0	1.5	100.0	66
Rockford	30.2	13.2	43.4	0.0	5.7	7.5	100.0	53
South Bend	35.9	10.3	48.7	0.0	0.0	5.1	100.0	39
Tacoma	17.6	0.0	76.5	0.0	0.0	5.9	100.0	17
Wilmington	29.7	18.9	40.5	2.7	0.0	8.1	100.0	37
All Cities	36.7	11.8	38.9	1.5	2.3	8.3	100.0	817

Nature of the Rehabilitation Work

In addition to interviews with individual urban homesteaders, inspections of 397 "first round" urban homestead properties were performed as part of the evaluation of the program. The properties included in this survey were distributed across all 23 of the Demonstration Cities, and constituted almost 80 percent of all the "first round" properties on which rehabilitation had been completed by April 1, 1978. The information supplied by these inspections supports a number of findings on the characteristics of the properties; the extent, nature and timing of rehabilitation; and the quality of workmanship and materials in the urban homesteading programs.[1] The principal conclusions of the analysis are:

- The timing of rehabilitation. The average length of time required to complete rehabilitation was 11.5 months. It is apparent from examination of the individual property data that increases in the amount of work undertaken by the homesteader substantially lengthens the time required to complete repairs.

- The actual cost of urban homesteading rehabilitation. The actual costs of rehabilitation for the full sample of 397 inspected properties, including the market value of the homesteaders' self-help contributions, was estimated to be approximately $10,600. (See Exhibit III-5). This is substantially higher than the required repair costs estimated by HUD property disposition staff. Urban homesteaders and local officials desired more comprehensive rehabilitation than is typical in HUD's "repair and sell" program.

- The extent and nature of the rehabilitation work. Over 75 percent of all the properties required work in each of the following categories: Electrical Service, HVAC and Insulation, Plumbing, Finish Carpentry, Structural Alterations and Replacements, Interior Finishes, Plaster and Drywall, and Site Work. Of the total costs of work performed by contractors, it is estimated that 41 percent was attributable to structural alterations/repairs and finish carpentry, while a further 39 percent was accounted for by electrical service and plumbing repairs. Less than 12 percent of the contracted work went to interior finishes and plaster/drywall work.

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[1]For a detailed description of these findings, see The Rehabilitation of Urban Homesteads, The Evaluation of the Urban Homesteading Demonstration Program, Final Report, Volume III.

Exhibit III-5

AVERAGE CONTRACT COSTS, SELF-HELP VALUES, REHAB VALUES AND SELF-HELP % BY CITY*

City	Contract Costs	Value of Self-Help	Total Rehab Value	Percentage of Self-Help
Atlanta	9,393	1,032	10,425	0.10
Baltimore	13,544	837	14,381	0.06
Boston	19,417	6,240	26,292	0.24
Chicago	10,806	4,137	14,942	0.28
Cincinnati	12,166	3,664	15,830	0.23
Columbus	9,574	2,288	11,862	0.19
Dallas	1,708	2,407	4,118	0.58
Decatur	13,590	707	14,297	0.05
Freeport	12,338	2,116	14,540	0.15
Gary	1,607	3,683	5,290	0.70
Indianapolis	3,712	2,294	6,018	0.38
Islip	2,301	6,484	8,785	0.74
Jersey City	45,840	1,072	46,912	0.02
Kansas City	9,023	2,140	11,163	0.19
Milwaukee	2,027	5,486	7,513	0.73
Minneapolis	12,274	6,590	18,864	0.35
New York City	13,020	5,021	18,041	0.28
Oakland	12,114	1,692	13,848	0.12
Philadelphia	15,010	4,170	19,300	0.22
Rockford	7,338	1,361	8,707	0.16
South Bend	2,550	5,216	7,766	0.67
Tacoma	2,045	1,565	3,610	0.43
Wilmington	8,579	2,977	11,556	0.26
TOTAL	7,691	2,897	10,610	0.27

*In some instances, rows do not add across due to missing observations on contract costs. The average rehabilitation value and contract costs are based on 388 observations while self-help values are based on 397 observations.

Homesteaders' Attitudes Toward the Homesteading Process

A final area of concern is the extent to which program participants viewed their experience with urban homesteading favorably. As one approach to this issue, homesteaders were asked whether or not they had been surprised about the actual nature of the homesteading process, and, if surprised, what they had not anticipated. Overall, some 65 percent of all respondents indicated that they were not surprised, but this proportion ranged from a low of 27 percent in Boston to 100 percent in Jersey City.[1] About 20 percent of all respondents indicated that the work had taken longer than expected, and about 15 percent pointed to "higher costs" or to a "greater amount of work." Given the extensive nature of the rehabilitation efforts -- and the fact that the average renovation lasted for about a year -- such responses are not surprising. To the contrary, these data suggest that the majority of urban homesteaders entered the program fully aware of the amount of effort that was involved.

Homesteaders were also asked if the homesteading agency had given them as much help as they had needed. An overwhelming majority of urban homesteaders (81 percent) responded in the affirmative; however, this proportion varied across the sites, ranging from a low of 9 percent in Kansas City to a high of 91 percent in Chicago. Those homesteaders who indicated that not enough help had been provided were asked where additional assistance was required. Most of these respondents (65 percent) pointed to a need for additional help in dealing with contractors; the next most frequent response was for additional financial counseling. Again, these statistics support the general premise that, despite the program's demands, the majority of urban homesteaders were relatively pleased with their experience.

Homesteader Dropouts

One measure of a program's success is the continued participation of its intended beneficiaries. The homesteading program, by conditioning title on a minimum three year residency requirement, creates strong incentives for the homesteader to remain in the program and to fulfill the rehabilitation requirements. Given this incentive, it is perhaps not surprising that there have been relatively few dropouts from the program.

During the three year Demonstration period, there had been only 61 dropouts from a total of 1,932 homesteaders to which properties

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[1] See The Urban Homesteading Experience, Evaluation of the Urban Homesteading Demonstration Program, Final Report, Volume IV.

had been conveyed -- a dropout rate of 3.2%. Of the 61 who dropped out of the program, 26 (43%) "changed their mind" about the program, 12 (20%) cited changes in personal circumstances such as divorce or death, and 23 (38%) breached their agreements in some manner or were unable to secure the necessary financing. Those who "changed their mind" about the appeal of the program typically did so within 6 months of receiving conditional title. Those who breached their agreements had usually been in the program for more than a year.

The 61 dropouts from the program were initially identified through examination of local homestead agency records. Inevitably, some of them were also captured in the baseline household interviews, although they were by definition no longer in residence for one or more periodic interviews. However, the information acquired during the baseline interview with the dropouts provides a means of comparing the dropouts with the population of homesteaders as a whole.

There were 25 dropouts among the 812 households to which Baseline interviews were administered (3.1%). The small size of this subsample clearly precludes any strong statistical contrasts but the comparison is of some interest. The dropouts appear to be no worse off on economic terms than the other homesteaders; indeed only one of the dropouts was unemployed at the time of the baseline interview. There are modest (and statistically insignificant differences) on demographic variables. The dropouts tend to have fewer children and smaller households. Also, a slightly higher percentage of the dropouts are white households. The main interest in these results resides not in the differences between the dropouts and the homesteaders, which are statistically insignificant, but rather in the lack of differences. It might have been expected that the dropouts would be rather different if not in terms of family structure, than at least in terms of their financial resources. As this is not the case, it appears as if the act of dropping out is a purely random event.

The Benefits to Urban Homesteaders

In general, urban homesteaders receive two kinds of benefits (or potential benefits) as a result of participating in the program. In the first place, the homesteader experiences a change in his housing circumstances. This change almost always involves an increase in the quality of his housing; it may also involve a reduction in housing costs. These benefits accrue to the urban homesteader in his role as a consumer of housing services, and will last for at least as long as the minimum residency period. In the second place, the urban homesteader will acquire title to the homestead property when the residency period has elapsed. At this point, the homesteader may stand to realize a significant capital gain through the sale of the property then or at some subsequent date. This benefit accrues to him in his role as an owner of housing. In

estimating the benefits of the program to urban homesteaders, separate calculations of both forms of benefits have been carried out.

The estimation of the benefits to urban homesteaders is not without its conceptual problems. The homesteader may elect to remain in the property for a considerable time after he receives the title and is free to sell. The data collected during the course of the urban homesteading evaluation do not go beyond the end of the minimum residency period and, for this reason, it is not possible to know how long any given homesteader will remain in the property. Furthermore, the future values of individual homestead properties cannot be estimated with any degree of reliability. Thus, as long as homesteaders remain in their properties, a final strict accounting of costs and benefits cannot be performed.

However, by making some reasonable assumptions, it is possible to estimate the value of the benefits that accrue to the urban homesteaders. To simplify the analysis, we will assume that the homesteader will sell the property at the end of the three year residency period. This is a conservative assumption in the sense that it will tend to understate the benefits of the program. Since the homesteader has the option of selling the property at the end of the residency period, if he elects to stay it would imply that the consumption benefits exceed the value he places on a capital gain that might be realized through a sale.

The Monthly Benefits to Urban Homesteaders

The monthly consumption benefits to urban homesteaders can be calculated through a comparison of their current housing circumstances with what their housing would have been in the absence of the homesteading program. "Housing circumstances" are defined both in terms of the value of housing services received and the cash outlays made for housing, including loan interest and amortization, property taxes, insurance and utilities. All of this information can be derived from the baseline interviews with urban homesteaders.

The value of the housing services that are received by the urban homesteaders is based on the owner's own estimate of the property's value after rehabilitation, and a computation of the monthly cash outlays required had the property been purchased at this price. To assess cash outlays at market value, debt service is calculated assuming an 80 percent mortgage; expenses for insurance and utilities are assumed to be the same as those actually incurred by urban homesteaders; and average property taxes are estimated to be the same as the average of other neighborhood residents, which is somewhat higher than the average property taxes paid by homesteaders who receive a variety of tax exemptions and abatements. The resulting estimate of the monthly cost for an owner-occupant of the repaired homestead property, if it were acquired at its market price,

is then used to measure the value of the housing services received by the homesteader.

Comparison of the cost and value of the housing services received by the homesteader with what he would have received absent the program requires certain assumptions. The simplest approach is to assume that the homesteader would have continued to reside in his previous home. In the baseline interviews with urban homesteaders, detailed information was collected on their previous housing costs. These housing costs prior to participation in the urban homesteading program are then used to calculate the impact of the program on homesteaders' housing costs and housing quality.

Strictly speaking, the before/after comparison, while it does provide a suitable reference point for homesteaders interviewed only six months after occupying their property, may give somewhat misleading results over a longer period of time. It cannot be assumed safely that urban homesteaders would have remained at their previous homes had they not been selected for the program. Indeed, an examination of some of those who applied for the program and were rejected by a random lottery indicated that a majority of these households (53 percent) became homeowners within the next three years.[1] Since these "rejected" households were quite similar to the urban homesteaders when they first entered the program, this finding suggests that many of the program's participants would have moved to better housing even if they had not been selected for the program. This issue does not affect our estimates of the absolute amounts of benefits to urban homesteaders but, as we shall see, it does affect the composition of benefits as between savings in costs and increases in housing quality.

Using before/after comparisons, one can compute the monthly benefits to urban homesteaders and the constituent elements of housing quality improvement and housing cost reduction with the following simple equation:

$$\left[\begin{array}{c}\text{Monthly}\\ \text{Benefits}\end{array}\right] = \left[\begin{array}{c}\text{Increase in Value of}\\ \text{Housing Services}\end{array}\right] + \left[\begin{array}{c}\text{Decrease in Cost of}\\ \text{Housing Services}\end{array}\right]$$

$$= \left[\left\{\begin{array}{c}\text{Monthly}\\ \text{Market}\\ \text{Cost of}\\ \text{Homestead}\end{array}\right\} - \left\{\begin{array}{c}\text{Previous}\\ \text{Monthly}\\ \text{Housing}\\ \text{Costs}\end{array}\right\}\right] + \left[\left\{\begin{array}{c}\text{Previous}\\ \text{Monthly}\\ \text{Housing}\\ \text{Costs}\end{array}\right\} - \left\{\begin{array}{c}\text{Actual}\\ \text{Monthly}\\ \text{Cost of}\\ \text{Homestead}\end{array}\right\}\right]$$

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[1] See The Urban Homesteading Experience, Evaluation of the Urban Homesteading Demonstration Program, Final Report, Volume IV, pp. 15-18.

Notice that the previous housing costs do not affect the absolute level of benefits of housing services received by urban homesteaders.

Exhibit III-6 presents the estimates of monthly benefits, together with their component elements based on initial interviews with urban homesteaders.[1] On average, it appears that homesteaders actually spent a little more ($2.76) in monthly cash outlays for housing, despite the write-down in the value of the property. On average, however, homesteaders achieved significant increases in the value of housing services received ($64.27). Overall, homesteaders ended up paying just about as much as they did in their previous housing, but received a substantial improvement in the quality of their housing.

This aggregate finding conceals a substantial amount of variation across the different cities. In a number of sites, particularly Tacoma and Dallas, substantial savings in housing costs were achieved. On the other hand, in Freeport, Baltimore, Philadelphia, and Columbus, homesteaders found themselves paying substantially more than in their previous homes. However, in these instances, the increases in costs were more than offset by relatively large increases in the value of housing services received. The overall net monthly benefits to urban homesteaders averaged $61.52 and are positive in all cities except Decatur.

The variation in the composition of monthly benefits between cities is illustrated in Exhibit III-7. Each city is plotted on the Exhibit by its mean change in monthly housing costs and its mean change in the value of housing services. The diagonal lines indicate combinations of costs and quality changes which yield equal net monthly benefits. Exhibit III-7 also indicates the categorization of cities by degree of control exercised over the rehabilitation process. Those cities exercising a high degree of control typically show the larger increases in monthly housing costs and the largest increases in the value of housing services received. Conversely, those cities classified as "low control" cities typically show

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[1]For this analysis, 12 homesteaders in Boston and Jersey City, whose properties included rental units, were dropped from the analysis because satisfactory data on their rental income, necessary for the cost/benefit analysis, were not available. In addition, approximately 15 percent of the homesteaders, who were not heads of their previous households, were dropped. This was done because most of these homesteaders were either not paying rent or not paying a market rent in their previous dwelling unit. As a result, it was impossible to decompose their benefits through valid before/after comparisons. A total of 505 urban homesteaders for whom complete information was available provided the information on which these calculations are based.

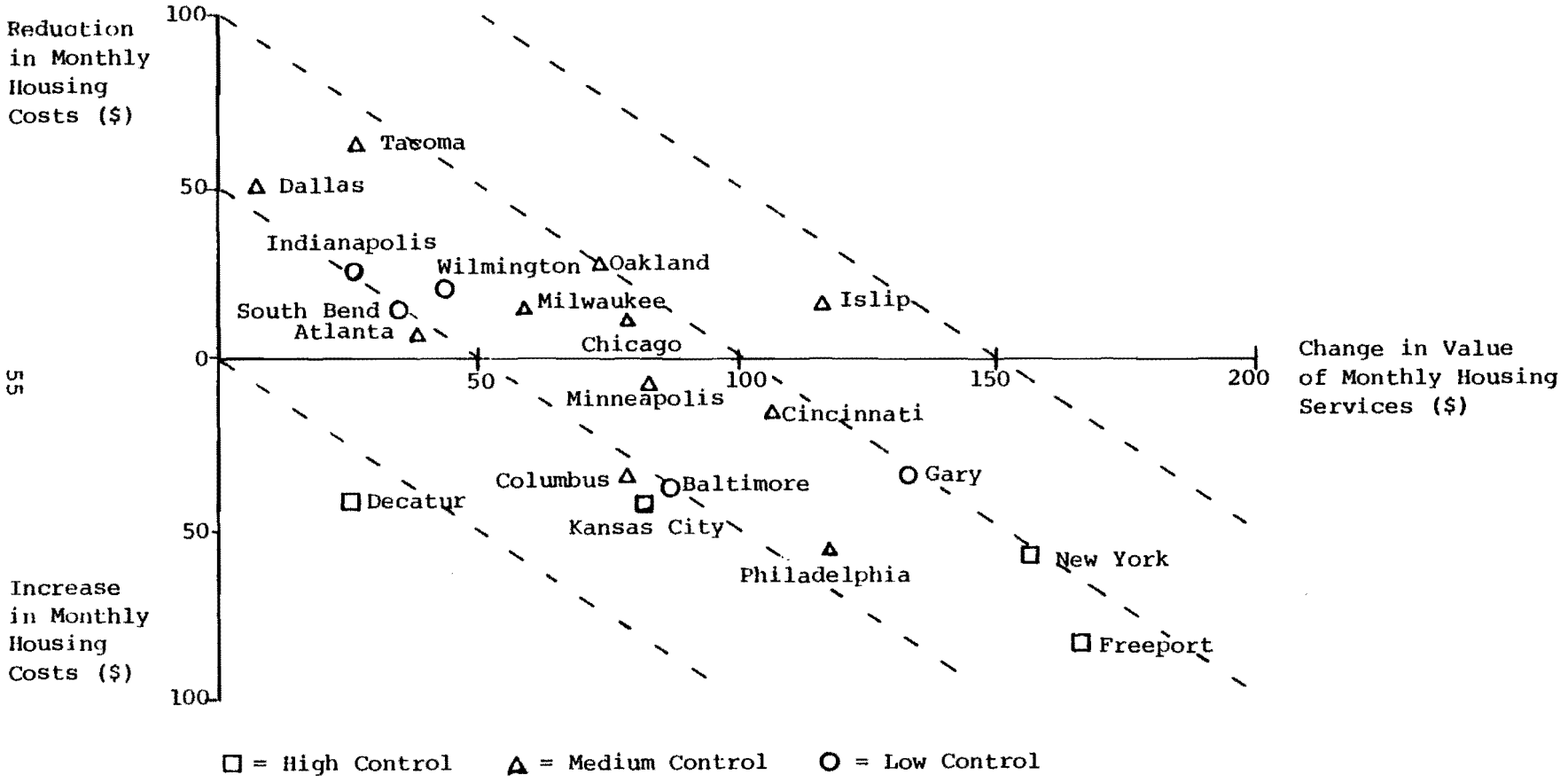
Exhibit III-6

MONTHLY BENEFITS TO URBAN HOMESTEADERS
BY CITY

	Decrease (Increase) in Monthly Housing Cost	Increase in Monthly Value of Housing Services	Monthly Benefits to Urban Homesteaders
Atlanta	1.41	39.95	41.36
Baltimore	(34.90)	88.96	54.06
Chicago	3.70	79.31	83.01
Cincinnati	(16.40)	106.71	90.31
Columbus	(32.38)	79.48	47.10
Dallas	50.28	16.63	66.91
Decatur	(43.46)	25.28	(18.18)
Freeport	(85.73)	167.15	81.42
Gary	(32.35)	137.02	104.66
Indianapolis	31.71	22.91	54.62
Islip	13.33	119.55	132.89
Kansas City	(36.00)	74.67	38.67
Milwaukee	10.48	58.76	69.24
Minneapolis	(3.67)	75.09	71.42
New York City	(58.92)	159.96	101.05
Oakland	20.78	69.26	90.04
Philadelphia	(53.34)	121.33	67.98
Rockford	(19.34)	23.69	4.35
South Bend	13.00	38.33	51.33
Tacoma	63.10	34.93	98.03
Wilmington	22.09	44.98	67.07
TOTAL	(2.76)	64.27	61.52

Exhibit III-7

CHANGES IN MEAN MONTHLY HOUSING COSTS & VALUE OF HOUSING SERVICES



reductions in monthly housing costs and much more modest increases in housing quality. This reflects the fact that the high control cities typically undertake larger scale rehabilitation than the medium and low control cities.

Further confirmation of the relationship between rehabilitation cost and the component elements of homesteader benefits is presented in Exhibit III-8. The evident, and expected, relationship between changes in housing costs and housing quality as a function of the scale of rehabilitation is quite striking. There is, however, no apparent relationship between monthly housing benefits, which is the sum of housing costs and quality changes, and the level and cost of rehabilitation.

Reference was made earlier to possible limitations in the use of homesteaders' prior housing to estimate the components of housing cost and housing quality improvements which combine to give net monthly housing benefits. Data collected from applicants to the urban homesteading program who were rejected by lotteries indicate that many of the homesteaders would have upgraded their housing and increased their housing costs if they had not been selected to participate in the program.[1] The effect of a lottery loser comparison is to show that with the passage of time, the composition of the monthly benefits changes significantly from a benefit almost entirely resulting from housing quality improvement at the outset to a benefit almost entirely resulting from housing cost reduction after three years. Thus, a homesteading program initially offers its participants an opportunity to improve their housing quality at little or no additional expense to them. To a large extent, they would have improved their housing quality at substantial expense to themselves absent the program. As a result they are receiving a substantial reduction in expense but no significant improvement in their housing quality on average.[2]

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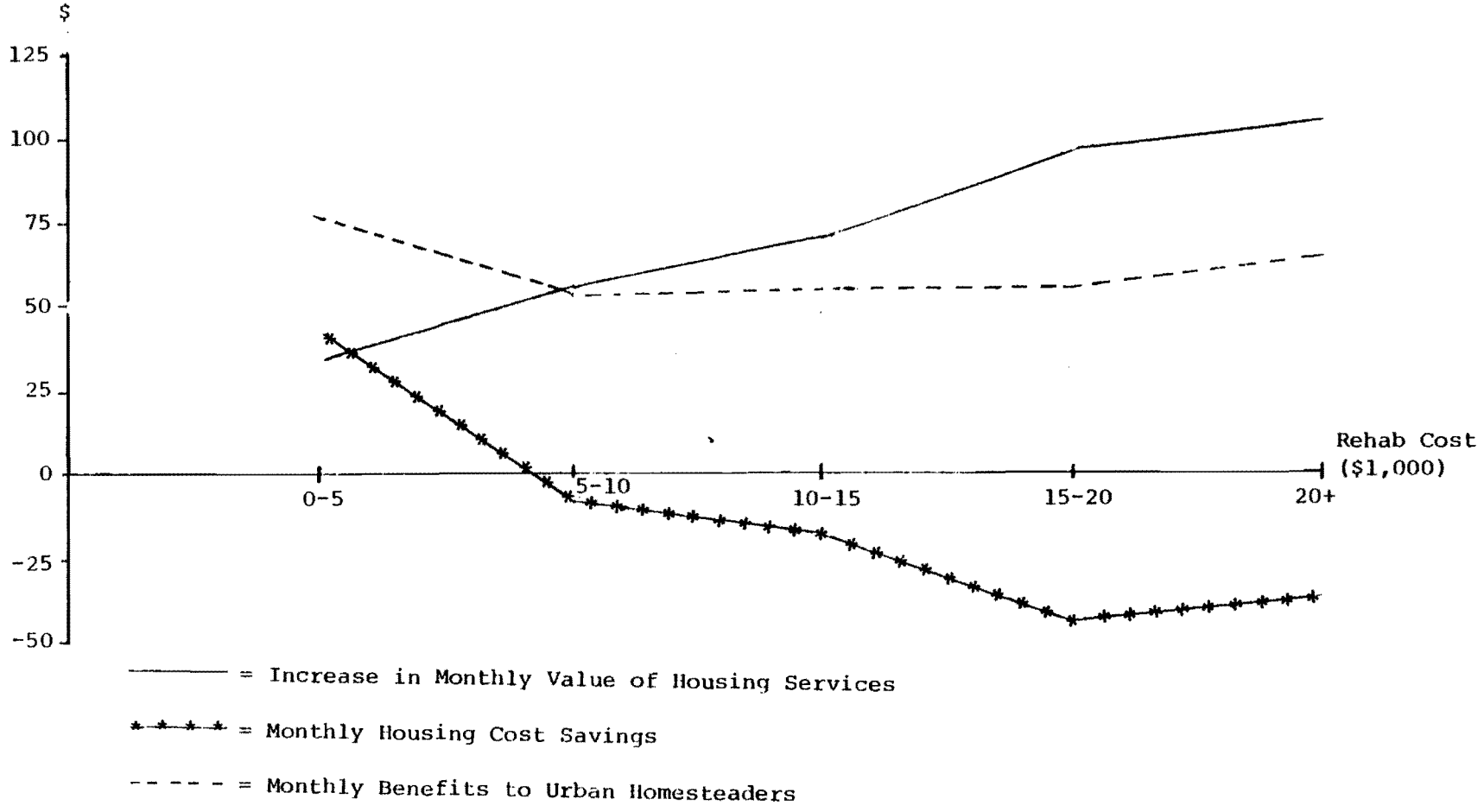
[1]For a more detailed discussion of this, see The Urban Homesteading Experience, Evaluation of the Urban Homesteading Demonstration Program, Final Report, Volume IV, pp. 103-105.

[2]The issue raised by the apparent upgrading of housing quality and increases in monthly housing costs experienced by the lottery losers does not relate solely to the composition of benefits. To the extent that participation in the program means that homesteaders are receiving more housing services than they would otherwise buy, as comparison with prior housing suggests, the value to the homesteader of the increased housing quality may be less than its market value. This argument would lead to a downward adjustment of estimate benefits using an assumed demand curve for housing quality; indeed, this adjustment was performed in the computation of monthly benefits to homesteaders in another volume of this report. However, to the extent that it appears that the homesteaders demand curve would have moved outward and that (footnote continued on page 58)

Exhibit III-8

CHANGES IN MONTHLY HOUSING COST, MONTHLY VALUE OF HOUSING SERVICES, AND MONTHLY BENEFITS AS A FUNCTION OF REHABILITATION COST



The monthly benefits described above can also be viewed in terms of their different sources. In the first place, the homesteaders receive the unrepaired property at no cost to them, so that after repair many of them have received an asset for substantially less than its market value. This is the first, and major, source of the consumption benefit. Secondly, many of the homesteaders received rehabilitation loan finance on a subsidized basis, either through Section 312 loans or other municipally-administered programs. Thirdly, some of the homesteaders receive property tax exemptions and abatements. The contributions of each of these three sources to the monthly benefits to homesteaders are shown in Exhibit III-9. These estimates were developed by setting homesteader interest rates at commercial levels, by increasing property taxes to the level paid by other residents of the urban homesteading neighborhood, and recalculating the benefits to homesteaders. The remaining benefits are then attributable in full to the write-downs in the value of the property.

Exhibit III-9

SOURCES AND USES OF MONTHLY BENEFITS

Sources:		Uses:	
Interest Rate Subsidies	$ 13.74	Housing Cost Savings	($ 2.76)
Property Tax Exemptions and/or Abatements	5.88	Increase in Housing Quality	64.27
Property Value Write-Down	41.89		
	$ 61.51		$ 61.51

Benefits to Homesteaders from Property Value Appreciation

The monthly benefits to urban homesteaders described in the previous section correspond to the benefits received by the homesteader as a consumer of housing services. By receiving title to

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(footnote continued from page 56) they would have bought approximately the same amount of housing services as they receive as homesteaders, no adjustment is required. In this analysis it will be assumed that homesteaders do in fact value the housing services received to the same degree as the market. This treatment is consistent with the lottery loser evidence and permits some simplification in the presentaton of results.

the property, however, the homesteader also receives benefits as the owner of a property which he or she can sell after the residency requirements have been fulfilled. As discussed earlier, a conservative approach to the valuation of the benefits which accrue from ownership is to assume that the property is sold at the end of the residency period.

There is a further problem in that we must rely on the urban homesteader's own estimate of the valuation of his property, rather than valid sales price data. This creates problems of two kinds. In the first place, the homesteader may not be an accurate appraiser of his own property. In the second place, the most recent estimates of the homestead property's value may be two or more years prior to the earliest date at which the homesteader could sell the property. These two potential biases appear likely to work in opposite directions. It might be supposed that homesteaders would typically overvalue their properties by some amount; on the other hand, if current, rather than future, property values are used to compute the amount of property appreciation accruing to the homesteader, this will tend to understate the actual value which can be realized through sale.

The benefits which accrue to the homesteader from ownership, assuming a sale at the end of three years, can be modeled in a conventional way like any other cash flow. The homesteader contributes equity at the beginning of the period to defray the costs of rehabilitation. The amount of contributed equity is the difference between the cost of rehabilitation and the amount borrowed. At the end of the period, he realizes value from the sale of the property from which he must pay off any outstanding loan balance. The value of this cash flow is therefore equal to the difference between the value of the property, less transaction costs, and the outstanding loan balance at the end of three years, discounted back to the time of original occupancy, less the amount of original contributed equity.[1]

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[1] In general,

$$PV = \frac{V-T-L}{(1+r)^t} - E_o$$

where:

V = the value of property at the time of sale
T = transaction costs
L = outstanding loan balance
r = discount rate
t = holding period
E_o = the value of the original contributed equity.

The mean values of variables which enter this calculation are presented by city in Exhibit III-10. The net value of the cash flow to the homesteader is shown in the last column. On the assumption that the homesteader sells the property at the end of three years, and liquidates his outstanding loan balance, the mean net value is $9,516. These values are positive for all urban homesteading cities, ranging from a low of $3,189 in Philadelphia to a high of $19,230 in Islip.

The variation of the discounted cash flow benefit to homesteaders across different levels of rehabilitation is particularly striking (Exhibit III-11). The much higher levels of required indebtedness for the larger rehabilitation jobs are not offset by the estimated value of the property after repair. The discounted cash flow mean values for the lowest rehabilitation cost category ($1-5,000) is almost $12,000. This value falls continuously as rehabilitation costs increase so that for rehabilitation jobs in excess of $20,000, the opportunity for capital gain is less than $3,000.

The Aggregate Benefits to Urban Homesteaders

The net benefits to urban homesteaders are calculated as the sum of the housing benefits received during the three-year residency period plus the value of the cash flow assuming sale of the property at the end of three years.[1] These are presented by city in Exhibit III-12. The aggregate net benefit is substantial, averaging almost $11,500 per homesteader. Approximately $2,000 of this benefit is realized as a consumption benefit during the residency period, with the balance attributable to capital appreciation.

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[1]While the composition of the benefit is sensitive to the assumption that homestead properties are sold at the end of the residency period, the aggregate net benefit will not change significantly if it is assumed the homesteader remains in the property after the three years. To see this, consider the alternative that the homesteader receives consumption benefits of $735 per annum as a perpetuity. Discounting this back to the present at 8 percent yields a value of $9,228, which is approximately the same as the value of the cash flow to the homesteader assuming a sale at the end of three years. In fact, the value of the housing consumption benefits will be larger by virtue of progressively reduced debt service expense as rehabilitation loans are paid off in full.

Exhibit III-10

REHABILITATION COST, INITIAL LOAN AMOUNT, AND DISCOUNTED VALUE OF CASH FLOW BY CITY

	Construction & Materials Costs	Initial Loan Amount	Discounted Value of Cash Flow
Atlanta	11,316	10,837	9,025
Baltimore	13,814	10,374	9,018
Chicago	14,172	9,565	8,594
Cincinnati	15,743	9,700	7,169
Columbus	11,416	10,058	9,440
Dallas	3,299	1,235	10,108
Decatur	16,466	17,733	6,684
Freeport	11,386	9,618	17,002
Gary	9,914	2,208	13,239
Indianapolis	7,421	4,098	8,159
Islip	4,208	1,367	19,234
Kansas City	12,662	11,805	6,257
Milwaukee	5,717	3,318	11,549
Minneapolis	16,846	15,415	11,007
New York City	18,983	14,942	12,106
Oakland	14,861	12,778	11,845
Philadelphia	17,082	9,737	3,351
Rockford	8,950	7,312	10,837
South Bend	6,489	3,751	7,918
Tacoma	4,347	3,521	16,659
Wilmington	9,368	6,709	8,184
TOTAL	10,476	7,468	9,646

Exhibit III-11

MEAN VALUES OF DISCOUNTED CASH FLOW
BY REHABILITATION COST CATEGORY

Rehabilitation Cost	Mean Value of Discounted Cash Flow (3 Year Sale)	Sample Size
$ 0 - 5,000	$ 12,114	146
5,001 - 10,000	11,279	124
10,001 - 15,000	9,049	107
15,001 - 20,000	7,214	73
20,000+	2,605	55
Total	$ 9,516	505

Exhibit III-12

NET BENEFITS TO URBAN HOMESTEADERS BY CITY

City	Net Benefits to Urban Homesteaders (Standard Error)	Sample Size
Atlanta	$10,280 ($247)	27
Baltimore	$10,754 ($718)	10
Chicago	$10,933 ($520)	20
Cincinnati	$10,049 ($1,190)	10
Columbus	$10,670 ($583)	13
Dallas	$12,231 ($73)	76
Decatur	$ 5,535 ($303)	24
Freeport	$19,400 ($689)	11
Gary	$16,569 ($327)	34
Indianapolis	$ 9,877 ($570)	31
Islip	$23,499 ($514)	9
Kansas City	$ 7,366 ($277)	30
Milwaukee	$13,773 ($304)	21
Minneapolis	$13,000 ($367)	24
New York City	$15,352 ($816)	12
Oakland	$14,534 ($346)	27
Philadelphia	$ 5,374 ($221)	38
Rockford	$10,809 ($160)	35
South Bend	$ 9,475 ($253)	21
Tacoma	$19,676 ($767)	10
Wilmington	$10,300 ($244)	22
TOTAL	$11,492 ($17)	505

Sweat Equity

In the computations presented above, no adjustments were made for the amount of sweat equity contributed by the homesteader in the rehabilitation of the property. Such efforts constitute a cost for every homesteader in the sense that there is an (unobserved) price which he would pay for someone else to do the work. As noted earlier, homesteaders, their families and friends spent an estimated 297 hours on average working on their properties. The average savings per hour, in the sense of contractor costs avoided, was $5.78, giving a total estimated savings of about $1,700. These savings represent a ceiling on the underlying "cost" of self-help labor measured in terms of what the homesteaders would have paid to avoid contributing their time. Had these costs been greater than the estimated savings ($1,700), he would have chosen to contract out.

Summary

It is clear that the Urban Homesteading Demonstration Program conferred substantial benefits on those selected to become urban homesteaders. We do not know how many of the homesteaders will elect to remain in their properties beyond the minimum residency period, or for those who do elect to remain, how long they will stay. The most conservative assumption is that they will sell the property and realize the capital appreciation at the end of three years. On these assumptions they will receive almost $2,000 worth of consumption benefits while they reside in the house, together with a claim on a cash flow worth approximately $9,500. Even if the homesteaders value their contributed labor at the maximum cost of about $1,700, the homesteaders still receive benefits of $9,800.

It is apparent that the benefits to homesteaders vary substantially around the overall mean across both cities and levels of rehabilitation. By using both homesteaders' prior housing circumstances and the evidence drawn from interviews with lottery losers three years later, it appears that consumption benefits are initially received in the form of improvements in housing quality but become progressively converted into cost savings. This reflects the evidence that homesteaders would have upgraded their housing and incurred increased housing expense if they had not been selected to participate in the program.

The sources of the benefits to urban homesteading were also decomposed to their constituent elements. Of the average monthly benefits, 9.6 percent was attributed to property tax abatement or exemption, 22.3 percent to interest subsidies, both federal and local, and 68.1 percent to the contributed value of the property. Each of these constitutes a cost to either local or federal government agencies. The aggregate amount of these costs will determine the overall net benefit of the program -- the subject of the next chapter of this report.

Chapter IV

THE NET BENEFITS OF URBAN HOMESTEADING

There are three basic groups which between them bear the costs and enjoy the benefits of urban homesteading. First, there are the principal intended beneficiaries, the urban homesteaders themselves. An urban homesteader receives real property at substantially below its market value. In return, he or she commits to bear the cost of rehabilitation and to occupy the property for a minimum of three years. Secondly, there are government agencies, both federal and local, which undertake the costs of administering the program and which frequently provide additional subsidies through interest rate write-downs, grants, and property tax relief. Thirdly, there are the residents of the urban homesteading neighborhoods. An urban homestead may also generate secondary benefits for its immediate neighborhood by removing the blight of a vacant and deteriorated property and by stimulating higher levels of property maintenance in nearby buildings.

Cost/benefit analysis was originally developed to assist in public investment decisions where, for one reason or another, the return on the investment was not valued, or not fully valued, in the market place. Cost/benefit studies of water resource projects, rapid transit improvements, and so on were thus designed to introduce an element of rational calculation into what had previously been a largely political process. The logical extension of cost/benefit analysis to operating programs, as well as to capital investments, reflects the continuing concern with the valuation of the output of public programs and with comparison of the value of such output with the cost of producing them.

In the context of the Urban Homesteading Demonstration Program, the purpose of cost/benefit analysis is to measure and account for the impacts of the program on those individuals and institutions which are directly and indirectly affected. Those directly affected are the homesteaders, agencies of local government, and federal government.

In cost/benefit analysis, as in all formal evaluation, there must be a baseline or reference point against which observed outcomes are to be compared. In developing cost/benefit estimates for the Urban Homesteading Demonstration, the appropriate reference point is what would have happened if the program had not existed. Thus, for homesteaders, comparisons are with the housing experience they would have had if they had not become homesteaders. For local governments, the absence of the Urban Homesteading Demonstration implies savings in the costs of administration and, in some instances, a greater availability of local rehabilitation finance for other uses. For the federal government, the reference point is the alternative disposition of FHA one- to four-family properties.

In common with many public programs, the Urban Homesteading Demonstration gives rise to a series of transfers between agencies and individuals. Some of these transfers, although significant for a category of participants, may cancel out when netted against the impacts on other participants. The aggregate costs and benefits of any program must be estimated net of transfers to assure that they include only real changes in social income. Nevertheless, because public policy is also concerned with the incidence of benefits and costs, it is important to retain the capability to estimate a program's impact on particular institutions or groups of individuals.

In Chapter II of this report, estimates of the costs incurred by local governments in the administration and financing of urban homesteading programs were developed. These estimates included the costs of local administration, the costs to local governments of the interest subsidies on municipally subsidized loans and the costs of tax exemptions and abatements provided to urban homesteaders. These cost estimates will be used in this chapter to calculate the net benefits of the program.

In the previous chapter, estimates of the benefits accruing to urban homesteaders were developed. The benefits included the net value of improved housing services enjoyed by the homesteader and the discounted capital appreciation available to the homesteader when the residency requirements are fulfilled. These benefit estimates will be used in this chapter to calculate the net benefits of the program, excluding indirect benefits to other neighborhood residents. There remains one institution, the Federal Government, for which the direct costs of the urban homesteading program have not been estimated. These costs are now discussed.

Costs to the Federal Government

The Federal Government incurs costs of two kinds as a result of the Urban Homesteading Demonstration. In the first place, and explicitly recognized in the legislation, the contribution of property for use in local urban homesteading programs denies the HUD insurance fund the proceeds from the sale of these properties. It was to

cover these costs that the Federal Government appropriated funds for urban homesteading. Secondly, through interest subsidies to individuals receiving 312 loans for the rehabilitation of their property, the Federal Government incurs additional expense.

Whereas urban homesteading imposes significant administrative expenses on local governments, it does not create any obvious administrative expense for the Federal Government. HUD single-family property disposition staff are required to appraise and convey the properties to local governments. However, if the property were disposed of in another manner, for example, as in a "cash-as-is" or "repair and sell" program, comparable costs would also be incurred. The administrative costs of alternative methods of disposition are not likely to differ, so this is not included in the assessment of costs.

Foregone Value of the Homestead Property

The one cost element of the urban homesteading program which received explicit recognition in the statute and design of the program was the cost to the insurance fund of giving the properties away. It was to cover this cost that funds were appropriated for the program. For each property that was conveyed to cities, an "810 value" was established by HUD's Property Disposition staff; this "810 value" was then used to reduce the amount of each city's allocation of 810 funds and to reimburse the insurance fund.

In the Urban Homesteading Demonstration, the basis for determining the "810 value" was an appraisal by HUD staff using comparables. The appraised value was the higher of the cash as-is value and the market value after repair, less estimated repair costs. This value was then adjusted downwards to reflect carrying costs avoided by having the property conveyed earlier than would otherwise have been the case. The overall intent was to approximate the opportunity costs of surrendering the property without reimbursement.

The data on the "810 values" of the urban homesteading properties were collected where available. The concept of the "810 value" as an opportunity cost is the appropriate concept for the assessment of the costs of the program to the Federal Government and the "810 values" will in fact be used in the cost/benefit analysis. Nevertheless, there are two reliability issues which should be mentioned here.

First, the HUD valuations of the properties tend to be substantially lower than the homesteader valuations even after adjusting for differences in estimated repair costs.[1] These differences may arise from overvaluations by homesteaders and/or from under-

[1] The Rehabilitation of Urban Homesteads, Evaluation of the Urban Homesteading Program, Final Report, Volume III, pp. 21-24.

valuations by HUD property disposition staff. Alternatively, both homesteaders and HUD staff may be correct and the differences may reflect the return on investment and/or risk premium demanded by individuals who purchase HUD properties on a "cash-as-is" basis as a speculative investment. The latter explanation has some appeal.

The second issue relates to the adjustments for carrying costs which were made to the "810 value." The intent of these adjustments was to reflect the savings to HUD resulting from early transfer of the properties. Carrying costs include property taxes, interest and security services while the building remains empty. The carrying costs were computed on the basis of a daily rate per single-family property multiplied by the average number of days that a property remained in the inventory of that Area Office.

This method provides a rather crude estimate of what the carrying costs would have been for any given property. There is evidence in some instances that the designation of a property for use in urban homesteading may have delayed its transfer rather than accelerated it; furthermore, the average length of time of properties in the inventory is somewhat inflated by the multi-family properties which turn over more slowly. When the Urban Homesteading Demonstration was converted to an operating program, the carrying cost adjustment was dropped for these reasons and for reasons of administrative simplicity.

Nevertheless, it is clearly necessary to make some judgments as to the amount of carrying costs avoided as a result of urban homesteading. The "810 values" were intended to incorporate adjustments for carrying costs and this is conceptually correct. Absent any other data, there is little choice but to accept the "810 values" as the best available measure of the real cost of conveying the properties without reimbursement.

Mean "810 values" are presented in Exhibit IV-1. These statistics include more later properties as compared to the homesteader interviews. Because "810 values" have tended to increase somewhat over time, the estimated foregone costs to the Federal Government may be modestly overestimated. This is consistent with the preference to understate, rather than overstate, net benefits throughout this report.

Interest Subsidies Through the 312 Loan Program

Each local urban homesteading program received, in addition to its allocation of properties, a set-aside of 312 loan authority for use in the urban homesteading neighborhoods. These loans could be used for the benefit of urban homesteaders or for the benefit of other qualified residents of the urban homesteading neighborhoods.

Exhibit IV-1

MEAN "810 VALUES" AND 312 LOAN INTEREST SUBSIDY EXPENSE BY CITY

City	Mean "810 Value"	Average Per Unit 312 Loan Subsidy Amount
Atlanta	6,115	1,340
Baltimore	6,922	141
Chicago	5,769	982
Cincinnati	7,846	0
Columbus	8,289	0
Dallas	4,072	7
Decatur	6,248	905
Freeport	10,058	0
Gary	2,525	162
Indianapolis	3,284	429
Islip	9,048	0
Kansas City	450	361
Milwaukee	6,806	45
Minneapolis	6,602	336
New York	5,797	1,616
Oakland	11,588	1,199
Philadelphia	*	20
Rockford	5,267	0
South Bend	3,501	203
Tacoma	14,443	411
Wilmington	5,461	625
TOTAL	6,015	382

*Due to legal problems with the urban homesteading program in Philadelphia, little data exists about program operation.

For these purposes, the interest subsidy for urban homesteaders only should enter the cost/benefit calculus. The cost to the Federal Government is measured by the difference between the government's long-term borrowing rate and the 3% rate at which the 312 loans are issued. Once again, to be consistent with the treatment of homesteader benefits, the cost of the 312 interest rate subsidy is calculated over the three-year minimum residency period, in a manner comparable to the computation of the cost of interest subsidies to municipal government. The mean cost of 312 interest subsidies by city is also included in Exhibit IV-1.

Consolidation of Cost and Benefit Estimates

The numbers necessary for the final accounting of the costs and benefits of the urban homesteading demonstration have all now been derived and presented in this and in preceding chapters. They are assembled in Exhibit IV-2. This exhibit contains the components of both local and federal agency costs associated with urban homesteading together with their subtotals and aggregate. These are juxtaposed with the estimated benefits to urban homesteaders presented in Chapter III. Finally, in the right-hand column of the exhibit is shown, by city and in the aggregate, the net benefits of the program.

To begin this discussion with what is perhaps the most important result, the reader's attention is directed to the bottom right-hand corner of the exhibit where the net benefits of the program are estimated to be $3,832. In a real sense, the fact that this program generates positive net benefits, when all administrative costs have been fully charged to it, is quite remarkable. On the face of it, urban homesteading consists of little more than exchanges of assets and obligations between agencies and individuals. Normally, such exchanges do not yield significant gains in social income. This is especially true if there are significant administrative expenses, and there are, associated with carrying out these transactions.

It is important to understand the sources of this apparently magical creation of value. It is clear that the interest subsidies and tax abatements and exemptions which local and federal government agencies provide to the homesteader do not in themselves create value, since income to the homesteader is expense to the government. To some degree, it can be argued that it is the self-help contributions of the homesteaders which are the source of the positive net benefits. This is certainly true, but only to some extent. It has been discussed earlier in this report that the contributions of self-help labor cannot reasonably be estimated to exceed $1,700 per property. Furthermore, this contribution is offset almost entirely in the calculation by the administrative costs which local governments incur in running urban homesteading programs.

Exhibit IV-2

THE BENEFITS AND COSTS OF URBAN HOMESTEADING: AVERAGE PER PROPERTY BY CITY

City	Local Government Costs				Federal Government Costs			Total Costs	Benefits to Urban Homesteaders	Benefits-Costs
	Administrative	Interest Subsidy	Property Tax Abatements/ Exemptions	Subtotal	"810 Value"	312 Loan Interest Subsidy	Subtotal			
Atlanta	2,036	136	136	2,308	6,115	1,340	7,455	9,763	10,280	517
Baltimore	2,273	802	119	3,194	6,922	141	7,063	10,257	10,754	3,194
Chicago	*	10	101	*	5,769	982	6,751	*	10,933	*
Cincinnati	3,150	0	245	3,403	7,846	0	7,846	11,249	10,049	(1,200)
Columbus	*	11	30	*	8,289	0	8,289	*	10,670	*
Dallas	458	11	104	653	4,072	7	4,079	4,732	12,231	7,499
Decatur	1,822	428	200	2,450	6,248	905	7,153	9,603	5,535	(4,068)
Freeport	4,629	0	815	5,444	10,058	0	10,058	15,502	19,400	3,898
Gary	596	0	114	710	2,525	162	2,414	3,124	16,569	13,445
Indianapolis	601	19	33	653	3,284	429	3,713	4,366	9,877	5,511
Islip	763	29	620	1,412	9,048	0	9,048	10,460	23,499	13,039
Kansas City	2,946	203	151	3,300	450	361	811	4,111	7,366	3,255
Milwaukee	1,041	20	417	1,478	6,806	45	6,851	8,329	13,773	5,444
Minneapolis	1,711	727	194	2,632	6,602	336	6,938	9,570	13,000	3,430
New York City	14,563	228	552	15,343	5,797	1,616	7,413	22,756	15,352	(7,404)
Oakland	1,834	219	348	2,401	11,588	1,199	12,787	15,188	14,534	(834)
Philadelphia	*	5	225	*	*	20	*	*	5,374	*
Rockford	*	0	69	*	5,267	0	5,267	*	10,809	*
South Bend	963	13	470	1,446	3,501	203	3,704	5,150	9,475	4,325
Tacoma	4,302	0	18	4,320	14,443	411	14,854	19,174	19,676	502
Wilmington	4,196	0	182	4,378	5,461	625	6,086	10,464	10,300	(164)
TOTAL	1,635	113	212	1,960	6,015	382	6,397	8,537	11,492	3,832

*Information not available.

The source of the significant net benefits which derive from this program must by necessity lie in the one transaction not yet discussed -- the transfer of the property itself from the FHA inventory to the homesteader. It is apparent from previous discussion that the value created in the property when a homesteader assumes the responsibility to repair and occupy it and receives substantial assistance from local program officials is considerably greater than the value which the federal government can realize through routine property disposition. That this is so is perhaps not so surprising. When the urban homestead properties are ultimately sold by their new owners, they will have been repaired to local housing standards, have been occupied by families which have demonstrated their attachment and interest in decent housing, and they will be disposed of in an orderly residential real estate market. Conversely, the value of these properties when sold on a cash-as-is basis, will be substantially less. In many cases, vacant unrepaired properties are purchased with a view to their use as rental properties after minimum repairs have been performed. Such purchases may well require very high returns on what would be regarded as speculative investments. On the other hand, sale of such properties to families of modest means encounters the unavailability of rehabilitation finance for what are very large home improvement investments.

To a large degree, these results support the basic hypothesis of urban homesteading. The combination of a property, a dedicated family, good professional support from local government, and availability of rehabilitation finance can and does create real value. This is not a program designed simply to redistribute housing towards those in need, although it achieves that purpose, but a program which seeks to maintain and improve the value of the existing housing stock. The basic finding of this report is that the demonstration has succeeded in that end.

Chapter V

THE IMPACT OF URBAN HOMESTEADING ON TARGET NEIGHBORHOODS

In its original Invitation to Participate in an Urban Homesteading Program, HUD spelled out its neighborhood development purposes by referring to a demonstration "which would test the workability of the homesteading concept as a preservation and stabilization tool in a range of carefully chosen declining neighborhoods that are not severely blighted and have some potential of regaining their viability." In addition to implementing urban homesteading programs in these neighborhoods, the Demonstration Cities were required to provide "a coordinated approach toward neighborhood improvement which includes...the upgrading of community services and facilities."

The concept of urban homesteading as a stabilization tool is of some interest. In a literal sense, homesteading is exactly that, since it aims at the rehabilitation and occupancy of properties which are vacant and in disrepair. The conjectured stabilization efforts of homesteading must, however, go beyond the scattered homestead properties if it is to contribute in any significant way to the preservation of urban neighborhoods. Viewed from this perspective, the direct removal of blight by urban homesteading is one element, and generally not the most important one, in a "coordinated approach toward neighborhood improvement."

HUD's neighborhood interests were made clear at the outset of the Demonstration, but no systematic effort was made to spell out the characteristics of the areas which would satisfy its "early decline" criterion. Instead, the applicant communities themselves proposed suitable areas for homesteading; this reflected a belief that neighborhood revitalization potential is most appropriately assessed at the local level. By November 1, 1976, urban homestead properties had been selected by twenty-two of the Demonstration Cities; these properties were located in exactly forty target neighborhoods, and these neighborhoods in turn accounted for most, but not all, of the target areas originally approved for urban homesteading.

The evaluation of the Urban Homesteading Demonstration Program was designed in a manner which reflected HUD's interest in urban homesteading as a neighborhood stabilization tool. In addition to data collected from and about participants in the program and the homestead properties, special surveys were conducted to provide information about changes in the neighborhood. An initial wave of data collection involving both interviews with a random sample of residents of the urban homesteading neighborhoods and observation of the exterior conditions of buildings and of streets was conducted in the winter of 1976-7. These surveys were repeated twice, at intervals of twelve and eighteen months, respectively. The data they provided, together with information from secondary sources, can support a number of findings on the relationship between urban homesteading activity and neighborhood change. These findings form the subject matter of this chapter.

Change in the Urban Homesteading Neighborhoods 1970-77

To provide a context for the examination of change in the urban homesteading neighborhoods during the period of the Demonstration, it is useful to examine the direction of change in these neighborhoods before the Demonstration went into effect. The neighborhoods were chosen on the basis of HUD's "early decline" criteria and the intended effect of urban homesteading, as well as of other targeted stabilization activities, was to arrest this decline. Examination of change in these neighborhoods before urban homsteading therefore provides the logical departure point for this discussion.

Estimates of the nature and extent of change in the neighborhoods prior to the Demonstration were prepared from comparisons between 1970 Census data and the findings of the first wave household interview survey of residents of homesteading neighborhoods conducted in the winter of 1976-7. Comparisons of selected variables are presented in Exhibit V-1.

Urban homesteading neighborhoods did not experience losses in population which are characteristics of many declining ares. In 1977, mobility rates in urban homesteading neighborhoods were not much different from the national average. Approximately 18 percent of current residents had moved in the previous year; this figure is virtually the same as the national average of 18.4 percent. Between 1970 and 1977, the aggregate population of these areas increased by about six percent, from 672,000 to 714,000. This increase almost exactly corresponds to an increase in the mean number of persons per occupied dwelling unit from 3.2 to 3.4. Taken together, these figures indicate that the number of occupied dwelling units remained constant over the period and that vacancy rates were stable.

Exhibit V-1

SELECTED CHARACTERISTICS OF URBAN HOMESTEADING NEIGHBORHOODS, 1970-77

Characteristic	1970	1977
Population	672,000	714,000
Mean Household Size	3.2	3.4
Percentage Black	45.0%	65.0%
Mean Household Income	$8,758	$10,675
Mean Purchase Price[1]	$16,510	$18,627 (1976)
Gross Rent Per Month	$114 (Median)	$197 (Mean)
Proportion of Owner-Occupants	54.0%	65.0%

[1]Single-family home sales only.

Despite this apparent stability, the characteristics of residents of urban homesteading neighborhoods changed substantially over the period. The majority of urban homesteading neighborhoods have experienced some degree of racial transition. The proportion of black households in all neighborhoods combined increased from 45 percent in 1970 to 65 percent in 1977. In only 13 of the 40 neighborhoods did the number of black families increase by less than five percent of the area's population, and in six of the neighborhoods the percentage of the population which is black increased by over 40 percent.

All but four of the urban homesteading neighborhoods experienced a significant decline in the relative economic status of their residents prior to the Demonstration. In 1970, the average income of households in homesteading neighborhoods was $8,757. This was approximately the same as the mean for all American households, which was $8,734 in 1970. By 1977, however, the average income of the neighborhood residents ($10,675) had fallen to 84 percent of the national average ($12,686). Controlling for inflation, the real household income in the urban homesteading neighborhoods declined by 17 percent in the course of the seven year period.

The drop in relative income was accompanied by a similar trend in property values. While few neighborhoods experienced absolute declines in housing values, increases were for the most part modest. Between 1970 and 1977, the average sales price of single-family dwellings in homesteading neighborhoods rose by about 5.8 percent per year. Based on the estimates of owner-occupants resid-

ing in these areas, the average single-family house was worth about $20,692 in 1977. This average is only about 76 percent of the median value of single-family homes in the same SMSAs.

Owner-occupants in urban homesteading neighborhoods spent an average of $245 a month on housing, including expenses for maintenance and repairs. The average expenditures for renters was $197 a month. Overall, the cost of shelter in urban homesteading neighborhoods was about 26 percent of household income.

Trends in homeownership rates in homesteading neighborhoods exhibited encouraging signs. Fifty-four percent of all housing units in the urban homesteading neighborhoods were owner-occupied in 1970. By 1977, this had increased to 65 percent. This is somewhat surprising in light of the generally accepted view of the process of neighborhood decline in which stable neighborhoods experience conversion to rental units which are then inadequately maintained.

The general picture which emerges from examination of trends in the urban homesteading neighborhoods prior to the Demonstration is consistent with HUD's intent to target stabilization activities, including urban homesteading, on areas which were in decline, and yet which were not so far in decline that the process could not be arrested. The extent to which HUD's intentions were realized is addressed below.

Change in the Urban Homesteading Neighborhoods 1977-79

Socioeconomic and Demographic Characteristics of Residents

A comparison of selected socioeconomic and demographic characteristics of the residents of the urban homesteading neighborhoods over the 2-1/2 year period March 1977 - September 1979 provides some immediate insight into the nature of change in these neighborhoods during the initial years of the Demonstration (Exhibit V-2).

The resident survey data reveal trends between 1977 and 1979 toward slightly younger households in homesteading neighbohoods. The percentage of elderly households decreased marginally contributing to a significant decrease in the average age of household heads. However, there was no significant difference in the rate of change in the age of the heads of household within this period. As compared with renters, owners continue to be much older with a larger percentage of elderly households.

The average level of education of homesteading residents increased significantly between 1977 and 1979 from 11.2 to 11.6 years. Since educational levels of renters remained relatively constant, the overall increase mainly reflects the increase in average educational levels among owner-occupants.

Exhibit V-2

CHARACTERISTICS OF ALL UHD SAMPLE HOUSEHOLDS: 1977, 1979

	Means and Standard Errors[1]				Means and Standard Errors[1]	
	Owners		Renters		All Residents	
	1977	1979	1977	1979	1977	1979
Marital status (% married spouse present)	69.5%** (1.4%)	64.6%** (1.5%)	40.0%** (2.0%)	31.7%*** (2.0%)	59.4%*** (1.2%)	53.7%*** (1.3%)
Sex of head of household (% female)	23.6% (1.3%)	26.2% (1.4%)	45.0%*** (21.%)	55.2%*** (2.2%)	30.9%*** (1.1%)	35.7%*** (1.2%)
Race (% Black)	59.7%** (1.5%)	63.9%** (1.5%)	76.6%** (1.8%)	71.4%** (2.0%)	65.1% (1.2%)	66.3% (1.2%)
Percent of households with children under 18	53.0%* (1.5%)	49.2%* (1.5%)	55.9% (2.1%)	56.8% (2.2%)	53.8% (1.2%)	51.7% (1.3%)
Percent of heads of household aged 65 or older	16.8% (1.1%)	15.2% (1.1%)	7.0% (1.1%)	9.1% (1.2%)	13.7% (0.8%)	13.1% (0.9%)
Age of head of household	50.2 (0.4)	48.5 (0.4)	38.9 (0.6)	38.0 (0.7)	46.4*** (0.4)	44.9*** (0.4)
Education (years)	11.2*** (0.1)	11.7*** (0.1)	11.2 (0.1)	11.5 (0.1)	11.2*** (0.8)	11.6*** (0.7)
Household income ($/year)	$12,402.00*** ($210.00)	$15,060.00*** ($240.00)	$8,831.00 (243.00)	$9,413.00 ($304.00)	$11,116.00*** ($167.00)	$13,130.00*** ($203.00)
Employment status (% employed)	74.3% (1.3%)	75.9% (1.3%)	64.9%** (2.0%)	59.0%** (2.1%)	71.2% (1.1%)	70.3% (1.1%)
Occupation (% prof./managerial)	21.2%*** (1.3%)	26.7%*** (1.5%)	12.8%* (1.5%)	16.9%* (1.8%)	18.3%*** (1.0%)	23.3%*** (1.2%)
Percent households on welfare	4.9% (0.6%)	5.5% (0.7%)	26.8% (1.8%)	24.5% (1.9%)	12.4% (0.8%)	11.8% (0.8%)

[1]Stars indicate at which level of significance two-tailed t-tests reject the hypothesis of equal means in 1977 and 1979. *90%; **95%; ***99%.

- The extent of homesteader self-help in the demonstration. It is estimated that homesteaders contributed an average of 27 percent of the total value of the rehabilitation work on the sample of inspected properties (Exhibit III-5). This includes both direct purchases of materials and the value of their labor measured in terms of the reduction in contractor costs resulting from self-help efforts. The variation across properties in the percentage of self-help is quite striking, with over a quarter of the properties having less than 10 percent self-help and almost one in every six properties having over 90 percent self-help.

- The nature and value of self-help contributions. Homesteaders and their families and friends contributed an average of 297 hours of work on their properties, of which 73 percent was spent on demolition, site work and interior finishes, activities typically requiring the lower-paid construction trades of painter and laborer. The average estimated savings in the contractor bills was approximately $3,000 per property and the average return to the homesteader was estimated to be $5.78 per hour across all trades. In addition, homesteaders purchased an average of $834 worth of materials per property directly rather than through contractors, and thereby achieved further additional savings of approximately $350 per property.

- The quality of workmanship and the choice of materials. The overall findings of the study on the quality of workmanship and the choice of materials were reassuring. Eighty percent of all the tasks performed met or exceeded good quality trade or professional standards of workmanship and almost 98 percent of all materials chosen met or exceeded typical home building standards. There was a significant difference in the incidence of substandard workmanship between homesteaders (29.7 percent) and contractors (13.3 percent), but some cities with a high percentage of self-help were still able to achieve very high rates of standard and above-standard workmanship. This suggests strongly that the management of rehabilitation is more important than the extent of self-help in determining the overall quality of rehabilitation.

In general, the findings of the rehabilitation survey are quite encouraging. The amount of rehabilitation undertaken is substantial, self-help contributions have led to significant increases in homesteaders' equity, the repairs have been performed in a timely fashion, and the overall quality of the workmanship is clearly acceptable. These outcomes were all uncertain at the outset of the Demonstration.

Exhibit V-3

SELECTED HOUSEHOLD CHARACTERISTICS BY TENURE AND MOBILITY STATUS: 1977-1979

Selected Household Characteristics	Means[1]							
	Owners				Renters			
	1977		1979		1977		1979	
	Stayer	Mover-Out	Stayer	Mover-In	Stayer	Mover-Out	Stayer	Mover-In
Sex of head of household (% Female)	25.6%	28.5%	25.4%*	18.8%*	49.1%	47.9%	55.5%	53.8%
Race (% Black)	62.2%***	40.3%***	64.7%*	72.5%*	75.0%	76.9%	77.0%**	67.8%**
Persons per household	3.7	3.8	3.6	3.3	3.7***	2.9***	3.8***	3.0%***
Percent of households with children under 18	58.9%	58.8%	50.7%	56.1%	58.5%	57.7%	62.1%	61.2%
Age of head of household	49.5	49.2	50.5***	37.0***	45.0***	36.8**	44.7***	31.9***
Education (Years)	11.2	11.1	11.3***	12.8***	10.3***	11.6***	10.6***	12.0***
Household income ($/Year)	$12,585	$11,907	$14,698***	$16,390***	$8,287	$9,215	$9,969	$9,018
Employment status (% Employed)	75.7%	75.2%	75.0%***	88.0%***	56.5%***	70.0%***	57.4%	54.6%
Percent households on welfare	6.3%	3.3%	6.1%	4.4%	36.9%**	27.0%**	29.4%	24.2%

[1] Stars indicate at which level of significance two-tailed t-tests reject the hypothesis of equal means for movers versus stayers within one time period.

Overall the racial composition of movers and stayers was not significantly different, but stratification by tenure reveals some interesting patterns. Approximately 60% of owners who moved out were white, but less than 30% of owners who moved in were white. Among renters, this pattern is reversed, with 23% of renters moving out being white, compared to 32% of renters moving in.

The average income levels of movers-out were significantly lower than those of stayers. This may seem to imply displacement of lower-income households. However, analysis by tenure shows that this tendency is due to the generally low income of renters who dominate income trends among movers. The average incomes in 1977 of renters and owners who moved out of urban homesteading neighborhoods between 1977 and 1979 were not statistically different from those who stayed. In fact, renters who moved out appeared to have somewhat higher incomes than stayers, although the difference was not significant statistically. Owners who moved in between 1977 and 1979 had incomes which were 11.5% higher than those of owners who have lived longer in the neighborhoods.

A comparison of the socioeconomic characteristics of residents who moved out of the urban homesteading neighborhoods between 1977 and 1979 with those of residents who moved into these neighborhoods during the same time period indicates a younger, more educated population with a higher percentage of professionals replacing the movers-out. The percentage of new household heads age 65 or older and the average age of household heads are significantly lower for movers-in compared to movers-out while the years of education and percentage having professional or managerial occupations is significantly higher for movers-in.

A closer examination of the characteristics of movers by tenure indicates the renters who moved into urban homesteading neighborhoods were younger with slightly more female-headed households and had higher educational levels and unemployment rates than those who moved out.

Like new renters, new owners were also younger with higher education levels. However, they had more male-headed households, smaller family sizes and lower unemployment rates than the homeowners who moved out. The proportion of minority households was greater among owners who moved in than among those who moved out. In addition, the 1979 average nominal income of movers-in was much greater than the 1977 income of movers out.

The racial change which characterized the urban homesteading neighborhoods before the demonstration is clearly continuing, but at a much slower rate. Furthermore, the change is concentrated on owner-occupied properties where a significant number of units are changing from white to black ownership. The purchasers have somewhat higher incomes than the sellers, which is an indication that past trends in relative income decline were being arrested during

the Demonstration. Comparison of those renters who moved in and those who moved out indicates that these properties are still being occupied, and made available, to rather low-income families. In view of concerns about possible displacement of renters in neighborhoods which are targets of revitalization, this is a reassuring finding.

Investment Behavior and Property Values

The most salient indicators of the direction of neighborhood change are those which show the extent to which residents value the homes they live in. Evidence of this value is provided by their decisions to maintain and invest in their properties and their choices of how much to pay for the housing services they receive.

Investment activity is defined as any expenditure on maintenance and/or home improvement. Because investment reported by renters is typically carried out by their landlords, data supplied by renters is thought less reliable than data supplied by owner-occupants. For this reason, the analysis focuses mainly on the investment behavior of owner-occupants.

Home Maintenance and Home Improvement Activity

The overall frequency of investment activity in urban homesteading neighborhoods (as reported by both owners and renters) remained at approximately 56% during all three survey years. The average number of distinct home repair or improvement jobs reported per resident also remained relatively constant at about 1.6. However, investment activity by owner-occupants (Exhibit V-4) increased significantly between 1977 and 1979. The frequency of investment among owners rose from 58% in 1977 to 65% in 1979 with an increase in the average number of projects undertaken from 1.7 to 2.0.

Average expenditures by those owners who invested also increased between 1977 and 1979. Average investment expenditures by investors for the years prior to the first and second Resident Surveys were $1,128 and $1,378, respectively. This indicated an increase of 22.2%. Since the Consumer Price Index for U.S. Cities registered an increase of 7.5% in the cost of maintenance and repairs during this period, the change in investment in the urban homesteading neighborhoods represents a 15% increase in real expenditures. The increase in dollar expenditures by owners who invested may be compared with the increase in expenditures on residential one to four unit owner-occupied properties in the United States as a whole, as reported in the U.S. Census of Residential Alterations and

Exhibit V-4

INVESTMENT BEHAVIOR OF OWNER-OCCUPANTS: 1977, 1979

	Means and Standard Errors[1]	
	1977 (n=1,229)	1979 (n=1,151)
Number of different investments per owner-occupied property**	1.7 (0.07)	2.0 (0.07)
Percentage reporting any investment***	58.0% (1.5%)	65.0% (1.5)
Average investment expenditures per owner-occupants who invested***	$1,128 ($73)	$1,637 ($87)
Average investment expenditures per owner-occupied property***	$ 646 ($45)	$1,047 ($61)
Average investment expenditures per owner-occupied singel-family unit***	$ 686 ($51)	$ 924 ($58)
Percent of income spent on investment by owner-occupants who invested	11.6% (1.3%)	13.3% (0.9%)
Percent of income spent on investment by all owner-occupants*	6.9% (0.8%)	8.8% (0.6%)

[1]Stars indicate at which level of significance two tailed t-tests reject the hypothesis of equal means in 1977 and 1979. *Significant at 90%; **Significant at 95%; ***Significant at 99%.

Repairs.[1] The latter increased by 3% from $1,408 to $1,450. Hence, while the absolute levels of expenditures in these two years are modestly below national levels, the increase in average expenditures in the urban homesteading neighborhoods compares favorably with national trends.

The decision to remain in the neighborhood, to move out or to move in is strongly related to decisions to maintain and improve the property (Exhibit V-5). Movers-out tend to carry out fewer investments (1.4) than those who remain (1.9). Movers-in carry out even more investments (2.7) than those who have lived longer in the neighborhood. Furthermore, movers-in are more likely to invest in the property than movers-out (70.4% vs. 58.0%) and if they do invest, to spend more on average than those who move out ($1,695 vs. $824). This suggests that the new homeowners are purchasing properties with every intention of maintaining and improving them.

During the period 1977-79, there was a very substantial increase in the reliance on loans for home improvement (Exhibit V-6). The use of home improvement loans by owners who invested increased from 13.7% in 1977 to 22.3% in 1979. At the same time, the average loan amount increased from $2,706 in 1977 to $3,703 in 1979. To the extent that the availability of credit is a measure of the viability of the neighborhood housing stock, this must be regarded as an indication of the increasing vitality of these areas.

Changes in Residential Property Values

Perhaps the single best overall indicator of the direction of neighborhood change is the movement of housing prices. Sales prices represent the market valuation of both present and expected future housing and neighborhood services in an area and, thus, movements in housing prices can be expected to antedate actual physical decline or improvement.

While sales prices are important leading indicators, increases and decreases may result from a variety of interrelated factors; the complex nature of housing price formation implies that price movements require careful analysis. Changes in price may reflect

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[1]U.S. Bureau of the Census, Construction Reports: Residential Alterations and Repairs, September 1979, Table 4. Average expenditures for 1977 were computed by adding figures for the last three quarters of 1976 and the first quarter of 1977. A similar calculation was made for 1978. This procedure makes the accounting periods of the UHD surveys approximately equal to the periods from which the Census data were derived. Note, these national figures are not limited to U.S. Central Cities.

Exhibit V-5

INVESTMENT BEHAVIOR OF
OWNER-OCCUPANTS BY MOBILITY STATUS
1977 - 1979

Investment Characteristics	Means and Standard Errors[1]			
	1977		1979	
	Stayers (n=678)[2]	Movers-Out (n=176)[2]	Stayers (n=694)[2]	Movers-In (n=142)[2]
Number of Different Investments Per Owner-Occupied Property	1.9*** (.1)	1.4*** (.1)	1.9*** (.1)	2.7*** (.2)
Percentage Reporting Any Investment	57.9% (2.0%)	58.0% (3.6%)	65.7% (1.9%)	70.4% (3.6%)
Average Investment Expenditures By Owner-Occupants Who Invested	$1251** ($112)	$824** ($170)	$1626 ($117)	$1695 ($216)
Average Investment Expenditures Per Owner-Occupied Property	$718** ($69)	$467** ($101)	$1060 ($82)	$1172 ($161)
Average Investment Expenditures Per Owner-Occupied Single-Family Unit	$757 ($77)	$524 ($124)	$964 ($73)	$900 ($190)
Percent of Income Spent On Investment by Owner-Occupants Who Invested	12.9% (2.1%)	9.7% (2.6%)	13.6% (1.1%)	14.2% (2.7%)
Percent of Income Spent on Investment by All Owner-Occupants	7.6% (1.3%)	5.4% (1.5%)	9.0% (.8%)	10.4% (2.0%)

[1] Stars indicate at which level of significance two-tailed t-tests reject the hypothesis of equal means for movers versus stayers within one time period.

[2] n = number of owner-occupants, including landlords, whose mobility status could be determined;

Exhibit V-6

COMPARISON OF INVESTMENT AND INVESTMENT-LOAN FREQUENCIES FOR OWNER-OCCUPANTS IN URBAN HOMESTEADING NEIGHBORHOODS 1977-1978-1979

Investment Expenditures	1977		1979	
	Relative Frequency	Percent of Investors Who Obtained Loans	Relative Frequency	Percent of Investors Who Obtained Loans
$ 1 - $ 100	20.0%	0.0	12.1%	1.8%
$ 101 - $ 500	29.6%	3.5%	23.3%	9.0%
$ 501 - $1,000	20.6%	13.5%	22.6%	14.7%
$1,001 - $2,000	15.0%	14.2%	16.3%	20.4%
$2,001 - $4,000	19.0%	48.0%	13.6%	39.4%
$4,001 - $8,000	35.0%	50.3%	10.0%	64.2%
Over $8,000	1.5%	85.5%	2.1%	72.4%
TOTAL	100.0%	13.7%	100.0%	22.3%
AVERAGE LOAN AMOUNT	$2,706		$3,703	

physical changes in public or private capital stocks, shifts in demand for properties, or changing expectations about the future of an area. In addition, changes in prices in one neighborhood may reflect changes occurring within that neighborhood or changes occurring in the housing market in general. For these reasons, changes in the market values of properties in the urban homesteading neighborhoods are of considerable interest in assessing the likely impact of the Demonstration on the target areas.

Two different sources of data were used to examine changes in property values. The simplest analysis compared the owners' estimate of the value of the property across different years to estimate the average annual change in property values. A more sophisticated analysis, based on actual sales price data was also conducted in five of the Demonstration Cities where sales price data were available. The findings of these independent examinations of changes in property values tend to corroborate one another.

Mean sales prices were calculated for the sample of all owner-occupants based on their estimates of the value of their property for the years 1977-79. These are shown in Exhibit V-7 together with the census estimates of median property values, again based on owner's estimates in 1970. Also displayed in Exhibit V-7 are mean sales prices for urban homesteading neighborhoods in five Demonstration Cities (Atlanta, Chicago, Dallas, Minneapolis and Oakland).[1] together with the corresponding census estimates of median property values in those neighborhoods. Both sources of data independently indicate that property values increased faster during the Demonstration than during the preceding period.

The SREA data base, which includes sales prices of properties throughout the SMSA, provides a means of comparing the movement of home sales prices in the urban homesteading neighborhoods with the movement of home sales prices in other parts of the SMSA. To sharpen these comparisons, a set of "control" neighborhoods was selected to resemble the homesteading areas as closely as possible with respect to income, mean value of owner-occupied housing, racial composition, vacancy rates and housing stock using 1970 census data.[2]

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[1]Data on sales prices were available for these cities from the Society of Real Estate Appraisers. For further discussion of these data, see The Neighborhood Impact of Urban Homesteading, Evaluation of the Urban Homesteading Demonstration, Final Report, Volume V.

[2]For a fuller discussion of the selection of control neighborhoods, see The Neighborhood Impact of Urban Homesteading, Evaluation of the Urban Homesteading Demonstration, Final Report, Volume V.

Average nominal income for all households in homesteading neighborhoods increased from $11,116 to $13,130 between 1976-1978. This represented an 18.1% increase compared with a 18.8% increase from $14,922 to $17,730 for all households in the nation over a comparable period.[1] Unlike the experience of the period prior to the Demonstration, in which household incomes declined substantially relative to the national average, the residents of the urban homesteading neighborhoods essentially kept pace with the national average growth in income between 1976-1978. Stratification by tenure reveals that incomes of homeowners increased three times faster than those of renters (7.8% annually versus 2.6%). This widened the gap between the income levels of owners versus renters in urban homesteading neighborhoods.

The overall employment rate and the percentage of households receiving welfare payments remained more or less constant at 70% and 12%, respectively. An examination by tenure reveals that the average unemployment rate and the percent of welfare recipients continued to be higher among renters than owners with unemployment among renters increasing by an additional five percent over time. Both tenure types experienced an increase in the percentage of households employed in professional and managerial occupations between 1977 and 1979.

Components of Socioeconomic Change

Change in the socioeconomic characteristics of the residents of any neighborhood can occur through change in the characteristics of the existing population, such as aging and income gains, or through the substitution of new residents for those who have moved out. Analysis of the component elements of change provides a means of understanding the dynamics of the process and of assessing the extent, if any, to which this process is causing hardship through the displacement of existing residents.

In Exhibit V-3, selected characteristics of residents are presented in terms of their mobility status, for both owners and renters. As will be apparent, a comparison of movers and stayers among owners and renters indicates that renters who moved out tended to be younger with smaller families and more years of education than those who stayed. Unemployment and welfare dependency were lower in 1977 among renters who subsequently moved out when compared with those who stayed. Owner occupants who moved into urban homesteading neighborhoods between 1977 and 1979 were also younger and more educated, and had lower unemployment rates and female-headed households than longer-time homeowners.

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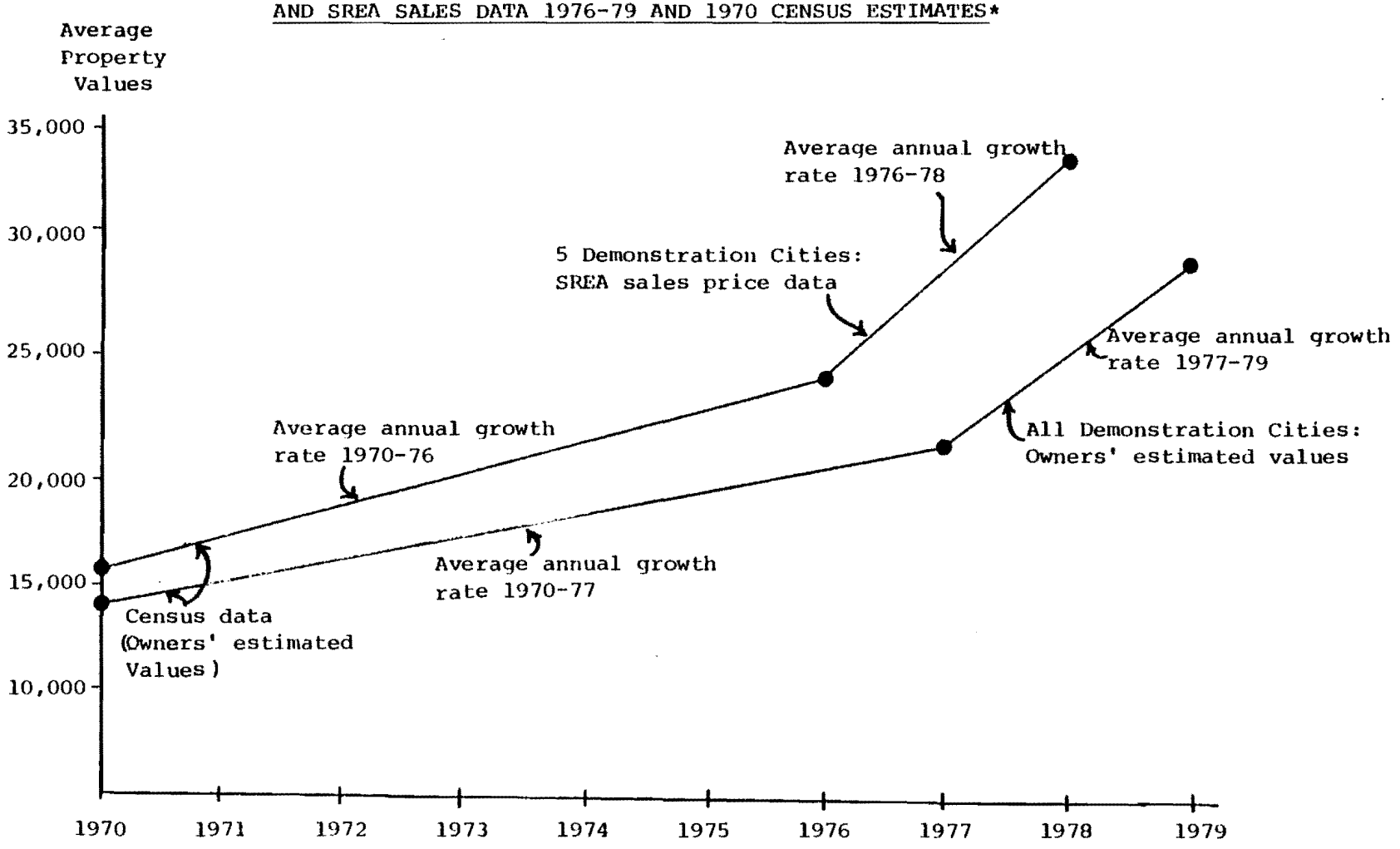
[1]U.S. Bureau of Census, Current Population Reports, Series P-60, No. 117, 1978.

Exhibit V-7

PROPERTY VALUE ESTIMATES FROM RESIDENT SURVEY
AND SREA SALES DATA 1976-79 AND 1970 CENSUS ESTIMATES*



*1970 values are based on owners' estimated values from 1970 Census.

Sales price movements in each of the five SREA cities and in the aggregate are summarized in Exhibit V-8. The use of neighborhood discounts, which are simply a measure of the extent to which properties in the urban homesteading and control neighborhoods are selling below the SMSA average, provides a means of examining the relative performance of the selected neighborhoods.

It is clear that both the urban homesteading neighborhoods and control areas were in relative decline during the pre-homesteading period, 1970-1976, and that the urban homesteading neighborhoods did worse than the control areas. Overall, housing prices rose 54.2% during the period in the urban homesteading areas and 76.7% in the control areas, further evidence of the relative decline of these areas prior to the Demonstration. In 1970, the median price of owner-occupied housing units in urban homesteading neighborhoods was virtually identical to the corresponding figure for the controls. Tracts in the homesteading neighborhoods had median sales prices which were 32% below the median for the rest of the SMSA on average; the corresponding figure for the controls was 33%.

Housing values in urban homesteading neighborhoods increased more slowly than housing values in control neighborhoods in all five cities between 1970 and 1976 (Exhibit V-9). At the same time, prices in the remainder of the five SMSAs under study rose 85.7% on average. The result was an increase in the urban homesteading discount from .318 to .434 and an increase in the control discount from .329 to .361 (Exhibit V-8).[1]

There is a noticeable but not dramatic change in these trends after 1976. Between 1976 and 1978, prices in urban homesteading neighborhoods increased at a faster rate than prices in control areas in all cities except Oakland. However, in most cases the differences appear to be small. Aggregation yields a weighted mean appreciation of 36.3% over the two years for urban homesteading neighborhoods and a nearly identical figure of 36.6% for the controls. In addition, while both urban homesteading and control areas continued to lag behind the rest of the city during the period, that trend is much less pronounced than during the earlier period.

The picture which emerges is one of relative decline in all five neighborhoods from 1970-76. From 1976-78, urban homesteading neighborhoods held their own when viewed against the controls in four out of the five cities. Only in Atlanta did the urban homesteading area decline significantly relative to the rest of the SMSA, but the control area in Atlanta did even worse.

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[1]Only in Minneapolis did the control area out-perform the rest of the city between 1970 and 1976. Even in Minneapolis, how- ever, the urban homesteading neighborhood did worse than the control neighborhood.

Exhibit V-8

SALES PRICES IN URBAN HOMESTEADING AREAS, CONTROLS AND REST OF FIVE SMSA'S BY CITY 1970-78

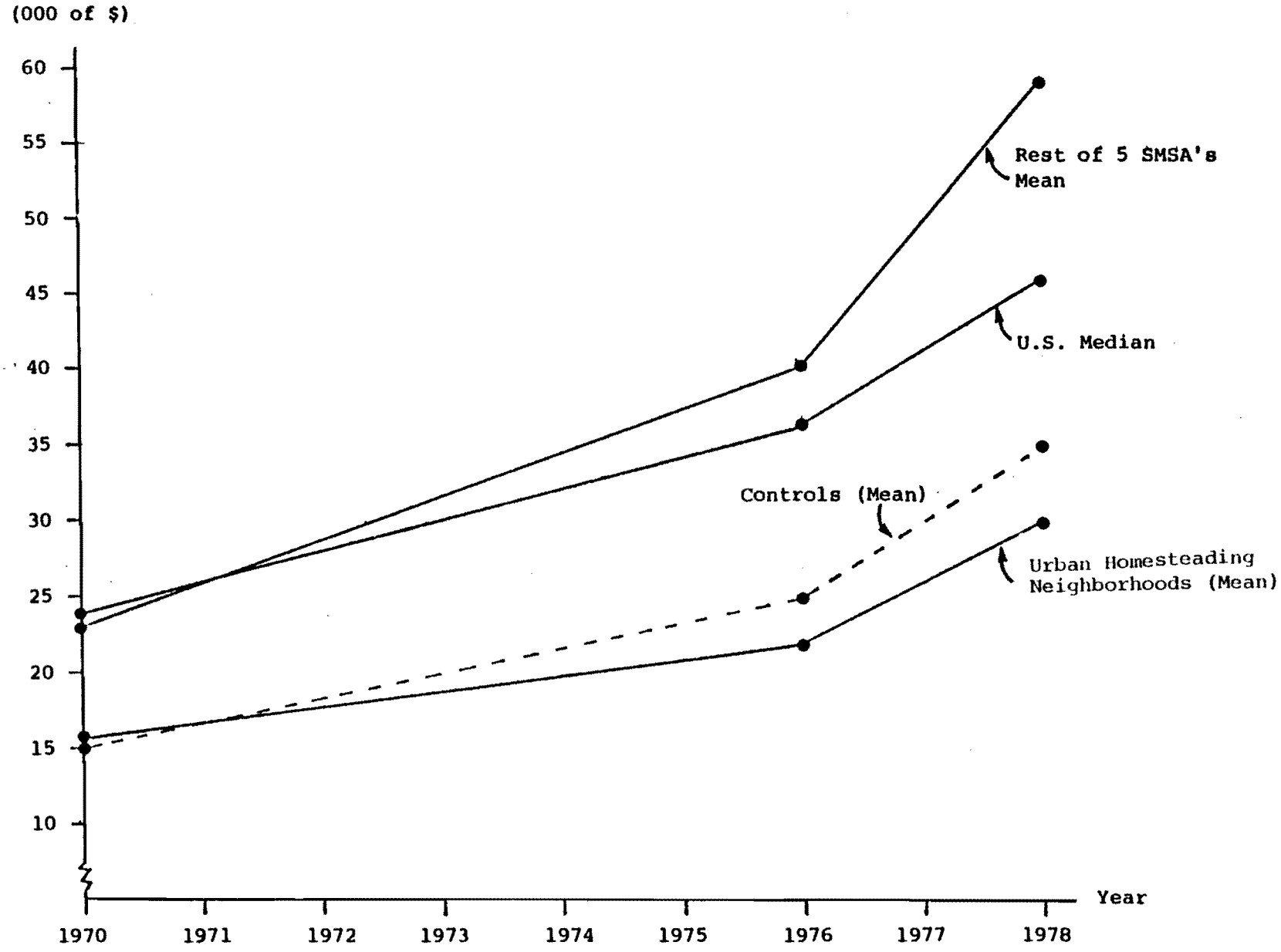
	1970 Census Base*	1970 Neighborhood Discounts**	1976 Avg. Sales Price	1976 Neighborhood Discounts**	%Δ 1970-76	1978 Avg. Sales Price	1978 Neighborhood Discounts**	%Δ 1970-76
Atlanta								
Urban Homesteading	15,500	.217	24,100	.299	+55.5	24,416	.431	+ 1.3
Control	14,600	.263	23,434	.319	+60.5	23,288	.457	- 6.2
SMSA	19,800		34,403		+73.8	42,889		+24.7
Chicago								
Urban Homesteading	16,400	.325	26,370	.465	+60.8	31,033	.490	+17.6
Control	16,000	.342	26,938	.453	+68.4	29,893	.510	+11.0
SMSA	24,300		49,273		+102.8	61,047		+23.9
Dallas								
Urban Homesteading	12,000	.285	16,240	.546	+35.3	24,150	.483	+48.7
Control	11,500	.315	20,949	.414	+68.4	29,893	.510	+11.0
SMSA	16,800		35,759		+112.9	46,729		+30.7
Minneapolis								
Urban Homesteading	14,500	.326	25,256	.321	+74.2	36,675	.268	+45.2
Control	14,600	.321	29,900	.196	+104.8	41,856	.165	+40.0
SMSA	21,500		37,180		+72.9	50,132		+34.8
Oakland								
Urban Homesteading	17,800	.338	25,437	.491	+42.9	35,554	.532	+39.8
Control	17,600	.346	28,420	.431	+61.5	41,441	.445	+45.8
SMSA	26,900		49,941		+85.6	75,985		+52.1
UHD	15,670	.318	24,169	.434	+65.2	32,949	.447	+36.3
Controls	15,437	.329	27,276	.361	+76.7	37,275	.374	+36.6
Rest of SMSA	23,003		42,709		+85.7	59,567		+39.5
U.S. Median	23,300		38,600		+65.7	48,400		+25.4

*Average of median value of owner-occupied housing, 1970 Census of Population and Housing: Census Tracts.

**Neighborhood Discount is one minus the weighted mean sales price in urban homesteading (control) neighborhoods divided by the mean sales price in the remainder of the SMSAs.

Exhibit V-9

WEIGHTED MEAN SALES PRICES IN FIVE SMSA'S AND THE U.S. 1970-78



Physical Condition and Resident Attitudes

Data on the condition of residential properties and of the physical infrastructure of streets, sidewalks, and so forth were also collected during the course of the Demonstration, and these data can be used to estimate changes in the physical condition of the neighborhoods (Exhibit V-10).

Exhibit V-10

CHANGES IN PHYSICAL CONDITIONS IN THE URBAN HOMESTEADING NEIGHBORHOODS 1977-1979

Measure	1977	1979
% of dwelling units with major defects	0.8%	1.0%
% of dwelling units with exterior paint in good condition*	64.9%	72.1%
% of dwelling units unoccupied and boarded-up	1.9%	1.9%
% of roads in good condition*	79.1%	71.2%
% of curbs in good condition*	83.4%	71.9%
% of sidewalks in good condition*	91.8%	83.2%

*Difference significant at 99% level.

The inter-year comparisons indicate no significant change in the number of dwelling units which are either vacant or which have major defects. Both are relatively infrequent occurrences anyway. There is a fairly striking improvement in the number of properties with the exterior paint in good condition, a finding consistent with the evidence of increased rates of home maintenance and repair.

On the other hand, there is evidence of deterioration in the conditions of streets, curbs and sidewalks when the urban homesteading neighborhoods are aggregated together. This is a rather disturbing finding, given the commitments made by the Demonstration Cities to target community development funds on these neighborhoods during the period of the Demonstration. The evidence of deterioration in the publicly maintained physical infrastructure, while convincing when all neighborhoods are aggregated, is not universally true.

Resident attitudes about conditions in the urban homesteading neighborhoods and the level of public services were also measured

and compared over time during the Demonstration. In terms of their overall rating of the neighborhoods, there was no significant change between 1977-79.

Resident concerns relating to the neighborhood environment and to the provision of municipal services did change in some respects however (Exhibit V-11). There is evidence consistent with the observed deterioration in the average conditions of the street system that residents became less satisfied with the level of highway maintenance during the Demonstration. Conversely, they were less afraid of crime and more satisfied with the level of police protection in the urban homesteading neighborhoods. In their overall rating of the quality of their neighborhoods, residents' opinions remained essentially unchanged during the Demonstration, further evidence of the arrest of the earlier patterns of decline.

The Effects of Proximity to Urban Homesteads

The evidence presented above has demonstrated that the urban homesteading neighborhoods, taken as a whole, exhibited serious economic decline, especially in terms of household income and real property values, during the seven year period prior to the urban homesteading demonstration. During the two and one-half year period after the Demonstration began, it appears that the decline was largely arrested and that these neighborhoods, if not rebounding, were at least keeping pace with other parts of the SMSAs in which they were located. There is evidence of quite high levels of property maintenance and repair, of income gains especially among owner-occupants and of stabilization of relative property values.

These findings, while consistent with the hypothesis that urban homesteading helps to stabilize its surrounding areas, do not in themselves prove that the observed stabilization can be attributed to the effects of urban homesteading. In a formal sense, since many other market influences were operating in the urban homesteading neighborhoods during the period of the Demonstration, it can never be possible to "prove" beyond doubt that the repair and occupancy of previously vacant properties had effects on the surrounding areas. Nevertheless, by marshalling further circumstantial evidence, a strong case may be made for believing that homesteading does have significant secondary impacts.

The resident survey was designed to provide us with a means of developing additional evidence on the influence of urban homesteads on their surrounding areas. In designing the sample, properties were stratified according to their physical proximity to urban homesteads. Those properties on the same block, adjoining block or parallel block once removed from an urban homestead were classified as being in "Proximity Category I." Properties located two or three blocks from an urban homestead were classified in "Proximity Category II." Those further away, but still within the urban home-

Exhibit V-11

RESIDENT PERCEPTIONS OF SELECTED NEIGHBORHOOD CONDITIONS AND OF THE QUALITY OF MUNICIPAL SERVICES 1977-79

	1977	1979
Overall rating of neighborhood - Scale 1-5	3.4	3.3
Environmental Factors: % of respondents bothered by:		
Street Noise***	22.2%	30.2%
Dangerous Traffic***	30.1%	36.7
Bad Roads**	18.5%	21.3%
Rundown Houses***	22.3%	27.0%
Crime***	35.2%	28.0%
Services: % of respondents satisfied by:		
Police Protection***	73.4%	77.8%
Neighborhood Shopping Facilities	66.1%	60.9%

**Difference statistically significant at 95% level.

***Difference statistically significant at 99% level.

steading neighborhood, were in "Proximity Category III." Comparison of residents and properties across the three Proximity Categories over time provides additional insights into the process of neighborhood change and the influence of urban homesteading on that change.

It is useful to begin by examining changes in selected socio-economic characteristics of the residents of different Proximity Categories during the Demonstration (Exhibits V-12 and V-13). In 1977, residents close to urban homestead properties had lower average incomes than residents further away. By 1979, the ordering of Proximity Categories by income level had been completely reversed with a very substantial 26% increase in household incomes on the streets adjacent to urban homesteads. Welfare dependency, which was 12.9% in Proximity Category I at the outset of the Demonstration, had dropped to 8.5% two and one-half years later. The overall rate of welfare dependency did not drop in the areas further removed from the urban homestead properties.

The percentage of black households (Exhibit V-14) is strikingly different across proximity categories and changed little between 1977-79, with the percentage of non-black households remaining more than twice as high in the areas furthest removed from urban homesteads than in those close to homesteads. Given the history of past racial change in these areas, it appears probable that this change was most concentrated prior to the Demonstration in and around the properties which were later to become urban homesteads, since it is in these areas that the highest percentage of black households reside. Between 1977-79, there was essentially no further racial change in these areas, but in the adjacent (Proximity Category II areas) there was a continuing increase in the percentage of black households.

Investment behavior values can also be broken down by proximity of households to urban homestead properties (Exhibit V-15). Investment rates, which were highest in areas close to urban homesteads in 1977, increased most in Proximity Category II during the Demonstration, although rates of investment went up throughout the urban homestead neighborhoods. The fact that investment rates were lowest in the areas close to urban homesteads by 1979 seems to suggest that the conjectured spillover effects of the program in terms of inducing nearby owners to maintain and improve their properties do not exist.

Alternative explanations are available, however. When the Demonstration was getting underway, mobility rates and investment were highest in areas close to homestead properties and declined continuously as distance from a homestead increased. By 1979, mobility rates in areas close to homesteads had declined, leaving the Proximity Category II areas with significantly higher mobility rates than in other parts of the urban homesteading neighborhoods (Exhibit V-16). Because investment rates are much higher for newly moved-in households, this may account for the relative increase in investment rates in Proximity Category II. Again, the evidence seems to indicate reduced mobility in the areas near urban homesteads but continuing change in the areas slightly further away.

Property values, which provide perhaps the most comprehensive index of stabilization, had declined substantially in relative terms prior to the Demonstration. During the period of the Demonstration, the evidence is that this decline in relative property values in these neighborhoods had been arrested and that the neighborhoods were no longer falling behind the rest of their SMSAs.

Exhibit V-12

MEAN HOUSEHOLD INCOME BY YEAR AND PROXIMITY TO HOMESTEAD

Proximity Category	1977	1979	% Change 1977-1979
I	$10,502	$13,254	+26%
II	10,669	13,136	+23%
III	11,893	13,048	+10%

Exhibit V-13

PERCENTAGE OF HOUSEHOLDS ON WELFARE BY YEAR AND PROXIMITY TO HOMESTEAD

Proximity Category	1977	1979	% Change 1977-1979
I	12.9%	8.5%	-34%
II	14.1%	11.2%	-21%
III	10.4%	14.7%	+41%

Exhibit V-14

PERCENTAGE BLACK HOUSEHOLDS BY YEAR AND PROXIMITY TO HOMESTEAD

Proximity Category	1977	1979	% Change 1977-1979
I	79.7%	79.3%	-1%
II	63.7%	67.8%	+7%
III	56.2%	56.0%	-

Exhibit IV-15

AVERAGE INVESTMENT PER OWNER-OCCUPIED SINGLE-FAMILY UNIT BY YEAR AND PROXIMITY CATEGORY

Proximity Category	1977	1979	% Change 1977-1979
I	$784	$818	+ 4%
II	$659	$1,056	+60%
III	$626	$894	+43%

Exhibit V-16

MOBILITY RATES FOR UHD SAMPLE NEIGHBORHOODS BY TENURE AND GEOGRAPHICAL PROXIMITY CATEGORY: 1977-1978-1979

	Percent of Households Who Have Moved into UHD Neighborhoods Within Past Year[1]		
	Category I	Category II	Category III
1977			
Total***	21.2%	18.6%	13.5%
Owners***	13.1	8.2	5.1
Renters	41.6	36.5	29.5
1979			
Total***	13.1%	18.9%	11.05
Owners	4.9	7.2	5.4
Renters***	31.5	38.8	21.8

[1]Stars indicate at which level of significance F-tests reject the hypothesis of equal means for Proximity Categories I, II, and III; *90%; **95%; ***99%.

The behavior of property values between 1977-79 is presented in Exhibit V-17. In this instance, the evidence for the relative improvement of the areas nearest to urban homesteads is unambiguous. Property values in the areas near homesteads grew at a higher rate than in areas further removed. At the outset of the Demonstration, single-family homes were significantly cheaper in Proximity Category I than in other parts of those neighborhoods. By 1979, this disparity had been greatly reduced.

Exhibit V-17

AVERAGE VALUE OF SINGLE-FAMILY HOMES
BY YEAR AND PROXIMITY CATEGORY

Proximity Category	Year		% Change
	1977	1979	1977-79
I	$19,063	$25,709	+35%
II	$22,834	$28,425	+24%
III	$22,266	$27,662	+24%

Summary and Conclusions

In the course of the evaluation of the Urban Homesteading Demonstration, substantial amounts of data were collected on the urban homesteading neighborhoods. These data provide a means of studying the dynamics of neighborhood change, analyzing individual households' choices with respect to mobility, investment behavior, tenure choice, and so forth, and shedding some light on the impact of the Urban Homesteading Demonstration Program itself on its target neighborhoods.

The criteria used to select neighborhoods for urban homesteading emphasized the history of past decline and some promise that the decline could be reversed through revitalization efforts. Comparison of survey data collected in 1977 with 1970 Census data do indicate that the urban homesteading neighborhood had experienced significant decline during the seven years prior to the Demonstration. Relative decline of resident household incomes and property values was marked during this period and was accompanied by significant racial change.

Taking the urban homesteading neighborhoods as a whole, it is apparent that this decline was effectively arrested during the period of the Demonstration. Between 1977-79, property values increased at rates comparable to the SMSAs as a whole and, in selected SMSAs, at the same rate as carefully selected control neighborhoods. At the same time, household incomes kept pace with the national average. Investment expenditures for home maintenance and improvements were close to the national average and increasing at a faster rate. There is no evidence of continued decline in the housing stock during this period, and some limited indications that the level of exterior maintenance had improved.

The data collected during the period of the Demonstration unequivocally demonstrates that past trends of relative decline were

arrested during this period. To this extent, the stated neighborhood stabilization goals of the program can be said to have been achieved. It cannot, however, necessarily be inferred that urban homesteading was responsible for arresting this decline.

It is important to understand that urban homesteading activity in the target neighborhoods constituted a rather limited intervention. By April 1979, the number of occupied urban homesteading properties amounted to less than one percent of the total residential units in the target neighborhoods. The rehabilitation and occupancy of urban homestead properties was not, however, expected by itself to contribute to stabilization of these neighborhoods. The Demonstration Cities had agreed,in their Urban Homesteading Agreements with HUD, to undertake a variety of additional revitalization activities, which properly should be regarded as a constituent element in the Urban Homesteading Demonstration.

In principle, it is not possible to "prove" that the combination of urban homesteading and planned revitalization activities was itself responsible for reversing the trend of past decline prior to the Demonstration. It is possible, however, through examination of intra-neighborhood variations in demographic and economic variables, to make a powerful circumstantial case that homesteading did in fact contribute to neighborhood stability. Subareas of the target neighborhoods in which urban homesteading activity involved three percent of the total structures did significantly better during the course of the Demonstration.

In 1977 the areas close to urban homestead properties had lower household incomes on average, lower property values, and less well maintained streets and sidewalks. Two and one-half years later, these gaps had been closed, not by the deterioration of areas further removed from homestead properties, but by relative and absolute gains in the areas immediately adjacent to homesteads. These areas experienced more rapid growth in household income and in property values. Mobility rates in areas close to homesteads, which had previously been higher than in areas further removed, were substantially reduced during the Demonstration.

These findings provide some insight into the process of neighborhood change and the manner in which past decline may be arrested. The neighborhoods as a whole had experienced quite rapid racial change prior to the Demonstration, and in the areas close to homestead properties, the percentage of black households was much higher. It appears probable, therefore, that these sub-areas of the homestead neighborhoods had experienced the most rapid racial change in prior years. During the course of the Demonstration, racial change stopped in the areas around homestead properties, and mobility rates declined. The relatively new, mostly black, owner-occupant households then enjoyed significant property value appreciation and household income growth. Racial change did continue to

occur in the areas next removed from the urban homestead properties, and mobility rates remained relatively high in these areas. Investment in home maintenance and improvement which had been highest around the homestead properties in the first year of the Demonstration, shifted outwards over time and by 1979, was highest in the areas experiencing continued racial change and high mobility rates.

If there is any argument which could be used to call these findings into question, it might go, perhaps, as follows. All these neighborhoods were selected according to the same criterion of past decline and the availabilty of FHA-foreclosed single-family inventory. This inventory tends to be concentrated in areas of recent housing turnover with a relatively large number of new owners. This change is therefore indicative of an increase in the demand for the housing stock in these neighborhoods and, by implication, of market forces which would have reversed past trends of decline in any case. This argument cannot be dismissed outright, but it does seem improbable in view of the fact that those areas in which homesteading activity was located, were systematically worse off along almost all dimensions of socioeconomic and physical condition. In any event, the weight of the evidence presented here is preponderantly on the side of those who believe that urban homesteading and other revitalization activities can stabilize urban neighborhoods.

Taken as a whole, the urban homesteading neighborhoods appear to have good prospects for continued revitalization. The neighborhoods are proving attractive to young black owners who are willing to take care of and maintain their properties. In return, owner-occupants in these neighborhoods are enjoying property value appreciation at rates equal to or above the national average. Renters in these neighborhoods, which constitute approximately 30% of the neighborhood's population, have not experienced similar gains in household income, and continue to exhibit relatively high rates of mobility and welfare dependency.

The weight of the circumstantial evidence clearly suggests that urban homesteading and other revitalization activities do make a difference. If neighborhoods previously in decline had continued to decline, this argument would have been refuted. It was not. If the areas in close proximity to urban homesteading activity had fared worse, or not fared better, than areas further removed, the argument would have been refuted. It was not. Nor is it likely that these results reflect a statistical accident. Over 40 neighborhoods were included in the sample on which these results were based, almost 2,000 families and over 7,000 individual structures were surveyed during the course of the evaluation. From a statistical viewpoint, the weight of the evidence is overwhelming.

Appendix

DATA SOURCES

The analyses and findings contained in this volume of the Final Report are based on several different data sources collected by Urban Systems Research & Engineering, Inc. These data collection activities included:

(1) Surveys of local program officials in the Fall of 1976 and Spring of 1977, 1978, and 1979;

(2) Homesteader Surveys in 1977, 1978, and 1979;

(3) Survey of Lottery-Rejected Applicants in 1979;

(4) Neighborhood Resident Surveys in 1977, 1978 and 1979;

(5) Neighborhood Windshield Surveys in 1976, 1977 and 1979; and

(6) Rehabilitation Audit Surveys.

This appendix briefly describes each of these data bases. More detailed descriptions of each are contained in Volumes II, III, IV and V of the Final Report.

Data From Local Program Officials

In-person interviews with local program officials were conducted four times over the evaluation period: (1) Fall 1976; (2) Spring 1977; (3) Spring 1978; and (4) Spring 1979. The target population for the Administrative Surveys consisted of four groups. The first group was all local staff responsible for a particular phase of the homesteading program. This included homestead coordinators, financial counselors, rehabilitation advisors, housing inspectors, and legal counsel. The second group consisted of all individuals within the local HUD Area Office responsible for a particular phase of the homesteading program, such as the UHD coordinator, who was often from the division of Housing Management

or Community Planning and Development. Other HUD staff involved were the Area Counsel, and individuals responsible for property disposition and Section 312 loans. The third group included participating and non-participating representatives from the financial community. Finally, the target population included key individuals in five types of neighborhood preservation programs active within the target neighborhood, namely: (1) non-UHD housing programs; (2) public works and physical improvements; (3) municipal services; (4) social services, and (5) community organization activities.

Homesteader and Lottery-Rejected Applicant Data

During the three years of interviewing, a total of 821 urban homesteaders were interviewed. The sample frame consisted of all those who received "first round" properties[1] and who had occupied their properties by April 1, 1979. Interviews with 100% of this subsample were attempted. The initial, or baseline interview, was always conducted within six months of the date on which the homesteader first occupied the property. Subsequent periodic intervals with each homesteader were then carried out at annual interviews until the last survey wave in August 1979. Depending on the date on which the homesteader first occupied the property, therefore, he or she was reinterviewed either twice, once, or not at all. The schedule, type (Baseline vs. Periodic), sample sizes of the six survey waves of urban homesteaders are presented in Exhibit A-1.

A total of 1,891 interviews were administered to the selected urban homesteaders. Of these, 821 were Baseline interviews administered within 6 months of the first occupancy of the homestead property. A further 661 of these interviews were Periodic interviews administered one year after the Baseline interview, and a further 399 were Periodic interviews administered two years after the Baseline interview. The overall completion rate was quite high. Of a total of 914 Baseline interviews attempted, 921 (89.8%) were completed. Similarly, of a total of 1,153 Periodic interviews attempted, 1,060 (91.9%) were completed.[2] It is, therefore, reasonable to believe that the findings represent a statistically

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[1]"First round" refers to the initial round of allocations of properties to the Demonstration Cities. These allocations, which had a value of $4.89 million, were made in October 175. Three additional rounds of allocations were made in October 1975. Three additional rounds of allocations were made subsequently. For more details, see Evaluation of the Urban Homesteading Demonstration, Third Annual Report, October 1979.

[2]Final interview status and completion rates by Demonstration city for both Baseline and Periodic surveys are presented in Appendix A of Volume IV of the Final Report.

reliable profile of the first round homesteaders in the 23 Demonstration Cities.[1]

The content of the interviews with the urban homesteaders was directed at their demographic and socioeconomic characteristics, their attitudes toward their neighborhood, their experience as homesteaders, and the costs and attributes of both their current (homestead) and prior housing.

The set of Baseline and Periodic survey data of urban homesteaders provides the basis for almost all the findings relevant to the urban homesteaders. There is, however, one relatively small additional data set which is used to support a number of comparisons. Several of the Demonstration Cities used lotteries as a final selection device in choosing urban homesteaders. This provides an opportunity, rare in the evaluation of programs not set up as social science experiments, to draw inferences based on comparisons between groups randomly assigned to different treatments. Accordingly, an effort was made to locate lottery-rejected applicants in 10 of the Demonstration Cities where lotteries were used in this manner. A total of 146 such households were located 2-3 years after their applications had been rejected in urban homesteading lotteries.

Neighborhood Survey Data

At the time that the first wave of resident surveys was conducted, between January and March 1977, urban homesteading activity was underway in 40 neighborhoods distributed across 22 of the 23 Demonstration Cities.[2] By March 1978, several additional neighborhoods were added, increasing the scope of the sample frame to 45 neighborhoods in 23 cities for wave two (completed in March 1978), and wave three (completed in September 1979).

For each of the neighborhoods two different surveys were conducted annually. The first survey, referred to as the Windshield Survey, was conducted by surveyors who evaluated physical conditions of streets and residential structures. The second survey, referred to as the Resident Survey, was administered to households in order to obtain detailed information about personal characteristics.

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[1]A copy of the Baseline survey instrument is included as Appendix B of Volume IV of the Final Report.

[2]No homestead properties had yet been transferred to Boston at the time.

Exhibit A-1

URBAN HOMESTEADER SURVEY SCHEDULE & SAMPLE SIZES

Subsamples	Waves					
	Jan.-Feb. 1977	July-Aug. 1977	Jan.-Feb. 1978	July-Aug. 1978	Mar.-Apr. 1979	July-Aug. 1979
1	Baseline Sample = 241		Periodic Sample = 231		Periodic Sample* = 218	
2		Baseline Sample = 223		Periodic Sample*** = 201		Periodic Sample** = 181
3			Baseline Sample = 156		Periodic Sample = 143	
4				Baseline Sample = 98		Periodic Sample = 86
5					Baseline Sample = 94	

Total periodic sample for Wave 5 = 361.
Total periodic sample for Wave 6 = 267.

*2 from Wave 1 baseline only; 216 from Wave 3 periodic.
**5 from Wave 2 baseline only; 175 from Wave 4 periodic; 1 Wave 1 baseline.
***3 Wave 1 baseline.

The sampling design used for both types of surveys was hierarchical in nature. For the Windshield Survey, all the blocks within a neighborhood were first enumerated and classified in terms of their proximity to the nearest homestead property. Within each proximity category, blocks were then selected at random using predetermined sampling rates.[1] Within each block, properties were selected for observation by taking every third property on one side of the street. Both the side of the street and the first property to be included were randomized. The Resident Surveys were then conducted with the occupant of one dwelling unit from each observed block. The dwelling unit was selected at random from all properties observed on the block in the Windshield Survey.

The above described sampling procedure has the property that dwelling units in large buildings and buildings on long streets had a lower than avererage probability of inclusion in the household sample. To remove this source of potential bias, each household observation in the Resident Surveys received a weight equal to the product of the inverse of the block sampling rate, the number of structures on the street and the number of dwelling units in th8e properties. Similarly, each observation in the Windshield Surveys received a weight equal to the inverse of the block sampling rate. These weights were used in all parts of the analysis designed to estimate parameters (means and standard errors) of characteristics of the population as a whole.

The total Resident Survey data set consists of 1,754 completed interviews from the first wave, 1,700 interviews from the second wave, and 1,678 interviews from the third wave.

The Windshield Survey data sets obtained during the three waves contained some random missing observations in each year. For the purpose of comparing neighborhood conditions consistently, only those blocks which were observed in all three waves were retained.[2] The total number of observations obtained this way amounted to 7,938 structures, spread out over 2,559 blocks.[3]

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[1]Sampling rates were highest for blocks in the immediate vicinity of homestead properties and lowest for blocks which were further removed.

[2]In the case of the five neighborhoods which were only included in the last two surveys, observations were eliminated if a block was missing from either wave.

[3]The corresponding number of observations in wave one, which was limited to 40 neighborhoods, was 7,628 structures spread out over 2,498 blocks.

In addition, for the analysis of property value trends, data compiled by the Society of Real Estate Appraisers (SREA) Market Data Center was used. This data base contains 100% of all property sales involving FHA and VA mortgage insurance as well as a portion of cash sales and sales involving conventional or assumed mortgages. The Demonstration Cities covered by this data base are Atlanta, Chicago, Dallas, Minneapolis and Oakland. Hence, the analysis of property value trends is limited to those five cities.

Rehabilitation Audit Data

In all, 397 urban homestead properties were inspected between December 1976 and December 1978. The properties selected for inspection were all drawn from the set of properties acquired through the use of the first-round allocations made to the 23 original Demonstration Cities.

By April 1, 1978, 1,861 properties had been conveyed by HUD to local urban homesteading programs. These accounted for approximately $9.4 million of the $16.9 million of the first, second, third and fourth-round allocations made to the original 23 Demonstration Cities by that date. Of these 1,861 properties, rehabilitation had been started on 1,173 properties and had been completed on only 564 properties, of which 505 were properties acquired through the use of the first-round allocations. These 505 first-round properties constituted the universe from which the sample of 397 properties to be inspected was drawn.

In drawing the sample of 397 properties for inspections, two criteria were employed. Firstly, it was considered desirable to achieve adequate representation of all the Demonstration Cities. Secondly, it was recognized that, by sampling properties as soon as rehabilitation was complete and stopping as soon as the desired number of inspections was achieved, there would be a systematic bias in favor of those properties in which rehabilitation was completed rapidly. The sample was designed to avoid this outcome.

The issue of sampling did not, in fact, arise until the summer of 1977 when it became apparent that the unit cost of inspecting would preclude a 100% sample of all first-round homesteads, then estimated to be around 1,000 properties. At the time that this became apparent, approximately 250 properties had already been inspected and these were distributed across 17 of the Demonstration Cities. The sampling issue then related to the rules which would be applied in the selection of the remaining properties for inspections, so that each city would be represented as adequately as possible and so that there would be sufficient representation of the "slower" properties.

The resulting sample accounted for almost 80% of all the properties available for inspection. The breakdown by city, together with the within-city sampling rates, is presented in Exhibit A-2. It will be apparent that efforts were made to sample a higher percentage of properties in cities with relatively few available properties. The overall pattern, with its high average sampling rates and the existence of only two cities with sampling rates below 50%, provides reasonably strong assurance of the generalizability of the findings to the 505 first-round properties which had been completed by April 1, 1978.[1]

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[1]The 397 records completed contain some instances where values for some variables are missing. This means that, for certain analyses, the actual sample size is smaller than 397.

Exhibit A-2

SAMPLE SIZES AND AVAILABLE FIRST-ROUND COMPLETED PROPERTIES BY CITY

City	Sample Size	Properties Availabile	Sampling Rate
Atlanta	16	36	0.44
Baltimore	3	3	1.00
Boston	4	4	1.00
Chicago	19	26	0.73
Cincinnati	8	8	1.00
Columbus	8	8	1.00
Dallas	53	53	1.00
Decatur	18	27	0.67
Freeport	11	12	0.92
Gary	28	28	1.00
Indianapolis	28	30	0.93
Islip	12	14	0.86
Jersey City	5	5	1.00
Kansas City	13	28	0.46
Milwaukee	11	11	1.00
Minneapolis	14	27	0.52
New York City	4	4	1.00
Oakland	22	33	0.67
Philadelphia	26	41	0.63
Rockford	46	48	0.96
South bend	17	18	0.94
Tacoma	17	17	1.00
Wilmington	14	24	0.58
TOTAL	397	505	0.79