

STUDY BY THE STAFF OF THE U.S.

~~2/28/82~~
117918

General Accounting Office

Housing Block Grant Activity In Pittsburgh: A Case Study

Many cities have used Community Development Block Grant funds to develop and implement a very wide variety of housing activities. This case study of experience in one city--Pittsburgh, Pennsylvania--provides insight on the kind and extent of housing activity under the Community Development Block Grant Program.

Pittsburgh has received \$122 million since 1975 in Community Development Block Grant Program funds. A total of \$69 million has been allocated for housing assistance activities.

This study discusses the programs designed by the city, what they cost, and who has benefited.



117918

GED-82-52
MARCH 24, 1982

021125

Request for copies of GAO reports should be sent to:

**U.S. General Accounting Office
Document Handling and Information
Services Facility
P.O. Box 6015
Gaithersburg, Md. 20760**

Telephone (202) 275-6241

The first five copies of individual reports are free of charge. Additional copies of bound audit reports are \$3.25 each. Additional copies of unbound report (i.e., letter reports) and most other publications are \$1.00 each. There will be a 25% discount on all orders for 100 or more copies mailed to a single address. Sales orders must be prepaid on a cash, check, or money order basis. Check should be made out to the "Superintendent of Documents".

FOREWORD

Considerable interest has existed for some years in consolidating Federal housing programs into some form of block grant. Several examples of this interest are (1) 1980 legislation requiring a Department of Housing and Urban Development (HUD) study of the subject, (2) a variety of HUD demonstration projects, (3) a current administration budget proposal to create a rental housing rehabilitation block grant program, and (4) a recommendation by the President's Housing Commission to expand the eligible activities under the Community Development Block Grant (CDBG) Program to include the construction of new housing units. While no one knows the full ramifications of creating a major new block grant for housing or significantly altering the CDBG Program, this study shows what happened in the past when a local government--in this case, Pittsburgh, Pennsylvania--designed and implemented housing programs under the CDBG Program.

This case study has resulted from a portion of our work on the housing block grant issue which has focused on the experiences of local governments under the CDBG Program. We will also issue case studies on block grant housing activities in several other cities. Such case studies provide a good perspective on each city's experience in the delivery of housing assistance. Our overall study of this topic includes the review of housing-related CDBG programs in several locations as well as two national surveys of all CDBG entitlement cities and urban counties. These surveys are designed to develop an overview of local experiences and capabilities and local attitudes toward a housing block grant program. This information should be useful to the Congress if it considers a new housing block grant or alters the role of housing under the CDBG program.



Director
Community and Economic
Development Division



D I G E S T

The Congress is currently considering various alternatives for administering Federal housing subsidies. One alternative is to consolidate a number of categorical housing programs into one housing block grant program. Various issues have been raised concerning housing block grants, including overall program design and local capacity to design and implement housing programs.

This GAO case study of Pittsburgh, Pennsylvania, is one of several to examine local housing activities under the Community Development Block Grant Program. GAO believes that such case studies will assist the Congress by describing how cities and counties have used their block grant funds to provide and improve housing for low- and moderate-income families.

GAO found that Pittsburgh has rehabilitated a significant portion of its housing units using Community Development Block Grant funds. Grant funds were used primarily in providing direct loans to low- and moderate-income homeowners. However, private rental units and renters were less affected by Community Development Block Grant funds. City officials were supportive of a housing block grant concept.

Several other studies are also addressing related housing issues. The President's Commission on Housing (established by Executive Order on June 16, 1981) has recommended that the successful Community Development Block Grant Program be strengthened by allowing funds to be used for new construction. The Commission believed an effective block grant program was needed along with a consumer housing assistance grant program (vouchers) to provide both adequate and affordable housing. Also, the Department of Housing and Urban Development, by direction of the Congress, is conducting a comprehensive examination of the feasibility of a housing assistance block grant program. At the time of GAO's review, the study was not

yet published. Finally, the Department has been experimenting with a separate rental rehabilitation block grant and has proposed such a program in its 1983 budget.

Under Title I of the Housing and Community Development Act of 1974, as amended, Federal funds are provided annually to certain local governments to assist their community development activities. The program authorized by the act consolidated a number of previous categorical programs. With the Community Development Block Grant funds received, major cities and many large counties were given latitude to set priorities, design programs, and fund projects which met their local needs in areas such as streets, parks, public works, and housing.

Pittsburgh has been experiencing a substantial population decline and an aging housing stock. In an attempt to reverse or stabilize the population decline and to rehabilitate its aging housing stock, the city elected to use 56 percent of its Community Development Block Grant funds for housing-related activities.

SIGNIFICANT IMPACT ACHIEVED

GAO found that the city has been successful in rehabilitating a significant portion of its aging housing stock. Most of this rehabilitation benefited homeowners. With the exception of public housing, few rental units were rehabilitated even though housing needs of renters were four times greater than those of homeowners. (See pp. 13-16.)

During the first 6 years of the Community Development Block Grant Program, the city received \$122 million of which the city allocated \$69 million (56 percent) to housing-related activities. Of the \$69 million, \$53 million (78 percent) was used to fund 15 housing programs affecting over 20,000 housing units. Indirect and administrative costs accounted for the remainder. (See p. 8 and pp. 13-16.)

LOANS WERE THE MAJOR FINANCING METHOD

In the 11 housing programs GAO reviewed in detail, Pittsburgh used direct partial and full loans; partial and full grants; subsidized loans; and direct activity funding to enable homeowners and renters to rehabilitate,

weatherize, and acquire housing units. Overall, GAO found that the city used 19 different types of housing interventions. GAO defines a housing intervention as a combination of housing activity and financing method. For example, a housing program that provides loans and grants would be considered as having two housing interventions, and if both renters and owner-occupants were eligible, the program would have four interventions.

The housing interventions identified by GAO were:

- Rehabilitation of 10,194 owner-occupied single-family housing units involving five different financing methods. (See pp. 16-21.)
- Rehabilitation of 10,488 rental units of which 9,688 were public housing units using five different financing methods. (See pp. 22-24.)
- Buyer acquisition or refinancing of 83 owner-occupied and rental housing units using three different financing methods. (See p. 24.)
- Energy conservation of 4,931 owner-occupied and rental housing units using three different financing methods. (See pp. 24 and 25.)

The major housing activity was rehabilitation of owner-occupied housing, and the major subsidy mechanism was direct loans. The most costly intervention was acquisition and rehabilitation of housing units by owner occupants/investors using loans--\$46,607 per unit; the least costly intervention was rehabilitation (exterior house paint) of owner-occupied housing units using full grants--\$141. (See pp. 13-16.)

GAO estimates that about \$20 million of the \$53 million (38 percent) in block grant funds for housing activities were loans that will be repaid with interest. (Repaid loans can be used to provide additional loans.) Such direct funding is initially costly since the entire loan amount is paid out of block grant funds, whereas using block grant funds to subsidize only the interest rates on loans made through other financial sources (banks, tax-exempt bonds) can be the least costly in the short run. GAO estimates that the city could have rehabilitated 65 percent more units through interest-subsidized loans at

the same interest rates than it did through direct-funded loans. However, direct loans provide the city with a continuing funding source to make additional loans. (See pp. 25 and 26.)

HOUSING ACTIVITY HAS BENEFITED LOW- AND MODERATE-INCOME HOMEOWNERS; TARGET AREAS

Many low- and moderate-income homeowners have been assisted in rehabilitating and weatherizing their housing units. However, little assistance has been provided to private-sector renters and rental housing units. More than 10,000 owner-occupied units were assisted compared to only about 1,300 rental units. Federal categorical programs have provided substantial renter assistance to Pittsburgh, which may partially explain why its block grant funds were used primarily for owner-occupied units. (See pp. 13-16 and p. 23.)

Although assistance has been provided to low- and moderate-income homeowners throughout Pittsburgh, homeowners residing in community development-designated neighborhoods have benefited the most from the city's housing loan and grant programs. For example, the city's Home Improvement Loan Program had twice the impact on community-designated neighborhoods as it did on nondesignated neighborhoods. About 10 percent of the homeowners residing in designated areas received a loan through the Home Improvement Loan Program in contrast with 5 percent of the homeowners in nondesignated neighborhoods. (See p. 20.)

Also, minority and female heads of households were well served overall; however, the elderly population was not as well represented as compared with need. The elderly and female heads of households were best aided by the direct loan program while minority homeowners were best aided by the bond-funded loan program. (See pp. 19 and 21.)

CITY OFFICIALS SUPPORTED HOUSING BLOCK GRANTS

The city officials GAO interviewed generally were supportive of a move toward housing block grants. They said that communities should be permitted to carry out a wide variety of activities including new construction and rehabilitation. However, they believe that considerable forethought should be given to the move from Federal control to local control over housing activities. (See pp. 62-69.)

C o n t e n t s

		<u>Page</u>
DIGEST		i
CHAPTER		
1	PITTSBURGH--AN OVERVIEW OF ITS HOUSING PROGRAMS AND PROBLEMS	1
	Housing conditions, needs, and goals	1
	Housing programs in Pittsburgh	4
	The delivery of housing assistance	5
	The Community Development Block Grant Program	6
	Objectives, scope, and methodology	7
2	CDBG-FUNDED HOUSING INTERVENTIONS HAD SIGNIFICANT IMPACT	11
	Rehabilitation of owner-occupied housing--largest housing activity	12
	Rehabilitation of rental housing--few private-sector rental units rehabilitated	20
	Buyer acquisition assistance--little provided	23
	Energy conservation--substantial housing units affected	23
	Advantages and disadvantages in providing CDBG-funded loans	24
3	REHABILITATION OF EXISTING OWNER-OCCUPIED HOUSING	27
	Home Improvement Loan Program--Pittsburgh's largest housing program	28
	Operation Paintbrush Program	35
	Party Wall Program	37
	Emergency Home Improvement Loan Program	37
4	REHABILITATION OF RENTAL HOUSING	40
	Support of public housing--a major housing intervention	40
	Rental Housing Improvement Program	45
	Site Acquisition and Capital Improvements for Section 8 Housing and Equity Participation Programs	49
5	ASSISTANCE TO HOME BUYERS	51
	Urban Redevelopment Authority's Rehabilitation Program	51
	Equity Participation Program	51

		<u>Page</u>
CHAPTER		
6	HOUSING INTERVENTIONS FOR ENERGY CONSERVATION	58
	Home Insulation Matching Grant	
	Program	58
	Weatherizing Housing in Pittsburgh	
	Program	58
	Rent Brake Program	59
7	CDBG HOUSING ADMINISTRATIVE AND INDIRECT	
	COSTS	61
	CDBG housing administrative costs were	
	not program allocated	61
	Indirect costs--demolition and	
	counseling	64
8	VIEWS ON THE CONCEPT OF HOUSING ASSISTANCE	
	BLOCK GRANTS	66
	Capacity to implement housing programs	66
	Design of a housing block grant program	67
	Role of the Federal Government	68
APPENDIX		
I	Map showing community development-designated	
	neighborhoods	69

ABBREVIATIONS

GAO	General Accounting Office
CDBG	Community Development Block Grant
HUD	Department of Housing and Urban Development

CHAPTER 1

PITTSBURGH--AN OVERVIEW OF ITS

HOUSING PROGRAMS AND PROBLEMS

The city of Pittsburgh, Pennsylvania is a mature industrial city with a declining population. In fact, Pittsburgh has lost almost one-third of its population in the last 25 years. The city's housing stock, although old, is generally sound and relatively inexpensive. More than 75 percent of Pittsburgh's houses are at least 40 years old and most are over 60. Thus, most of the city's housing programs are directed toward upgrading existing houses to protect and improve the large existing housing stock. Accordingly, the primary housing goals of the city are to

--improve housing conditions for the people now living in Pittsburgh and

--make housing and neighborhood conditions attractive enough to draw new residents to the city.

The remainder of this chapter discusses the city's housing needs and gives an overview of city policies and programs to meet these needs.

HOUSING CONDITIONS, NEEDS, AND GOALS

Pittsburgh has been and continues to be in a period of transition. The city has lost about one-third of its population--approximately 200,000 people--in the last 25 years. This loss has brought its current population down to 424,000 people. The overall population loss is due primarily to the outmigration of white families, which resulted in an increase in the percent of black families residing in the city from 20 percent in 1970 to 24 percent in 1980. The city's total population has been growing steadily older. In fact, one out of every five city residents is more than 60 years of age. Most of these elderly people are retired and living on fixed incomes. The percent of people employed in white collar and service occupations is increasing while people in blue collar occupations are decreasing. About half of the city's families are homeowners, and the area's median family income is about \$25,000.

Housing conditions

The following information gives an overall perspective of Pittsburgh's housing situation: 1/

1/Information obtained from Pittsburgh's 6-year development plan, Aug. 25, 1981.

--Pittsburgh has 179,245 housing units. Of these, 92,849 are owner occupied and 86,396 are rented.

--Four and a half percent of all housing units are vacant; 6,616 of the 8,108 vacant units are for rent.

--A significant portion of the housing units--53,631 (30 percent)--are substandard. They have structural deficiencies, major building code violations, lack some plumbing facilities, or were vacant 6 months or longer. Some 25,553 substandard units are owner-occupied. The other 28,078 are rented.

--New construction of single-family housing in the city of Pittsburgh is essentially nonexistent.

Housing needs

Housing assistance needs for lower income households are generally based on these factors:

--Lack of plumbing.

--Overcrowded conditions.

--Rental or housing payments which exceed 25 percent of household income.

Data available from the city showed 27,589 rented households and 6,859 owner households in need of housing assistance. The following table summarizes the housing need for several household types.

	<u>Housing Assistance Needs</u>		
	<u>All Households</u>		
	<u>Owners</u>	<u>Renters</u>	<u>Total</u>
Elderly	3,324	12,721	16,045
Small family	2,486	12,767	15,253
Large family (more than 4 members)	<u>1,049</u>	<u>2,101</u>	<u>3,150</u>
Total	<u>6,859</u>	<u>27,589</u>	<u>34,448</u>

Overall, the elderly and small families show the greatest need for housing assistance.

Another way to look at households in need of housing assistance is to examine the extent of minority and female-headed households. The following table shows the types of minority households in need of housing aid.

Housing Assistance Needs
Minority Head of Household

	<u>Owners</u>	<u>Renters</u>	<u>Total</u>
Elderly	219	2,391	2,610
Small family	724	5,185	5,909
Large family (more than 4 members)	<u>374</u>	<u>1,811</u>	<u>2,185</u>
Total	<u>1,317</u>	<u>9,387</u>	<u>10,704</u>

Thus, of the 34,448 households in need, 10,704 (31 percent) are minorities. Renters, small families, and to a lesser extent, the elderly are the largest types of household in need of housing assistance. As a group, female-headed households also represent a significant portion of those in need. The following table shows 15,109 (44 percent) female-headed households in need of housing assistance.

Housing Assistance Needs
Female-Headed Households (note a)

	<u>Owners</u>	<u>Renters</u>	<u>Total</u>
Elderly	626	3,308	3,934
Small family	1,716	7,301	9,017
Large family (more than 4 members)	<u>62</u>	<u>2,096</u>	<u>2,158</u>
Total	<u>2,404</u>	<u>12,705</u>	<u>15,109</u>

a/Female-headed households could also be included in the minority table.

Among female-headed household renters, small families and the elderly are the largest groups in need of housing assistance.

Housing goals

To meet its identified housing needs, the city has developed nine major policies or goals for its housing programs. These are to

- protect and improve existing housing through repair, maintenance, and modernization programs;
- support neighborhood revitalization without causing displacement of existing residents;
- create a healthier mentality about development to make it easier for private builders to construct new housing and rehabilitate old structures;

- develop an effective marketing program to promote Pittsburgh and its neighborhoods;
- assist property owners in making their homes more energy efficient;
- maintain a standard of decent, safe, and sanitary housing through an adequate inspection program;
- seek a maximum level of Federal subsidies to provide good public and privately owned housing for low- and moderate-income persons;
- encourage full compliance with equal housing opportunity and consumer protection laws; and
- respond to the housing needs of special population groups such as women, the handicapped, dependent persons, and the elderly.

To implement these policies, the city has designed various housing programs utilizing Community Development Block Grant (CDBG) funds and funds from other Federal housing programs. Chapters 3 through 7 discuss in detail the various programs that the city funds through the CDBG Program.

HOUSING PROGRAMS IN PITTSBURGH

Pittsburgh has developed a number of programs to provide housing assistance under the CDBG Program and through other Federal subsidy programs. Each program is designed to meet specific needs of various population groups. The following chart shows the number of subsidized housing units under Federal programs as of June 30, 1981.

Housing Units Subsidized by the Federal Government in Pittsburgh

<u>Program</u>	<u>Subsidized units</u>
Low-rent public housing	9,688
Section 8 (existing)	1,701
Section 8 (new construction and rehabilitation)	2,222
Section 236 (rent supplements)	3,157
Section 221(d) (3)	<u>1,734</u>
 Total	 <u>18,502</u>

These subsidized units represent over 20 percent of the city's rental units. In addition, we estimate that over 10,000 owner-

occupied units and 10,000 rental units 1/ have been assisted in some way through housing programs funded through the CDBG Program.

THE DELIVERY OF HOUSING ASSISTANCE

The delivery of CDBG housing assistance in Pittsburgh involved four major governmental organizations and a myriad of developers, architects, and lenders. The major organizations include

- the U.S. Department of Housing and Urban Development (HUD),
- City of Pittsburgh's Department of Housing,
- the Housing Authority of the City of Pittsburgh, and
- the Urban Redevelopment Authority.

HUD's role

The Federal role, as discussed earlier, involves providing subsidized housing programs. In addition, the local area office of HUD has been directly involved in reviewing the city's applications under the CDBG Program and monitoring program activities.

Pittsburgh's Department of Housing

Pittsburgh's Department of Housing is responsible for all housing and housing-related matters including Federal and local housing development programs, code enforcement, and housing assistance and rehabilitation programs. The department has a staff of 99. Most of the staff is involved with building inspection and code enforcement activities.

Housing Authority City of Pittsburgh

The Housing Authority of Pittsburgh is a public corporation created by the Pittsburgh City Council on August 26, 1937, to construct and manage the low-rent public housing program. It was authorized by the Pennsylvania Housing Authorities Act of May 1937. Its seven-member Board of Directors is appointed by the Mayor of Pittsburgh, with Council approval, for overlapping 5-year terms.

The authority depends upon HUD approval for construction costs and subsidies, and the city must also concur with any

1/Of these rental units, 9,688 are low-rent public housing units and the majority of the 9,688 received little, if any, assistance.

expansion of the low-rent public housing program. The authority relies on dwelling rents and HUD operating subsidies to pay management and maintenance staffs, utility bills, repairs and improvements, and replacement of operating equipment (such as trucks, lawnmowers, hoses, refrigerators, etc.).

In addition to constructing, managing, and maintaining the low-rent housing program, the authority administers HUD's section 8 1/ existing program. Also, through its Relocation Division, the authority carries out relocation of families for the city in its Code Enforcement Program. Under contract, the authority also relocates and/or manages property for the Urban Redevelopment Authority, the Pennsylvania Department of Transportation, and other agencies. The Relocation Division finds private or public housing for the families and individuals required to move because of government action and also assists households whose dwellings are destroyed by fire or other catastrophe.

Urban Redevelopment Authority

The Urban Redevelopment Authority was established in 1946 pursuant to the Pennsylvania Housing Authorities Act which granted the authority power to eliminate blighted areas through redevelopment, including the construction, rehabilitation, or conservation of residential housing. To carry out its corporate purposes, the authority has been granted the power to issue bonds, to cooperate with the city, and to enter into contracts necessary or convenient to the exercise of its powers. The authority operates within the corporate limits of the city.

The powers of the authority are vested in and exercised by five members appointed by the Mayor. As of June 30, 1981, the staff of the authority consists of 126 persons, 66 of whom are professional and technical and 60 of whom are clerical.

THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Under Title I of the Housing and Community Development Act of 1974, as amended, Federal funds are provided annually to certain units of general local governments to assist their community development activities. The CDBG Program, authorized by the act, consolidated a number of previous categorical programs such as Urban Renewal and Model Cities. Under the CDBG Program, major cities and many large counties are entitled to receive a grant, the amount of which is based upon an entitlement formula that considers population, poverty, housing conditions, and other factors.

1/A rent subsidy for lower income families to help them afford decent housing. HUD makes up the difference between what a lower income household can afford and the housing unit's fair market rent.

CDBG activity in Pittsburgh

Between April 1975 and April 1981, Pittsburgh received \$122 million in CDBG funds, of which about \$69 million (56 percent) were used for housing-related programs. The remaining funds were used in part for street and bridge repairs, playground renovation, water system improvements and economic development. The table on the following page summarizes the CDBG-related housing programs and the funds expended or obligated for these programs in Pittsburgh over this 6-year period as of June 30, 1981.

The primary objective of the city's community development effort is to maintain and enhance the existing housing stock. To do this, the city uses a strategy of combining direct public programs and incentives for private investment. Programs targeted to induce private sector investment are primarily housing related.

Pittsburgh has identified community development neighborhoods on the basis of housing condition, predominately rental or owner-occupied housing, poverty, number of elderly households, number of households with children headed by females, level of education, level of income, and housing value (see app. I). Generally, neighborhoods that fall below the city average in several of these characteristics were selected. Some neighborhoods that exhibit a pattern of characteristics have been identified as target neighborhoods within the larger community development neighborhoods.

Urban renewal programs that existed before CDBG were highly concentrated in a few geographic areas. Since CDBG, most of the city's neighborhoods have received CDBG funds. The primary reason for the dispersion of funds is that many CDBG programs are targeted to low- and moderate-income persons as well as being targeted to low- and moderate-income areas. Thus, an eligible household can qualify for a CDBG citywide housing program even if it does not reside in a targeted area.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Congress is currently considering the possibility of consolidating a number of categorical housing programs into one block grant program, and has directed HUD to conduct a comprehensive examination of the feasibility of a housing assistance block grant program. Also, the President's Commission on Housing is evaluating how best to provide housing to those in need. We undertook this case study, as part of an extensive study of housing activities under the CDBG Program, to provide the Congress with an empirical base for its deliberations. This study includes additional case study cities and the compilation and analysis of responses to detailed questionnaires sent to more than 650 cities and counties receiving CDBG funding.

City of Pittsburgh CDBG Funds Expended
or Obligated for Housing-Related Activities
April 1975-June 1981 (note a)

<u>Program</u>	<u>Amount</u> <u>(000 omitted)</u>	<u>Percent</u>
Home Improvement Loan Program	\$ 30,232	44.0
Housing Authority City of Pittsburgh	6,997	10.2
Rental Housing Improvement Program	5,209	7.6
Urban Redevelopment Authority Unit Rehabilitation	1,097	1.6
Emergency Home Improvement Loan Program	2,275	3.3
Equity Participation	1,500	2.2
Site Acquisition and Capital Improvements for Section 8 Housing	1,330	1.9
Rent Brake	1,099	1.6
Party Wall	793	1.2
Paintbrush	700	1.0
Weatherizing in Pittsburgh	685	1.0
Other minor programs (4 programs)	<u>1,515</u>	<u>2.2</u>
Total program costs	<u>53,432</u>	<u>77.8</u>
<u>Administration</u>		
Urban Redevelopment Authority- Housing Programs	5,844	8.5
Neighborhood Development Program	2,340	3.4
Housing Department	2,314	3.4
Urban Redevelopment Authority- Property Management	<u>650</u>	<u>0.9</u>
Total administrative costs	<u>11,148</u>	<u>16.2</u>
<u>Other indirect costs</u>		
Demolition and site clearance	2,756	4.0
Housing counseling	918	1.3
Northside Urban Development Action Grant Matching/Relocation Support	<u>450</u>	<u>0.7</u>
Total other indirect costs	<u>4,124</u>	<u>6.0</u>
Total housing costs	<u>\$ 68,704</u>	<u>100.0</u>
Total CDBG funds	\$122,112	
Housing as a percent of CDBG		56.3

a/Authorized funding for the first 6 CDBG Program years as shown in the city's accounting reports to HUD.

CHAPTER 2

CDBG-FUNDED HOUSING INTERVENTIONS

HAD SIGNIFICANT IMPACT

Pittsburgh's CDBG-funded housing programs have affected more than 20,000 housing units and has had substantial impact on community development-designated areas. White homeowners with small families and moderate incomes have received most of the benefits; however, proportionally, minority homeowners have benefited the most. However, elderly homeowners were not as well represented in some of the housing programs and renters were provided little assistance. Although the city's CDBG-funded housing programs had a substantial impact, they would have achieved even more in the short term if the city had used more subsidized interest rate loans rather than direct loans. Support of this statement is shown starting on page 25.

Of the \$69 million used for housing activities, \$53 million (78 percent) was used to fund 15 housing programs affecting over 20,000 housing units. Indirect and administrative costs accounted for the remainder. Our review of 11 of the 15 housing programs showed that the programs have had a significant impact on the city of Pittsburgh. The city used 19 different housing interventions, as follows:

- Five financial interventions involving rehabilitation only of owner-occupied family housing units (direct loans, two types of subsidized bond-financed loans, and full and partial grants).
- Five financial interventions involving the rehabilitation only of rental units (forgivable loans, deferred loans, partial loans, partial grants, and direct expenditures). 1/
- Five housing interventions involving acquisition of owner-occupied and rental housing units using deferred and installment loans and direct expenditures.
- Four housing interventions involving energy conservation of owner-occupied and rental units using partial and full grants and direct expenditures.

Most of the housing interventions involved loans that borrowers are required to repay, thus providing the city with a continuing source of income.

1/Direct expenditures are costs incurred by the city without involving the beneficiary. For example, the city rehabilitating public housing.

The tables on pages 13 and 15 summarize the housing interventions we identified. The remainder of this chapter makes general observations on the overall impact of the major intervention groupings used by the city. These interventions are described in greater detail in subsequent chapters. It should be noted that our analyses of beneficiaries are not judgmental but rather descriptive. We did not try to address the question of equity which would require analyzing the impact of housing activities under Federal categorical programs to measure the overall impact of all interventions on various population groups. We do, however, mention the impact of Federal categorical programs where it seems particularly relevant.

REHABILITATION OF OWNER-OCCUPIED HOUSING--LARGEST HOUSING ACTIVITY

Rehabilitating owner-occupied housing was Pittsburgh's largest CDBG-funded housing activity. Some 10,194 housing units were affected by four housing programs using five different CDBG subsidy mechanisms. Rehabilitation activities ranged from painting to major renovation.

Among the various recipient groups, whites, males, and the nonelderly were more likely to receive assistance than minorities, females, and the elderly. However, proportionally, minorities were adequately represented. Incomes of groups served generally ranged from low to moderate.

Loans were the primary subsidy mechanisms used

Loans involving CDBG funding represented 85 percent of the total rehabilitation funding of owner-occupied housing. The city provided 7,442 loans totaling \$46 million to rehabilitate 8,341 housing units. Three different loan subsidy mechanisms were used.

--Direct-funded loans. Three percent loans were provided to eligible borrowers. Loans totaling \$20,083,355 were made to 3,397 borrowers using CDBG funds.

--Bond-funded loans with an interest subsidy. Eligible borrowers were provided 910 loans totaling \$7,258,087 using proceeds from the issuance of tax-exempt bonds. CDBG funds were used to subsidize the interest rates (reductions of 4-7/8 to 7 percentage points) and to pay bond issuance costs.

--Bond-funded loans with a shallow financial subsidy. The bond proceeds provided 3,135 below-market interest rate loans (7-7/8 percent to 11 percent) totaling \$18,319,990. CDBG funds were used to pay only the issuance costs of the bonds.

Our approach in this case study was to look at CDBG housing activities during the first 6 program years (April 1975-April 1981). Using June 30, 1981, as our cutoff date (program funds were not always obligated or spent in the year authorized), we reviewed data on the 15 CDBG-funded housing programs but reported on only 11 programs representing 97 percent of the total housing program funding. We excluded the four programs with less than \$500,000 total spending for the 6 years.

Based on our preliminary work on CDBG housing activities, we decided to collect data on housing activity/financial subsidy mechanisms (interventions) rather than housing programs. We believe this approach will give a better understanding of the CDBG housing activities taking place and the individuals benefiting. Therefore, a housing program that provides loans and grants would be considered as having two housing interventions, and if both renters and owner-occupants were eligible, the program would have four interventions.

With the exception of statistical data on the Party Wall Program which we obtained by reviewing the 167 case files, the raw data used in our tables and charts was provided by city agencies and we did not verify to source documents that the data was accurate. However, we did selectively review case files on all the programs except Operation Paintbrush and Weatherizing in Pittsburgh to determine program procedures and controls and we visited properties that were or are being rehabilitated.

In several instances we had to use sources which were less than optimal in order to provide some data on programs and we have identified those situations where they arise. For example, the characteristics of one housing program's grant recipients were not available and we used data from another program that the recipients also participated. Most of the photographs included were taken by us and those photographs provided by others are so noted.

In this case study, we used the same data collection instrument as was used in the three other case study cities. In this way, we believe that a certain degree of uniformity was obtained in collecting housing program data. Also, the case study was reviewed by Dr. Robert K. Yin of The Case Study Institute, Washington, D.C., for appropriateness of methodology and format.

We interviewed the following city officials about the city's CDBG housing programs:

Paul Brophy - Director, Housing Department
Mary Reilly - Deputy Director, Housing Department
Reginald Young - Director, Community Development Office
Daniel Pietragallo - Executive Director, Housing Authority
Ernie Miller - Director, Planning and Management Division,
Housing Authority
Wendell Holmes - Comptroller, Urban Redevelopment Authority

Adrian Sontheimer - Acting Director, Department of
Rehabilitation, Urban Redevelopment Authority
A variety of individual program directors and staff

We also interviewed Pittsburgh's HUD area office officials involved in approving and monitoring CDBG funding activities and contacted the following organizations:

Southwestern Pennsylvania Regional Planning Commission
Urban League of Pittsburgh
Action-Housing, Inc., Pittsburgh
Brookings Research Fellow, University of Pittsburgh
Community Action Pittsburgh, Inc.

We discussed the results of our work with Pittsburgh and HUD area office officials and asked them to verify the contents of the case study. Where applicable, their suggestions were incorporated into the study.

City of Pittsburgh's Housing Interventions
Involving CDBG Funding (April 1975 - June 1981)

	<u>CDBG funding (other) (in millions)</u>	<u>Number of loans/grants CDBG funded (other)</u>	<u>Average CDBG loan/grant (other)</u>	<u>Number of housing units</u>	<u>Average CDBG unit financing (total)</u>	<u>Targeted area</u>	<u>Eligible criteria</u>	<u>Recipient characteristics</u>
<u>Rehab/owner-occupied</u>								
<u>Home Improvement Loan Program (HILP)</u>								
Direct loans - 3% interest	18.4	2,702	6,823	3,251	5,670 d/	Citywide	Less than \$7,000 income	59% residing in CD area/77% white/ 53% male/71% over 45 years old/ less than \$7,000 annual income
Partial grants of 50% or greater to reduce direct loan balances	6.1	1,620	3,776	included above	3,776 d/	Citywide	Less than \$7,000 income	76% white/72% female/60% over 61 years old/less than \$5,000 median annual income
Interest subsidy on bond-funded loans and pay bond issuance costs (7.3) a/	2.2 -	(910)	(7,976)	1,024	2,121 (9,209)	Citywide	Section 8	80% residing in CD area/80% white/ 70% male/77% under 62 years old/ \$12,000 median income
Financial subsidy on bond-funded loans - pay bond issuance costs (18.3) a/	.7 -	(3,135)	(5,844)	3,371	211 (5,645)	Citywide	Less than \$30,000 except in certain CD Neighborhoods	62% residing in CD area/63% white/ 78% male/83% under 62 years old/ \$17,712 median income
<u>Emergency HILP</u>								
Direct loans to correct major code violations - 3% interest	1.6	695	2,372	695	2,372	Citywide	Section 8	61% white/61% female/57% under 62 years old/income unknown
Partial grants of 50% to reduce direct loan balances	.4	231	1,584	included above	1,584 (2,898)	Citywide	Less Than \$5,000 Income	See Emergency Direct Loans
<u>Operation Paintbrush</u>								
Exterior paint only grants	.2	1,390	141	1,390	141	Selected CD Neighborhoods	None.	71% white/65% female/57% under \$11,000 median income
Exterior paint/labor grants	.3	296	1,089	296	1,089		Section 8/Over 61 years old	69% white/54% female/88% less than \$9,800 annual income
<u>Party Wall Program</u>								
Grants up to \$6,000 for rehab of walls disturbed by demolition	.8	169	4,526	167	4,580	Citywide	Less Than \$15,000 Income	51% female/56% over 61 years old/ 63% on pension or income assistance
<u>Total rehab/ owner-occupied</u>	<u>30.7 (25.6)</u>	<u>7,103 (4,045)</u>	<u>3,921 (6,323)</u>	<u>10,194</u>	<u>3,015 (5,524)</u>	<u>Citywide</u>	<u>Section 8 or Less Income</u>	<u>Residing in CD area/white/male/ under 62 years old/less than \$11,000 income (primary characteristics)</u>
<u>Rehab/Rental</u>								
<u>Rental Housing Improvement Program</u> (note e)								
Direct loans to landlords which will be forgiven if landlords rent to low/moderate income families	.5	26	18,392	112	4,270	Citywide	Tenant income cannot exceed Section 8	85% of rental units in CD area
Partial grants for 30% of a rental unit rehab costs	.5	60	8,494	175	2,912	Citywide	No criteria in CD neighbor- hoods otherwise tenant income cannot exceed Section 8	84% of rental units in CD area
<u>Loan/Grant Combination</u>								
Loan	2.1	179	11,581		7,680			
Grant	1.6	179	8,800	475				
<u>Equity Participation Program (note 1)</u>								
Deferred loans for historical preservation costs	.8	15	53,038	38	20,936	Specific CD neighborhood	None	Not available
<u>Section 8 support program</u>								
Partial loan	.2	1	193,967	included in 38 above	5,104	City-wide	Section 8	Not available

Percent of Participation in Home Improvement
Loan Programs by Category of Recipient
Compared with Housing Assistance Needs

<u>Type of loan program</u>	<u>Recipients</u>	<u>Head of household (note a)</u>		
		<u>Elderly</u>	<u>Minority</u>	<u>Female head</u>
		----(percent of recipients)----		
Direct (note b)	2,678	42	22	47
Bond-funded with financing cost subsidy	3,135	17	33	22
Bond-funded with interest subsidy	<u>910</u>	<u>23</u>	<u>15</u>	<u>30</u>
Total	<u>6,723</u>	28	25	33
Percent of all Pittsburgh homeowners needing assistance (note c)				
		48	19	35

a/A loan recipient could be shown in more than one household category.

b/Data was not available for 775 recipients.

c/As shown in the city's 6-year development plan, dated Aug. 1981.

Another way of analyzing the impact of the program is to compare households needing assistance with those receiving assistance. 1/ This analysis showed minority heads of households benefiting the most; this is not surprising because the city's housing outreach programs were concentrated in minority neighborhoods. Also, 88 percent of minority households needing assistance were renters, not homeowners. The following table compares the assistance provided with those in need.

<u>Type of recipient by head of household</u>	<u>Housing assistance need</u>	<u>Assistance provided</u>	<u>Ratio of assisted households to those in need</u>
White	5,542	5,033	91:100
Minority	1,317	1,690	128:100
Male	4,455	4,500	101:100
Female	2,404	2,223	92:100
Nonelderly	3,535	4,861	138:100
Elderly	3,324	1,862	56:100

1/The city did not determine how many borrowers receiving assistance would have been counted as needing assistance in its Housing Assistance Plan.

City of Pittsburgh's Housing Interventions
Involving CDBG Funding (April 1975 - June 1981) (cont.)

	CDBG funding (other) (in millions)	Number of loans/grants CDBG funded (other)	Average CDBG loan/grant (other)	Number of housing units	Average CDBG unit financing (total)	Targeted area	Eligible criteria	Recipient characteristics
Rehab Rental (cont.)								
Public Housing -								
Direct funding for modernizing public housing units	6.7 (26.4) b/	-	-	9,688	692 (3,413)	Public Housing Areas	90% of Section 8	Black/female/about \$6,000 median annual income (only data available)
Total Rehab/Rental	12.4 c/ (26.4)	460	12,230	10,488	1,176 (3,689)	Public Housing Areas	Section 8 or less	Resides in CD area
<u>Buyer Assistance</u>								
<u>URA Rehab</u>								
Direct funding of rehab costs for properties sold to general public	1.1	-	-	35	30,459	Urban Renewal Areas	None	94% Black
<u>Equity Participation Program</u>								
Direct loans reducing purchase price by 20%. Pay back when property is sold	.6 (1.5) a/	46 (32)	13,984 (45,850)	48 -	13,402 h/ (33,792) h/	Specific Northside CD neighborhoods	None	Median income \$24,800
Low interest direct loans bridges rehab gap between property's market price and rehab costs	.1	12	10,558	included above	10,558 h/	Specific Northside CD neighborhoods	None	Median income \$27,712-\$33,550
Total buyer assistance	1.8 (1.5)	58 (32)	13,275 (45,850)	83	23,351 (39,798)	Specific CD areas	None	Median income greater than \$24,800
<u>Energy Conservation</u>								
<u>Home Insulation</u>								
Grants for 50% of conservation costs up to \$400 for HILP direct loan recipients	.4	1,830	232	f/	232 d/	Citywide	Section 8	See HILP Direct Loans
<u>Weatherizing in Pittsburgh</u>								
Paid the labor costs associated with Department of Energy weatherizing program	.6 (1.7)	-	-	-	212 (864)	Citywide	Below Section 8	84% owner-occupant/53% under 61 years old
<u>Rent Brake</u>								
Grants to landlords up to \$2,000 per housing unit	1.0	285	3,453	505	1,949	Citywide	Tenant incomes cannot exceed Section 8	Tenant characteristics-68% residing in CD area/69% white/54% female/ median annual income of \$6,491 Residing in CD area/white/male
Total energy conservation	2.0 (1.7)	2,115	666	3,101	397 g/ (740)	Citywide	Section 8 or less	
Total	46.9 (55.1)	9,736 (4,077)	3,662 (7,048)	23,866	1,963 (4,272)			

a/Tax-free revenue bond proceeds.

b/HUD modernization fund.

c/Department of Energy weatherizing program.

d/Total financing per housing unit was \$7,683.

e/Owner provided \$5,196,699 in cash and bank loans-not included.

f/Including in Home Improvement Loan Program-direct loans.

g/Average financing costs were calculated using 4,931 housing units which included 1,830 HILP direct loan units.

h/CDBG financing was \$16,041 per unit and total financing was \$46,607 per unit.

i/Owner also obtained \$1.5 million mortgage from bank-not included.

Percent of Participation in Home Improvement
Grant Programs by Category of Recipient
Compared With Housing Assistance Needs

<u>Type of grant program</u>	<u>Recipients</u>	<u>Head of household (note a)</u>		
		<u>Elderly</u>	<u>Minority</u>	<u>Female head</u>
Partial grants	1,254	60	24	72
Full grants	<u>1,202</u>	<u>65</u>	<u>26</u>	<u>40</u>
Total	b/ <u>2,456</u>	63	25	56

Percent of all
Pittsburgh
homeowners
needing
assistance
(note c)

48 19 35

<u>Type of recipient by head of household</u>	<u>Housing assistance need</u>	<u>Assistance provided</u>	<u>Ratio of assisted households to those in need</u>
White	5,542	1,848	33:100
Minority	1,317	608	46:100
Male	4,455	1,084	24:100
Female	2,404	1,372	57:100
Nonelderly	3,535	918	26:100
Elderly	3,324	1,538	46:100

a/A grant recipient could be shown in more than one household category.

b/Total grants were 3,706 but data was available for only 2,456.

c/As shown in the city's 6-year development plan, dated Aug. 1981.

REHABILITATION OF RENTAL
HOUSING--FEW PRIVATE-SECTOR
RENTAL UNITS REHABILITATED

CDBG housing funds were used sparingly to rehabilitate private-sector rental units. Units that were rehabilitated were located primarily in community development neighborhoods, but substantial funds were used to rehabilitate public housing units.

Our analysis of 11 of the 15 CDBG housing programs showed that only \$5.6 million (12 percent) of the \$46.9 million spent or obligated went for rehabilitating 800 private-sector rental units. Private rental units represented 7 percent of the 10,994 private-sector housing units rehabilitated. However, \$6.7 million (14 percent) in housing program funds were used to rehabilitate some of the 9,688 public housing units. Thus, 26 percent of CDBG housing program funds were used for rental units (see ch. 4).

The primary beneficiaries of direct-funded and bond-funded with an interest subsidy loans were low- and moderate-income families. The bond-funded loans with a shallow financial subsidy went to households typical of Pittsburgh homeowners with yearly incomes averaging nearly \$18,000 during the 3-year period in which the loans were made.

Grants were used mostly
to reduce loan balances

Grants totaling \$7,766,034 were provided to 3,706 recipients. Most of the rehabilitation grant funds were provided to low-income families who obtained a direct-financed rehabilitation loan in order to make the loan affordable. Of the 3,706 grants, 1,851 grants (50 percent) totaling \$6,483,389 (83 percent) were made along with a rehabilitation loan.

The remaining 1,855 grants were full grants for rehabilitation costs. Grants of up to \$6,000 were provided.

Rehabilitation grants and loans
provided significant benefits to
minority homeowners and those in
designated neighborhoods

The different rehabilitation loan and grant programs provided assistance for low- and moderate-income homeowners throughout Pittsburgh. Proportionally, minority homeowners and homeowners residing in community development-designated neighborhoods benefited the most from the loan and grant programs.

We compared the beneficiaries of three loan programs (direct, bond-funded with an interest subsidy, and bond-funded with a shallow-financing cost subsidy) against Pittsburgh's housing assistance needs. This comparison showed that minority and female heads of households were well served by those interventions as compared with their estimated proportion among those in need of housing assistance. However, the elderly population was not as well served by the interventions. Elderly and female heads of households were best aided by the direct loan program, and minority homeowners were best aided by the bond-funded loan program. (See following table.)

Impact of Federal and
CDBG Funding on Rental Housing in Pittsburgh

Rental housing stock (1981)

Standard	58,318 (68 percent)
Substandard	<u>28,078</u> (32 percent)

Total rental housing 86,396

Rental housing constructed or
rehabilitated using Federal funds
or subsidies (1942-81)

Low Rent Public Housing	9,688
Section 8	2,222
Section 236	3,157
Section 221(d) (3)	<u>1,734</u>

Total 16,801 (19 percent)

Remaining rental units 69,595

Rehabilitated under the Rental
Housing Improvement and Equity
Participation Program (1975-81) 800

Ratio of rehabilitated units
to remaining rental units 1.1:100

Ratio of rehabilitated units
to substandard rental
units (note a) 2.8:100

a/Not all rehabilitated units were substandard. The city has no data on substandard units that were rehabilitated. The 2.8 figure is therefore the highest possible estimate of the impact on substandard rental housing.

Public Housing--substantial
funding for rehabilitation

In contrast to many CDBG housing interventions, public housing rehabilitation replicates a Federal categorical program. During the CDBG years, the Federal Government provided more than \$26 million in categorical funds to the city for rehabilitating some of its 9,688 housing units. In addition, the city used \$6.7 million in CDBG funds for substantially the same purpose in order to expedite modernizing its public housing units.

About \$4.7 million (71 percent) of the \$6.7 million in CDBG funds were used for major renovation of 3 of the city's 19 housing projects containing 1,984 (20 percent) of the city's 9,688 public housing units. Essentially, the same types of renovation were made with CDBG funds as were accomplished in Pittsburgh under

In comparing neighborhood impact, we noted that the home improvement loan programs had twice the impact on community development-designated areas as on non-designated areas. About 10 percent of the homeowners residing in designated areas received a rehabilitation loan compared with 5 percent of the homeowners in non-designated neighborhoods. The following table shows the impact of the loan programs on neighborhoods.

Impact of Rehabilitation
Loan Programs on Neighborhoods
by Loan Program

	<u>Community development- designated neighborhood</u>	<u>Non-community development- designated neighborhoods</u>	<u>Total</u>
Number of homeowners residing in neighborhoods	43,307	46,490	89,797
Number of loans (total)	4,296	2,493	6,789
Direct loan	1,623	1,121	a/2,744
Bond-funded loan/financial cost subsidy	1,946	1,189	3,135
Bond-funded loan/interest subsidized	727	183	910
Percent of households aided (total)	9.9	5.4	7.6
Direct loan	3.7	2.4	3.1
Bond-funded loan/financial cost subsidy	4.5	2.6	3.5
Bond-funded loan/interest subsidized	1.7	0.4	1.0

a/Seven were not known.

In comparison with the loan program beneficiaries, grant beneficiaries were more likely to be elderly and/or female heads of households. However, since half as many grants were provided as loans, none of the populations in need that we analyzed benefited more under the grant programs. The following table shows the impact of the grant programs.

The three subsidy mechanisms (four housing interventions) used for owner-occupants and landlords were as follows:

- Partial grants. Owner-occupants receiving a home improvement loan were entitled to a grant for half of energy conservation improvement costs up to a maximum grant of \$400. Grants totaling \$424,339 were provided to 1,830 homeowners (\$232 per grant).
- Full grants. Landlords were provided grants of up to \$2,000 per unit for energy conservation improvements if they agreed to rent to low- and moderate-income families and not to raise their rents. Grants totaling \$984,000 were provided to 285 landlords for 505 housing units (\$1,949 per unit).
- Labor costs were paid. Owner-occupants and landlords were provided up to \$500 of energy improvement materials using Department of Energy funds. CDBG funds paid for the installation of the materials. The average cost per housing unit was \$864 of which CDBG paid \$212. Most of the recipients (84 percent) were owner-occupants.

The energy conservation grant beneficiaries were predominantly white and female, while available data on the Department of Energy program's applicants showed that they were predominantly black, female, and receiving welfare assistance. However, the data was available only on last year applicants, when 48 percent were renters rather than owner-occupants. Owner-occupants had previously been the primary recipients.

ADVANTAGES AND DISADVANTAGES IN PROVIDING CDBG-FUNDED LOANS

About \$20.2 million of the \$53.4 million (38 percent) of CDBG funds expended by the city for housing programs provided direct repayable loans to borrowers. The loans will provide a continual source of funding to the city. However, direct loans reduce the initial impact on a city's housing by requiring substantial "up-front" funding.

Three of the 11 housing programs reviewed will provide a continuing source of funding for the city because the financial subsidy mechanism was a direct repayable loan. Additional funding might come from two other programs. The following are the programs with their funding as of June 30, 1981.

Private rental rehabilitation--
little impact

CDBG funds totaling \$5.6 million were used to rehabilitate 800 private-sector rental units (\$7,000 per rental unit). Rental rehabilitation programs have had limited impact, especially outside the community development-designated neighborhoods. However, the city has substantially increased its funding for such rehabilitation during the past 2 funding years.

Four subsidy mechanisms were used--partial direct loans, deferred loans, forgivable loans, and partial grants. The latter two were usually combined to provide financing for a rental rehabilitation project. The forgivable loans and grants were conditional on landlords renting to low- and moderate-income families. The city, however, did not verify that landlords rented vacant rehabilitated units to low- and moderate-income families, nor that landlords continued to rent to such families. According to the Department of Rehabilitation acting director, the city is now planning to verify that landlords are renting to low- and moderate-income families. The partial direct loans and deferred loans were used to rehabilitate historical preservation properties.

Recent Federal housing programs have had as one of their goals the dispersion of low- and moderate-income rental housing throughout the city. Section 8 and Title II under the Housing and Community Development Act of 1974 (Public Law 93-383) have encouraged such dispersion. However, the city's Urban Redevelopment Authority has concentrated, in some instances by design, its rental housing improvement programs on community development-designated neighborhoods. These areas were generally those that already housed predominantly low- and moderate-income households.

In the early years of the major rental rehabilitation program, assistance was provided only to landlords with rental properties in specific community development neighborhoods--revitalization areas. Starting in 1979 assistance was provided citywide; however, most of the Urban Redevelopment Authority's housing outreach effort was still concentrated on the community development neighborhoods. More than 85 percent of the rental units rehabilitated were in designated neighborhoods. Thus, little impact was made in non-community development neighborhoods.

In comparing rental housing rehabilitation needs with assistance provided, the data showed little impact on rental housing within the city. Less than 2 percent of the city's rental units have been affected by the program. However, other Federal programs have had a substantial impact on the city's rental units. The following table shows our analysis of Federal and CDBG impact on rental housing.

Comparison of the Number of Units
Which Could Be Rehabilitated Using
Different Subsidy Mechanisms

<u>Cost</u>	<u>Direct loan</u>	Interest- subsidized loan (note a)
Loan per unit	\$5,670	<u>b/\$1,871</u>
Grant per unit	<u>4,000</u>	<u>4,000</u>
Total cost	<u>\$9,670</u>	<u>\$5,871</u>
Interest subsidy loan <u>per direct loan</u>		1.65

a/Interest subsidy was 0.33 per \$1 of loan value when both loans had a 3-percent interest rate and the interest subsidy was used in the form of a one-time grant to reduce the loan payments.

b/The greater the interest subsidy, the less benefit of interest-subsidized loans over direct loans.

In the above example, we recognize that in the long run, more units will be rehabilitated using direct loans because the city can turn over its loans--as loans are paid, more loans can be made. However, the impact is dissipated and repaid loan funds can be used for other purposes than housing.

HUD's public housing modernization program--roof, window, and utility repair or replacement and complete upgrading of public housing units.

BUYER ACQUISITION ASSISTANCE--
LITTLE PROVIDED

The city of Pittsburgh used little CDBG funding to aid investors or owner-occupants to acquire housing units. Such housing interventions were very costly.

CDBG funds totaling \$1.7 million were used to assist homeowners and investors in purchasing 60 1/ housing properties (\$28,180 per housing purchase). Total financing by the city was \$3 million (\$48,963 per housing purchase) with revenue bond proceeds providing the difference. 2/ (See ch. 5.)

Three financial mechanisms were used to provide assistance to potential owners, occupants, and investor buyers for a total of five interventions.

--Deferred loans. Twenty percent of property acquisition costs and historic preservation costs were deferred until the property was resold. Both owner-occupants and investors were eligible.

--Installment loans. Below-market rate loans (8-1/2 percent) were provided for the difference between the property's appraised value before acquisition and the property's value after acquisition and rehabilitation. Both owner-occupants and investors were eligible.

--Rehabilitation costs were absorbed. The city substantially rehabilitated some of its properties and sold them for considerably less than the rehabilitation costs to owner-occupants. The average loss was \$17,000 per unit.

The deferred and installment loan programs generally benefited higher income families and represented 58 percent of housing units affected (48 out of 83 housing units).

ENERGY CONSERVATION--SUBSTANTIAL
HOUSING UNITS AFFECTED

The city of Pittsburgh used three interventions in providing energy conservation assistance to owner-occupants and renters. About 4,900 housing units were given assistance using \$2.1 million in CDBG funds and \$1.7 million from the Department of Energy.

1/An additional six owners had their existing mortgages refinanced.

2/Other Federal programs and city financing provided substantial buyer assistance.

HOME IMPROVEMENT LOAN
PROGRAM--PITTSBURGH'S
LARGEST HOUSING PROGRAM

Pittsburgh's largest housing program was the Home Improvement Loan Program, which provided financial assistance to 6,747 eligible homeowners throughout the city to rehabilitate and improve single-family (one to four units) residential properties. Total expenditures during the 6 years was about \$53 million--\$27.4 million of CDBG funds and \$25.6 million from tax-free revenue bonds. The program has had a substantial impact on the city's housing.

The 1981 CDBG budget of \$5 million was \$1 million less than the program received in 1980.

Home Improvement Loan Program--
an earlier version

The Home Improvement Loan Program evolved from the city's Home Repair Loan Program. The earlier program was completely funded by CDBG and consisted of two housing interventions:

--Full loans of up to \$12,000 for a single housing unit and \$30,000 for a multiunit at 3 percent interest (no interest if applicant was at least 62 years old).

--Partial grants up to two-thirds of the loan amount to a maximum of \$4,000 if recipient was more than 62 years old with an income below \$8,000.

The Home Repair Loan Program operated from 1975 to July 1978 and was designed to stimulate home maintenance and repair by homeowners throughout the city, placing particular emphasis on assisting low- and moderate-income homeowners in community development neighborhoods. Demographics on who actually benefited were not available on just this program but were combined with data on the Home Improvement Loan Program.

Housing interventions of the
Home Improvement Loan Program

The Home Improvement Loan Program used four subsidy mechanisms to rehabilitate existing single-family housing. The larger mechanisms involved loans which will be repaid, thereby providing the city with a continuing source of funds to rehabilitate its housing. (Photographs of two rehabilitated units are shown on the next page.)

<u>Program</u>	<u>Total funding</u>
Revolving loans:	
Home Improvement Loan-direct loan	\$18,434,906
Equity Participation-installment loan	126,696
Emergency Home Improvement Loan	<u>1,648,449</u>
Total	\$20,210,051
Possible returnable loans:	
Rental Housing Improvement (note a)	\$ 2,551,170
Equity Participation-deferred loan (note b)	<u>1,438,838</u>
Total	\$ 3,990,008
Total	<u><u>\$24,200,059</u></u>

a/If rental conditions are met, loans will not be repaid.

b/Repaid when the property is sold.

Although direct loans provide a continual source of funding, they reduce the immediate impact of a housing program. Subsidizing the interest rate of a loan may provide a greater impact. For example, the Urban Redevelopment Authority used CDBG funds totaling \$18,434,906 to provide loans to rehabilitate 3,251 housing units (\$5,670 per unit). In contrast, the authority used CDBG funding totaling only \$2,172,195 to subsidize interest rates and pay bond-issuance costs on loans averaging \$7,976 to rehabilitate 1,024 housing units (\$2,121 per unit). Everything else being equal, three times as many housing units could have been rehabilitated using interest subsidy loans as were rehabilitated using direct loans. However, according to the authority's program administrator, direct loan recipients also received a grant of about \$4,000 to reduce their loan principals, and the recipient received a lower interest rate than the interest-subsidized recipient (3 percent compared to 4 percent starting with the second bond issuance). These factors would reduce the difference between direct and interest-subsidized loans, but 65 percent more units could have been rehabilitated using interest-subsidized loans rather than direct loans. The following table shows the comparison.

The subsidy mechanisms were

--a mixing of CDBG funds and bond proceeds to provide 5,837 low-interest loans,

--1,620 partial grants, and

--interest subsidies for 910 loans.

To further encourage program participation, the city and county postponed tax increases on the rehabilitated property.

Low-interest loans

The Urban Redevelopment Authority used \$18,434,906 of CDBG funds and \$18,319,990 from bond proceeds to provide 5,837 low-interest rehabilitation loans to homeowners throughout the city. The CDBG-funded loan had a 3-percent interest rate and the bond-funded loans had an 11-percent interest rate.

The CDBG-funded loan was a direct loan from the Urban Redevelopment Authority to the borrower. To be eligible, the borrower's adjusted income had to be less than \$7,000. Adjusted income is the borrower's annual income less \$1,000 for each dependent. The maximum term of the loan was 20 years.

As of June 30, 1981, direct loans totaling \$18,434,906 were made to 2,702 homeowners to rehabilitate 3,251 dwellings. The average loan was \$6,823. Most dwellings (84 percent) were single-unit dwellings and the recipients (59 percent) resided in community development-designated neighborhoods. The most likely loan recipients were white (77 percent), nonelderly (58 percent), male head of household (53 percent), and had a median income of less than \$7,000. The following tables provide some details on the types of people who received loans and grants under this program.

Recipients of CDBG-Funded
Low-Interest Loans Under the
Home Improvement Loan Program

<u>Family income</u>	<u>White</u>				<u>Black</u>				<u>Total</u>
	<u>Male</u>		<u>Female</u>		<u>Male</u>		<u>Female</u>		
	<u>Under 62 & 62</u>	<u>Under 62 & over</u>	<u>Under 62 & 62</u>	<u>Under 62 & over</u>	<u>Under 62 & 62</u>	<u>Under 62 & over</u>	<u>Under 62 & 62</u>	<u>Under 62 & over</u>	
Under \$6,250	118	167	240	432	31	41	107	118	1,254
\$6,251-\$10,000	166	149	115	50	44	38	56	16	634
Over \$10,000	507	61	67	11	76	24	38	7	791
Totals	<u>791</u>	<u>377</u>	<u>422</u>	<u>493</u>	<u>151</u>	<u>103</u>	<u>201</u>	<u>141</u>	<u>2,679</u>
Percent	29.5	14.1	15.8	18.4	5.6	3.8	7.5	5.3	100.0

CHAPTER 3

REHABILITATION OF EXISTING

OWNER-OCCUPIED HOUSING

Pittsburgh rehabilitated 10,194 owner-occupied units during the first 6 years of the CDBG Program in Pittsburgh--making rehabilitation the city's major housing activity. Rehabilitation activities have ranged from painting exteriors to substantially rehabilitating housing interiors. The city has used CDBG funds and bond proceeds to provide loans, grants, and interest subsidies to rehabilitate its aging housing with the primary recipients being low- and moderate-income families. Even though most of the housing activities were available citywide, rehabilitation of owner-occupied units occurred primarily in designated community development areas. We estimate that 10 percent of the homeowners in designated areas and 5 percent in nondesignated areas have participated in the rehabilitation programs.

Four of the 11 housing programs we reviewed involved rehabilitating existing owner-occupied housing units. These programs used five different subsidy mechanisms. The four programs were as follows:

- The Home Improvement Loan Program was aimed at rehabilitating existing housing structures containing 1-4 housing units. Low-interest loans, partial grants, and interest subsidies were given to 3,612 property owners to rehabilitate 4,275 dwellings. Another 3,135 property owners were indirectly affected by CDBG funding, which paid the issuance costs of tax-exempt bonds. Bond proceeds of \$25.6 million were used to support the program.
- The Operation Paintbrush Program provided homeowners in designated neighborhoods with grants to purchase house paint; low- and moderate-income people over 61 years old or with handicaps were provided with free labor for the exterior painting of their homes. One thousand three hundred and ninety homeowners received grants for paint, and 296 received paint and labor.
- The Party Wall Rehabilitation Program served to rehabilitate walls in existing housing structures where demolition of an adjoining structure created an exposed wall. Grants of up to \$6,000 were provided to 167 homeowners.
- The Emergency Home Improvement Program provided loans and grants to homeowners to correct critical defects that make houses unsafe and/or uninhabitable. Homeowners have received 695 direct loans and 231 grants under this program.

If the property was located within a targeted area, no income restrictions applied. For property located in the city outside the targeted areas, the borrower had to have an adjusted annual income of \$30,000 or less. A \$1,000 adjustment was made for each member of the household to arrive at the adjusted annual income. The current interest rate for these loans is 11 percent. Previously, the interest rate was 9 percent.

The demographics concerning the 3,135 bond-funded loans showed that most were for single-unit dwellings (94 percent) and were for residences in community development-designated neighborhoods (62 percent). Most loan recipients were nonelderly (83 percent), male head of household (78 percent), married (69 percent), white (63 percent), with a family size of less than three (59 percent), and a median income of \$17,712. The following tables show various demographics data for the bond loan recipients.

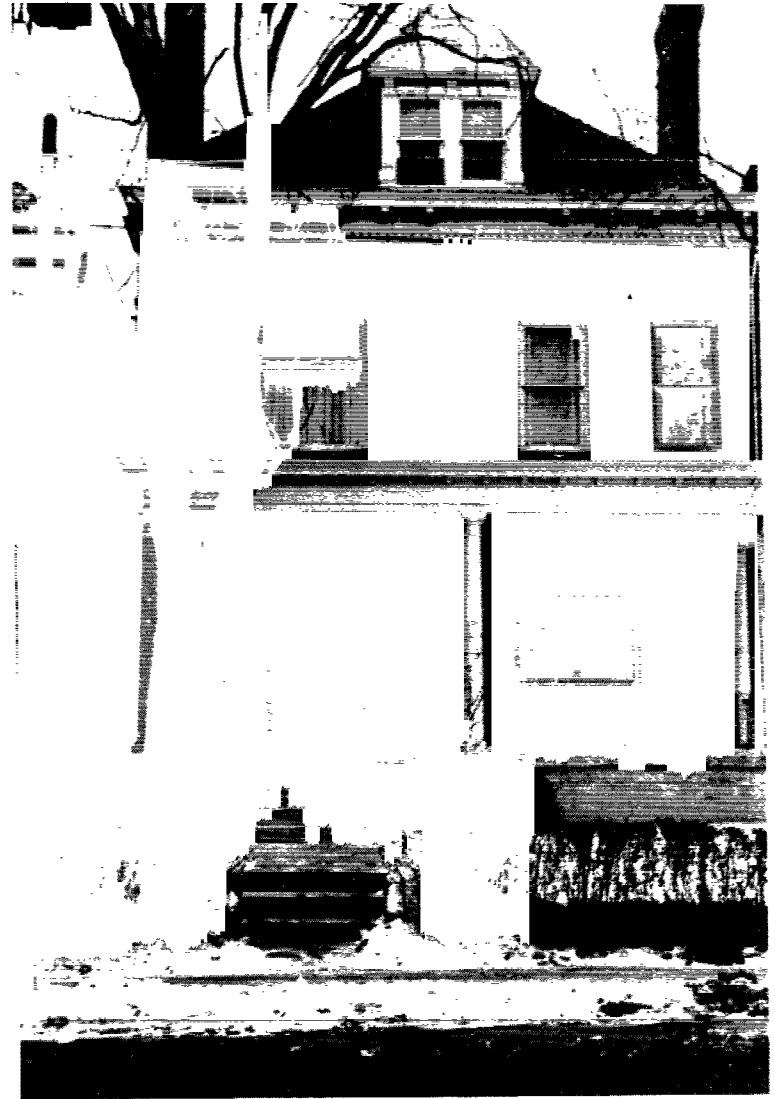
Characteristics of Bond Loan Recipients

	<u>Number</u>	<u>Percent</u>
<u>Family income (as a percent of area's median)</u>		
0- 50	128	4
51- 80	306	10
81-100	471	15
101-120	425	14
121-150	561	18
151 and up	<u>1,244</u>	<u>40</u>
Total	<u>3,135</u>	a/ <u>100</u>
<u>Age of head of household</u>		
18-61 years	2,593	83
62 years and older	<u>542</u>	<u>17</u>
Total	<u>3,135</u>	<u>100</u>
<u>Head of household</u>		
Male	2,442	78
Female	<u>693</u>	<u>22</u>
Total	<u>3,135</u>	<u>100</u>
<u>Race</u>		
White	1,972	63
Black	934	30
Other/unknown	<u>229</u>	<u>7</u>
Total	<u>3,135</u>	<u>100</u>

a/Percents do not total because of rounding.



THE HOMEOWNER RECEIVED A 3-PERCENT INTEREST LOAN OF \$3,860 AND A GRANT OF \$2,359 TO REHABILITATE THE PORCH AND MAKE INTERNAL IMPROVEMENTS FOR THIS UNIT.



THE HOMEOWNER RECEIVED A 3-PERCENT INTEREST LOAN OF \$6,387 AND GRANTS TOTALING \$5,823 FOR WINDOW, PORCH, ROOF, AND DOOR IMPROVEMENTS.

Characteristics of Recipients
Receiving Grants

<u>Race</u>	<u>Male</u>		<u>Female</u>		<u>Total</u>
	<u>Under 62</u>	<u>62 & over</u>	<u>Under 62</u>	<u>62 & over</u>	
White	118	167	240	432	957
Black	<u>31</u>	<u>41</u>	<u>107</u>	<u>118</u>	<u>297</u>
Total	<u>149</u>	<u>208</u>	<u>347</u>	<u>550</u>	<u>1,254</u>
Percent	11.9	16.6	27.7	43.9	a/ 100.0

a/Percents do not total because of rounding.

Interest subsidy loans

CDBG program funds allowed the Urban Redevelopment Authority to subsidize the interest rate on 910 bond-funded low-interest loans totaling \$7,258,186. CDBG funds lowered the interest rate from 7-7/8, 9, and 11 percent to 3, 4, and 4 percent, respectively. As of June 30, 1981, \$1,890,581 in CDBG funds were used to subsidize the 910 loans which led to 1,024 housing units being rehabilitated. The average interest subsidy was \$2,078. In addition, we estimated that CDBG funds totaling \$281,614 were used to pay the bond-issuance costs associated with the 910 loans.

Subsidized loans were intended to benefit low- and moderate-income homeowners throughout the city. To be eligible for an interest-subsidized loan, the borrower's annual income could not exceed income limits established for HUD's section 8 housing assistance program for appropriate family size.

An analysis of the loans made showed that

- 80 percent were for housing within the community development-designated neighborhoods;
- 90 percent were for single-unit dwellings;
- 40 percent of the rehabilitation work done involved correcting major housing code violations; and
- major rehabilitation work involved exterior siding (\$956,602); roofing (\$706,609); and new doors, windows, fireplaces, chimneys, etc. (\$779,886). The three rehabilitation categories represent one-third of the rehabilitation costs.

Demographic data showed that 80 percent of the subsidy recipients were white, 77 percent were nonelderly, and 64 percent were married. Recipient median income was \$12,000. Also, the program has principally benefited small families since 87 percent of the recipients were in families of four members or less.

The following table is a profile of loan recipients by family size. It shows that the program has principally reached small homeowner households. In fact, 85 percent of the recipients belong to households of four or less members.

Household Size of Recipients of CDBG
Low-Interest Loans Under the
Home Improvement Loan Program

<u>Household size</u>	<u>Number of loans</u>	<u>Percent</u>
One	810	30
Two	732	27
Three	437	16
Four	339	12
Five	207	8
Six or more	<u>207</u>	<u>8</u>
Total	a/ <u>2,732</u>	b/ <u>100</u>

a/Information was not available for 19 recipients.

b/Percents do not total due to rounding.

In comparison with the households needing assistance as shown on pages 2 and 3, the program has provided greater assistance to female heads of household (47 percent versus a need of 35 percent) and black households (22 percent versus a need of 19 percent) and less assistance to elderly households (42 percent versus a need of 48 percent).

The Urban Redevelopment Authority also provided 3,135 low-interest loans for rehabilitating 3,371 housing units using \$18,319,990 in bond proceeds. The average loan was \$5,844. These bond-funded loans were primarily intended for the benefit of middle-income homeowners throughout the city and owners of property within certified primary redevelopment areas regardless of income. The source of these loans was the proceeds of tax-exempt Home Loan Improvement revenue bonds issued by the Urban Redevelopment Authority. CDBG funds paid for the bond issuance costs of \$1.2 million. The bond issues and resulting loan interest rates follow.

<u>Date of tax-exempt bond issued (note a)</u>	<u>Bond amount issued</u>	<u>Bond yield interest rate (percent)</u>	<u>Loan interest rates</u>
Aug. 1, 1978	\$10,925,000	6-3/8	7-7/8
Dec. 1, 1979	10,925,000	7.5	9.0
Nov. 1, 1980	9,250,000	9.5	11.0

a/Bond proceeds were used to fund both interest and noninterest subsidized loans.

The following table provides income demographic data for paint-only grant recipients.

Operation Paintbrush
Participation by Income Level (Paint-Only)
(note a)

<u>Income 1979-80</u>	<u>Number</u>	<u>Percent</u>	<u>Income 1980-81</u>	<u>Number</u>	<u>Percent</u>
\$ 0- 9,150	104	44.3	\$ 0- 9,800	251	44.0
9,151-10,450	13	5.5	9,801-11,200	64	11.2
10,451-11,750	20	8.5	11,201-12,600	31	5.4
11,751-13,850	19	8.1	12,601-14,000	41	7.2
13,851-14,650	12	5.1	14,001-14,800	14	2.5
14,651-15,500	5	2.1	14,801-15,700	10	1.8
15,501-16,300	17	7.2	15,701-16,600	23	4.0
16,300 or more	45	19.2	16,601 or more	136	23.9
No response	<u>51</u>	<u>-</u>	No response	<u>50</u>	<u>-</u>
Total	<u>286</u>	<u>100.0</u>		<u>620</u>	<u>100.0</u>

a/Data not available for first year.

Paint and labor grants

Paint and labor grants were provided to 296 elderly or handicapped households at a cost of \$322,271--average cost \$1,089 per household.

The composite household receiving paint and labor grants was a household with either a white female or male head of household having an income of less than \$10,000 and a family size of less than three.

Operation Paintbrush
Participation by Income Level
(Paint and Labor)
(note a)

<u>Income 1979-80</u>	<u>Number</u>	<u>Percent</u>	<u>Income 1980-81</u>	<u>Number</u>	<u>Percent</u>
\$ 0- 9,150	127	84	\$ 0- 9,800	94	93
9,151-10,450	18	12	9,801-11,200	3	3
10,451-11,750	4	3	11,201-12,600	3	3
More than 11,751	2	1	More than 12,601	1	1
No response	<u>44</u>	<u>-</u>		<u>-</u>	<u>-</u>
Total	<u>195</u>	<u>100</u>		<u>101</u>	<u>100</u>

a/Paintbrush program became operational in the 1978-79 funding year; however, paint/labor grants were not given until the second year, 1979-80.

Partial grants

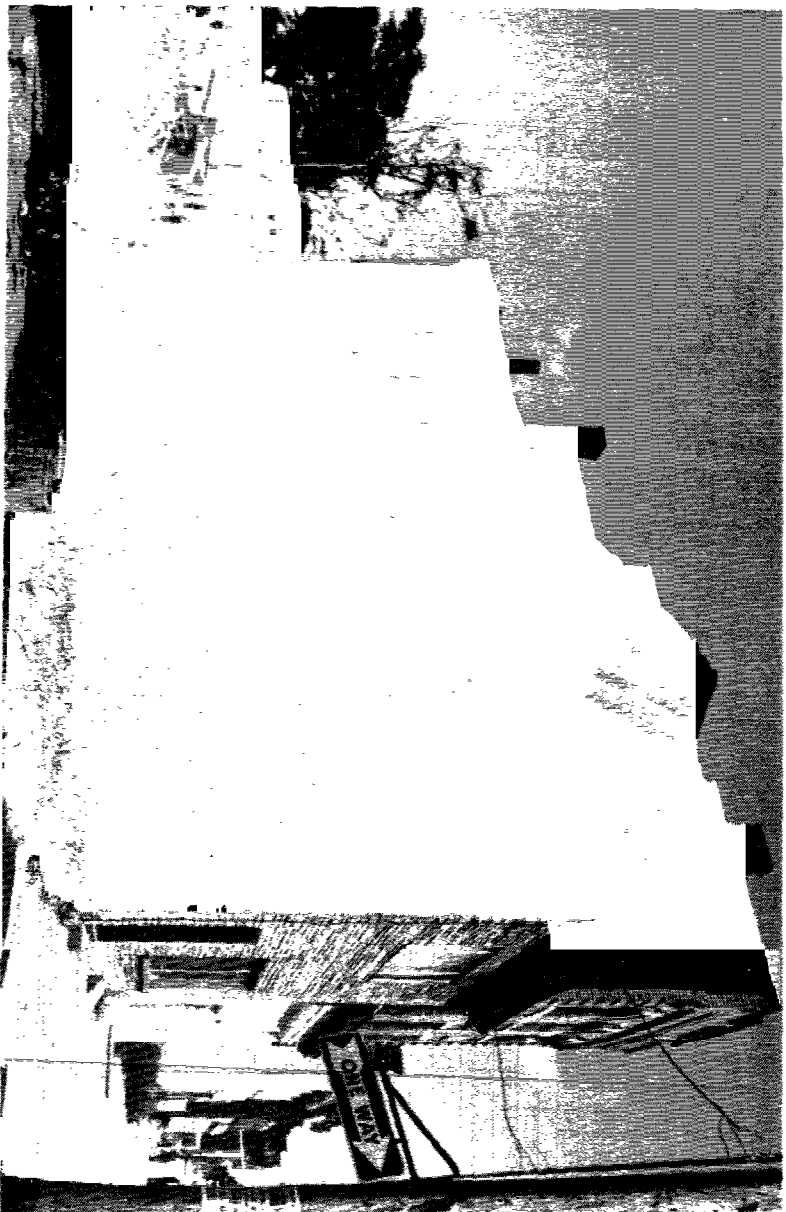
The Home Improvement Loan Program also provided 1,620 grants at a cost of \$6,117,457 for the benefit of lower income elderly, disabled homeowners, and low-income families who received a direct, low-interest loan. The average grant was \$3,776.

The grants from the Urban Redevelopment Authority served to reduce the principal of loan balances. To be eligible, the borrower's adjusted annual income had to be \$7,000 or less. Adjusted annual income is equal to the borrower's annual income less \$1,000 adjustment for each dependent other than the head of the household. There were two types of grants:

- Fifty percent. To be eligible for a 50-percent grant, the borrower must have had an adjusted annual income of \$7,000 or less. Also, the portion "forgiven" must have been used to finance rehabilitation of the house to eliminate code violations. The maximum grant amount was \$4,000.
- One hundred percent. To be eligible for a 100-percent grant, the borrower must have had an adjusted annual income of \$5,000 or less. Again, the loan portion forgiven was to have been used to eliminate code violations. The maximum grant amount was \$5,500.

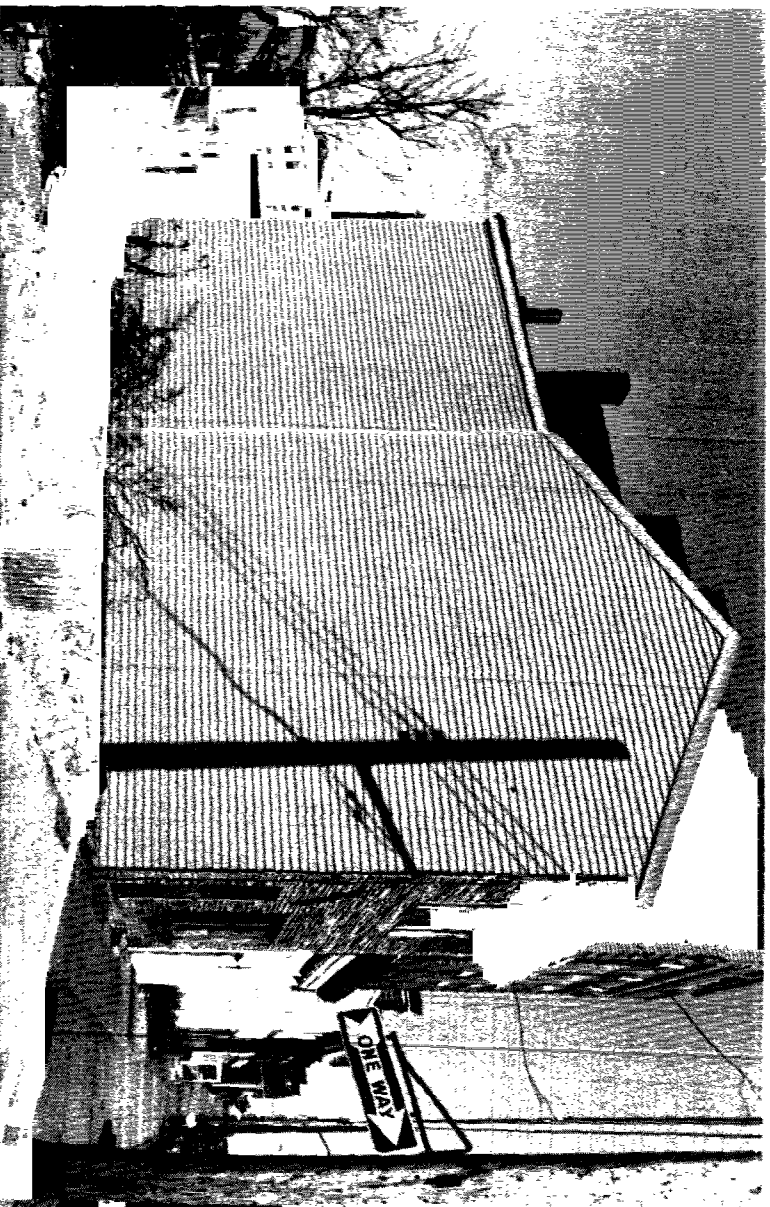
Grant recipient demographics data was not separately kept. Instead, it was included with data on CDBG-funded loan recipients since a grant recipient had to first obtain such a loan. However, it is possible to make some assumptions about the characteristics of grant recipients. The demographic data on loan recipients showed that 1,254 loan recipients had an income under \$6,250. All these recipients would qualify for a grant since their income is less than \$7,000. The 1,254 loan recipients represent 77 percent of the grant recipients.

Grant recipients were predominately white (76 percent), more than 61 years old (60 percent), and female (72 percent). The following table shows available demographic data for grant recipients under this program.



BEFORE

COST TO REHABILITATE THE PARTY WALL WAS \$2,690.



AFTER

Property Tax Abatement Program

To further encourage Pittsburgh residents to participate in the Home Improvement Loan Program, the city and county have allowed property tax abatements on improvements made under this program. Through the Property Tax Abatement Program, any property owner making improvements can avoid a tax increase for 3 years following an increased property assessment.

OPERATION PAINTBRUSH PROGRAM

The Operation Paintbrush Program encouraged homeowners in selected neighborhoods to improve and maintain the exteriors of their homes by providing grants for paint and labor. Each year the city's housing department selects community development-designated neighborhoods for participation in the program. During the first 3 years of the program, 1,686 households in 20 neighborhoods have participated at a direct program cost of \$517,707. Administrative costs have totaled \$133,416 (20 percent). Because the program is being phased out, the 1981 budget was reduced by \$150,000 from the 1980 budget of \$250,000.

Operation Paintbrush consisted of two subprograms--paint only and paint with labor. Both programs were available for owner-occupied houses in the selected neighborhoods. However, paint and labor grants were available only to a household with a person over 61 years of age or handicapped with a household income not exceeding HUD's section 8 income limits.

Paint-only grants

Paint-only grants were provided to 1,390 households at a cost of \$195,436 during the first 3 years of the program (1978-81). The paint-only grant was provided for the amount of paint needed to paint the house at a maximum of \$18 per gallon.

The composite household receiving a paint-only grant during the last 2 years was a household with a white male head of household having an income of less than \$11,000 and a family size of less than three. The average grant was for \$141.

Two interesting statistics about the paint-only grant recipients were that 384 of 906 grant recipients in the last 2 years (42 percent) were more than 61 years old (an elderly recipient) or handicapped even though these recipients qualified for both paint and labor grants. According to the project director, the recipients probably applied too late in the year for labor grants and decided to participate with just the paint grant. The second interesting statistic was that average household income was less than \$11,000. Therefore, the program has provided assistance to low income families. It is apparent that designating neighborhoods was an effective way of

CHAPTER 4

REHABILITATION OF RENTAL HOUSING

Pittsburgh had five interventions aimed at rehabilitating rental units. However, little private rental rehabilitation was done. The major rental program was directed at rehabilitating public housing units. The table on the next page describes these interventions.

SUPPORT OF PUBLIC HOUSING-- A MAJOR HOUSING INTERVENTION

Pittsburgh had only one CDBG housing intervention involving public housing. CDBG funds--along with HUD modernization programs--were used to modernize and rehabilitate Pittsburgh's public housing units. Between 1975 and June 1981, \$6.7 million of CDBG funds (9.8 percent) were used. The 1981 funding allocation was \$3 million compared with \$2 million in 1980. The Housing Authority of Pittsburgh, which administers the program, is a public corporation created by the Pittsburgh City Council in 1937 to construct and manage the city's low-rent public housing program. As of June 1981, the authority had 9,688 public housing units.

The authority relies upon rental income and a HUD operating subsidy to pay for management and maintenance staffs, utility bills, repairs and improvements, and replacement equipment. During 1980, the authority's operating expenditures were \$18.2 million, of which HUD's subsidy was \$7.9 million (43 percent). Total subsidy payments for 1975-80 were \$29.2 million.

Pittsburgh builds new public housing and rehabilitates existing public housing units using HUD and the CDBG funds. Between January 1975 and April 1981, Pittsburgh received \$26.4 million from HUD to rehabilitate its public housing units, \$7.8 million to build new units, and \$2.8 million to purchase existing units. The authority was also authorized by the city to spend \$7 million in CDBG funds. Rehabilitation projects were sometimes joint but usually separate efforts financed with CDBG or HUD funds.

About 71 percent of CDBG funds were used on 1,984 housing units in 3 of the 19 public housing projects in Pittsburgh. Activities funded included a complete modernization of one project (\$1.3 million); conversion of a dwelling unit to a recreation center (\$0.8 million); and replacement of windows (\$0.8 million), roofs (\$0.9 million), and utility distribution systems (\$0.6 million). An additional \$915,000 of the CDBG funds were used for general supplies for all housing units such as paint and plumbing and electrical supplies.

PARTY WALL PROGRAM

The Party Wall Program was completely funded by CDBG and managed by the Urban Redevelopment Authority. The purpose of this program was to rehabilitate exposed party walls to alleviate dangerous conditions. A party wall is a common wall shared by two row homes (see photographs on following page). The program was initiated in 1977 and \$793,000 (1.2 percent) of CDBG housing funds had been allocated to the program for grants as of April 30, 1981. The 1981 budget of \$70,000 was substantially decreased from the 1980 budget of \$140,000. As of April 30, 1981, 170 walls on 167 dwellings had been rehabilitated at a total cost of \$764,938 (\$4,500 per wall).

Any homeowner with a dwelling within the city of Pittsburgh with an exposed party wall was eligible for the program if the homeowner's family income was less than \$15,000. Further, the maximum grant for any one party wall was \$6,000 and an owner could only have two party walls rehabilitated in a given funding year. The Party Wall Program was tied directly in with another CDBG program call the Demolition of Condemned Buildings Program (see p. 69). Before a row home is demolished, the adjoining property owners are notified about the Party Wall Program.

Little statistical data was kept on this program, but our review of the files showed that the majority of grant recipients were occupying the unit (84 percent), elderly (56 percent), and on social security, pension, or income assistance programs (63 percent).

EMERGENCY HOME IMPROVEMENT LOAN PROGRAM

The intent of the Emergency Home Improvement Loan Program was to save the city's existing housing stock by providing low-interest loans and grants in emergency situations. The program provided loans and grants to homeowners to correct critical defects that made their houses unsafe and/or uninhabitable but in all other respects would be adequate once the major correctable defect was removed. The program had been in effect since mid-1975 and was sponsored entirely with CDBG funds. The Emergency Home Improvement Loan Program was budgeted \$2,275,000 in CDBG funds through April 30, 1981. Sixth and seventh year CDBG funding for the Emergency Home Improvement Loan Program was \$500,000. The program consists of two components--direct low-interest loans and grants. As of June 30, 1981, program participants received 695 direct loans and 231 grants.

Direct low-interest loans

Direct loans have a 3-percent interest rate and a maximum 15-year maturity. The program was available to any Pittsburgh homeowner who meets the Urban Redevelopment Authority's own credit standards and whose annual family income did not exceed

The one project which was completely modernized, built in 1942, consists of three buildings with 13 apartments in each. Renovation was badly needed, but many of the residents who had lived there for years were reluctant to move, even temporarily. The Housing Authority solved the temporary housing problem by borrowing 13 mobile homes from HUD, moving the families in while their buildings were remodeled, and keeping the tenants in their own community.

The project renovation was funded by HUD modernization funds (\$275,000) and CDBG funds (\$1,301,480). The architectural design using the structurally sound original building as the foundation has created a new look for the project. An 8-foot concrete front stretches the buildings' dimensions. Wood paneling and balconies give a dramatically contemporary look characteristic of private housing. The executive director of the authority believes that the rehabilitated unit "is a landmark achievement for the whole nation"--an example of what can be done in successful public housing programs.

The photographs on the following pages show the project before and after rehabilitation and the trailers used for temporary housing.

HUD section 8 existing income limits. Landlords qualified if their tenants met the family income limits. The maximum loan amount including grants was not to have exceeded \$5,000 for a single-family home or multiunit structure. The Urban Redevelopment Authority and the Housing Court of the city of Pittsburgh established a list of emergency conditions eligible for repair under this program. These conditions included roof damage; broken gas, water, or sewer lines; and damages caused by fire.

Emergency grants

Grants are offered to city homeowners and landlords with tenants whose adjusted annual income is \$5,000 or less in conjunction with the direct emergency loan. The first \$500 borrowed is forgiven with 50-percent forgiveness of any amount thereafter up to \$5,000. The maximum amount of forgiveness is \$2,500 with the remaining loan having a 3-percent interest rate and a maximum 10-year maturity.

After the emergency repairs are made, the work is inspected by an Urban Redevelopment Authority construction specialist and city building inspector. If additional repairs are required, the owner or tenant is referred to the Home Improvement Loan Program while the landlord is referred to the Rental Housing Improvement Program (see following chapter).

The following is a schedule of direct loans and grants for the Emergency Home Improvement Loan Program from mid-1975.

Emergency Home Improvement
Loan Program

	<u>Number</u>	<u>Amount</u>	<u>Average loan or grant</u>
Direct loans (3 percent)	695	\$1,648,449	\$2,372
Grants	231	365,932	1,584

The Emergency Home Improvement Loan Program closing officer has only maintained demographic information for loan and grant recipients since July 1, 1980. Between July 1980 and June 30, 1981, there were 176 participants in the Emergency Home Improvement Loan Program. Most of the loan/grant recipients were white (61 percent), female (61 percent), and nonelderly (57 percent) and had families with five members or less (89 percent).



AFTER REHABILITATION OF COVE PLACE .

Description and Effect of Housing Interventions
Involving Rehabilitation of Rental Housing

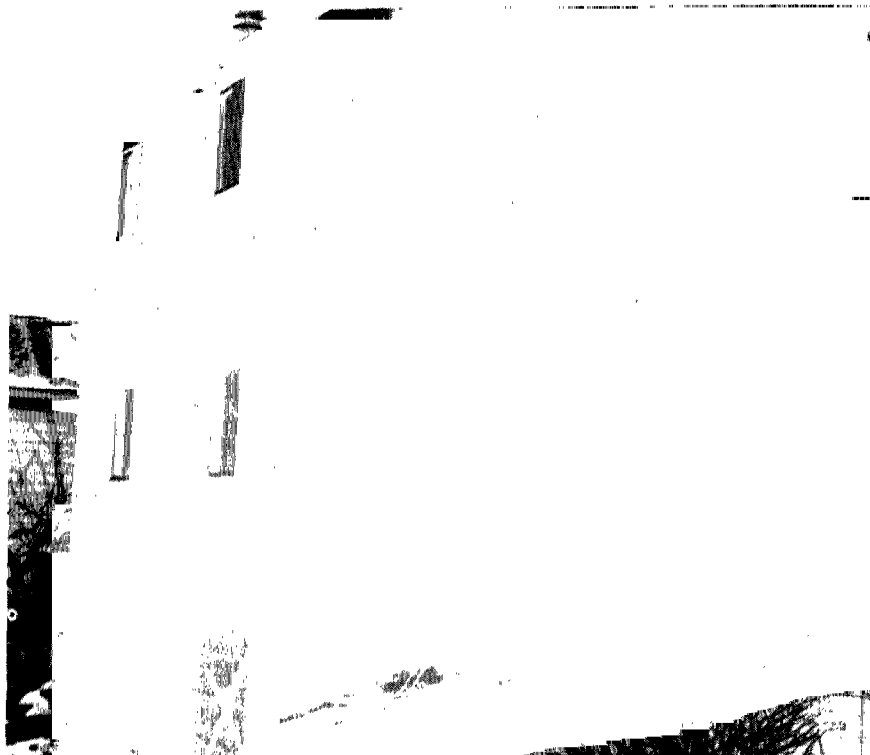
<u>Housing intervention</u>	<u>Description</u>	<u>CDBG funding</u>	<u>b/ Other funding</u>	<u>Number of loans/grants</u>	<u>Number of housing units</u>	<u>Targeted area</u>	<u>Eligibility criteria</u>
Rental Housing Improvement Program-forgivable loans	Direct loans to landlords who rent or will rent to low/moderate income families	\$ 478,200	\$ 59,022	26	112	Citywide	Tenant income cannot exceed section 8
Rental Housing Improvement Program-partial grants	30 percent partial grants for rehab of rental units for low/moderate income families	509,642	1,394,991	60	175	Citywide	a/
Rental Housing Improvement Program-combination loan/grant	Loan Grant	2,072,970 1,575,229	3,742,686	179 179	475	Citywide	Tenant income cannot exceed section 8
Equity Participation Program-deferred loans	Direct loans to a developer for historical rehab costs	\$795,563		15	38	Specific neighborhood	None
Section 8 Support Program	Partial loans involving Section 8 units	\$193,967	1,500,000	1	included in 38 above	Citywide	Tenant income cannot exceed section 8
Total Private Rental		<u>5,625,571</u>	<u>6,696,699</u>	<u>460</u>	<u>800</u>		
Public Housing-direct funding	Rehab of public housing units	<u>6,703,346</u>	<u>26,358,506</u>	<u>--</u>	<u>9,688</u>	Public housing areas	90 percent of section 8
Grand Total		<u>\$12,328,177</u>	<u>\$33,055,205</u>	<u>460</u>	<u>10,488</u>		

a/Outside Community Development-designated neighborhoods, 50 percent of the units had to be rented to low-and moderate-income families. No eligibility criteria in CD neighborhoods.

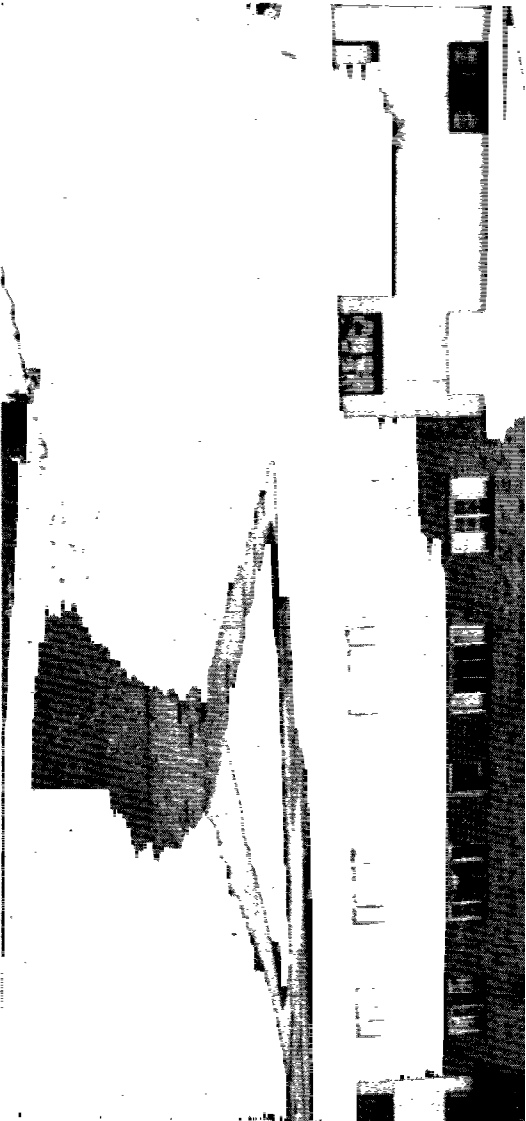
b/Bank loans and cash provided to or by developers except for public housing which was provided by HUD's modernization program.



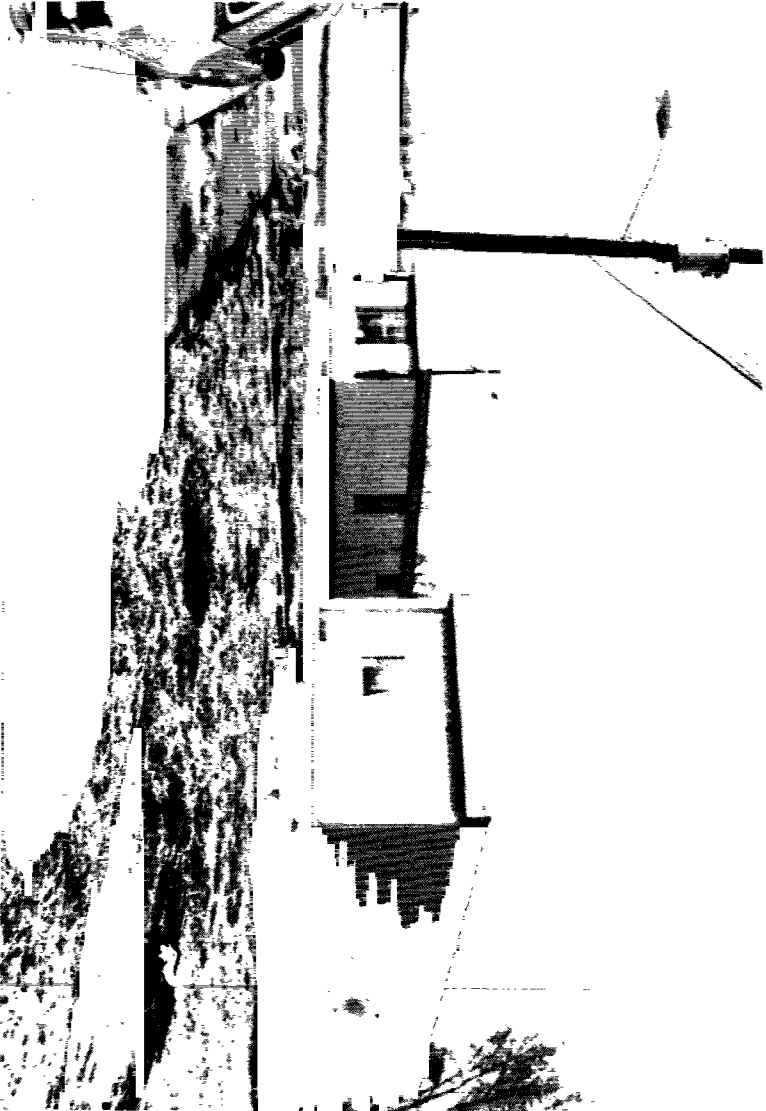
THE TOTAL COST TO REHABILITATE THIS STRUCTURE INTO SIX RENTAL UNITS WAS \$148,453. THE CITY GAVE THE DEVELOPER A FORGIVENESS LOAN OF \$15,000 AND A GRANT OF \$40,053. THE DEVELOPER PROVIDED THE REMAINING \$93,418. THE WINDOWS AND ROOF WERE REPLACED, AND NEW KITCHENS, BATHROOMS, FURNACES AND WIRING WERE ADDED.



THIS HOUSING STRUCTURE IS BEING REHABILITATED TO PROVIDE TWO RENTAL UNITS. THE TOTAL REHABILITATION COST IS \$49,553, OF WHICH THE DEVELOPER IS PROVIDING \$32,553. THE DEVELOPER ALSO RECEIVED A \$4,000 FORGIVENESS LOAN AND A GRANT OF \$13,000 FROM THE CITY.



BEFORE COVE PLACE'S UNITS WERE REHABILITATED.



TRAILERS USED BY RESIDENTS WHILE COVE PLACE WAS BEING REHABILITATED.

Forgivable loans

Loans were available to landlords for rehabilitating rental units that were or would be rented to low- and moderate-income tenants. The tenant's income could not exceed HUD's section 8 existing housing income limits, and the maximum loan amount for an efficiency unit was \$3,000. However, the maximum amount was increased \$1,000 for each bedroom. After 5 years, the loan was forgiven if the landlord had rented to low- and moderate-income tenants and maintained existing rent levels in that unit for the 5-year period. Otherwise, the landlord would have been required to repay the loan at a 12 percent interest rate.

Through June 30, 1981, the Urban Redevelopment Authority provided 205 loans totaling \$2,551,170 to rehabilitate 587 rental units; the average loan was \$12,445 and per rental unit cost was \$4,346. Eighty-one percent of the recipients rehabilitated rental units within the community development-designated area, and 85 percent of the rental units were within the designated neighborhoods.

Demographic data was not available on the type of tenants occupying these rehabilitated rental units. Therefore, the authority could have difficulty determining whether landlords met the rental conditions necessary to make the forgivable loan a grant.

Rehabilitation grants

Grants for 30 percent of rehabilitation costs were available for the rehabilitation cost of units located in a community development neighborhood revitalization area. In other community development areas, the 30-percent grant could only be used to cover the repair costs of major code violations that represented an imminent health or safety hazard. The grant could be used in conjunction with the forgivable loan. The maximum grant for an efficiency was \$5,500 but increased by \$1,000 for each bedroom. A landlord could also be eligible for a 30-percent rehabilitation grant if his or her property was outside the targeted areas and if 50 percent of the units were or would be rented to low- and moderate-income persons.

Through June 30, 1981, the Urban Redevelopment Authority provided 239 grants totaling \$2,084,871 to rehabilitate 650 rental units; the average grant was \$8,723 and per rental unit cost was \$3,207. Eighty-six percent of the landlord recipients and rehabilitated rental units were within the community development-designated neighborhoods.

Demographic data was not available on tenants occupying these rehabilitated rental units. Thus, the authority has no assurance that landlords were renting to low- and moderate-income families.

The eligibility criteria for tenants to live in public housing is lower than HUD's eligibility criteria for the section 8 program. According to the authority's executive director, public housing tenants are predominantly black females with dependent children and an annual income of about \$6,000. 1/ The tenants pay no more than 25 percent of their adjusted income for rent.

THE RENTAL HOUSING IMPROVEMENT PROGRAM

The Rental Housing Improvement Program was the only CDBG-funded program specifically directed to rehabilitate rental housing. The program provided financial incentives to stimulate the rehabilitation and repair of properties by landlords (1) who rent to low- and moderate-income tenants or (2) whose properties are located in a targeted CDBG neighborhood. Photographs of rehabilitated rental units are shown on the following pages.

The Urban Redevelopment Authority has operated the Rental Housing Improvement Program in Pittsburgh since April 1977 2/ with a total budget of \$5,209,000 from CDBG funds. The budget for the 1980-81 program year was \$1,740,000. It was increased to \$2,000,000 in the 1981-82 budget.

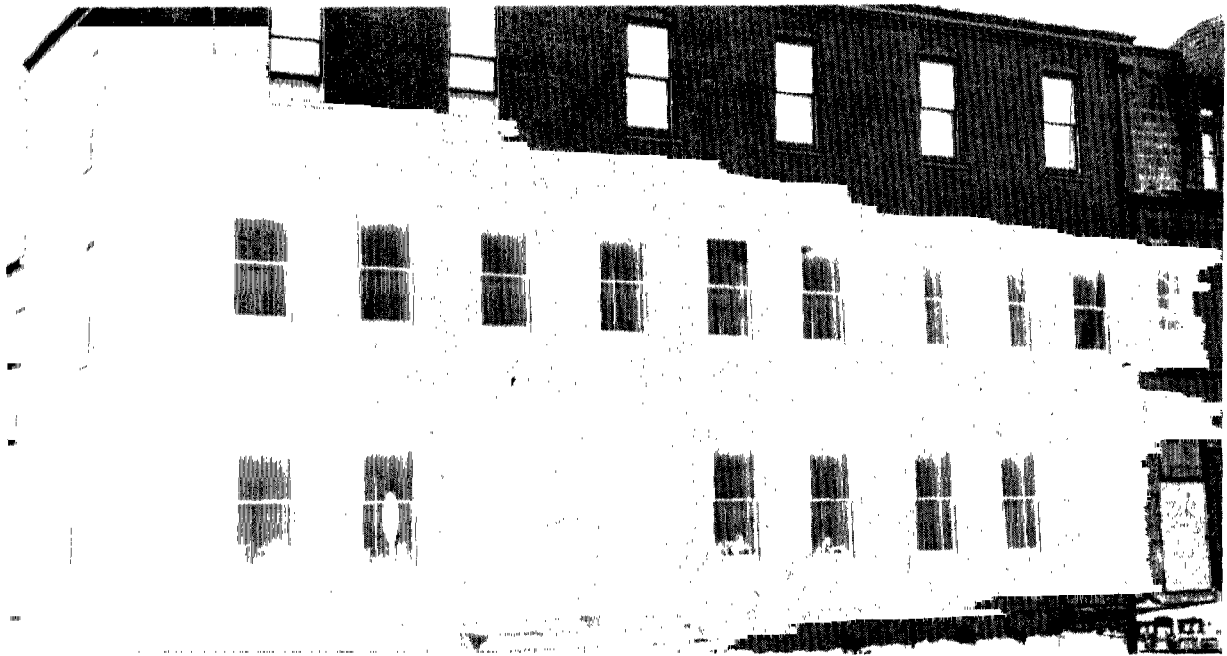
Loans and grants totaling \$4,636,041 were provided to 265 landlords for rehabilitating 762 rental units between April 1977 and June 1981. Thus, an average recipient received a loan/grant of \$17,494 and the average loan/grant per unit was \$6,071. The landlords provided additional funding totaling \$5,196,699. About \$2.5 million of the \$4.6 million in CDBG funds were loans that probably will not be paid back if the landlords meet certain rental conditions. However, the Urban Redevelopment Authority may have difficulty verifying the conditions because it did not keep tenant statistics. According to the Department of Rehabilitation acting director, the city is now planning to verify that landlords are renting to low- and moderate-income families.

Two types of subsidy mechanisms were used under the Rental Housing Improvement Program. These were

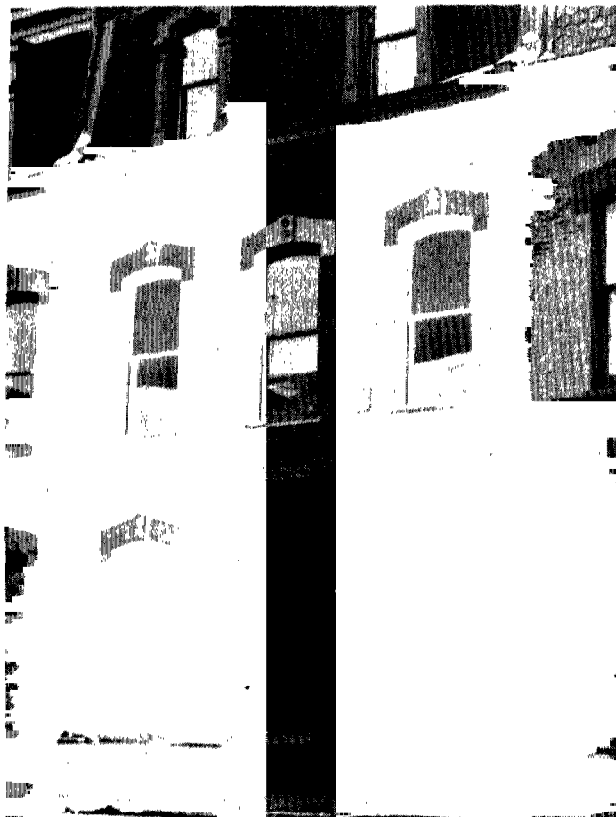
- loans that may or may not be paid back and
- grants for 30 percent of rehabilitation costs.

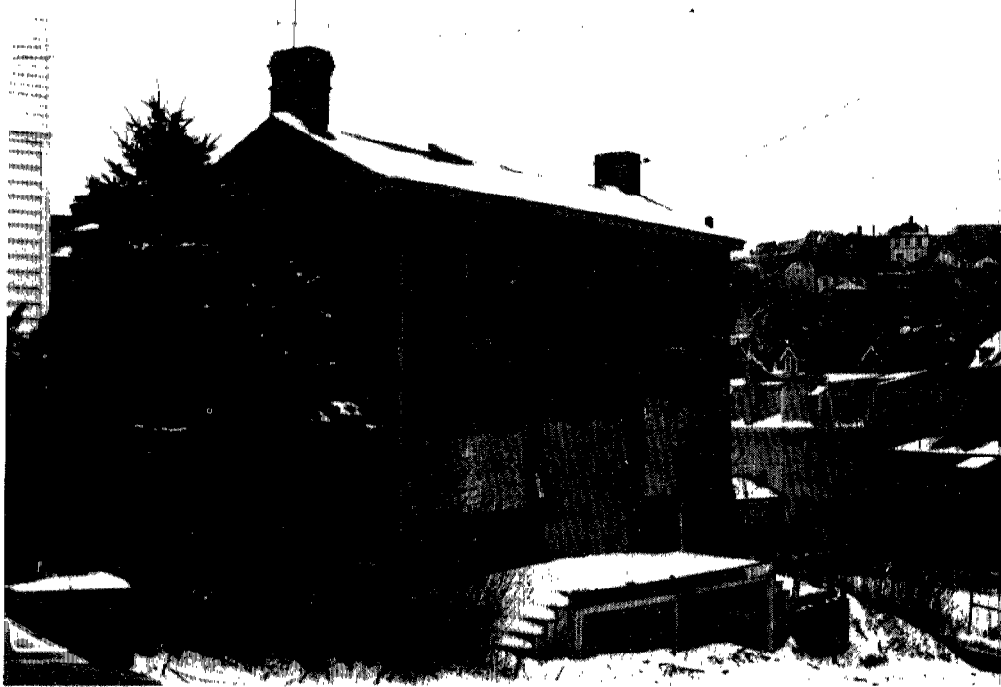
1/Demographic data was not available for a further breakdown of the public housing population.

2/In January 1979 the Rental Housing Improvement Program succeeded the Landlord Repair Program, which only offered direct grants to landlords.



THESE STRUCTURES WERE REHABILITATED UNDER THE HUD SECTION 8 SUBSTANTIAL REHABILITATION PROGRAM. IN ADDITION, THE CITY PROVIDED THE DEVELOPER WITH HISTORICAL PRESERVATION LOANS TOTALING \$181,638 AND A CAPITAL IMPROVEMENT LOAN TOTALING \$193,967 (THE CAPITAL IMPROVEMENT LOAN WAS ALSO USED TO FINANCE 11 ADDITIONAL STRUCTURES).

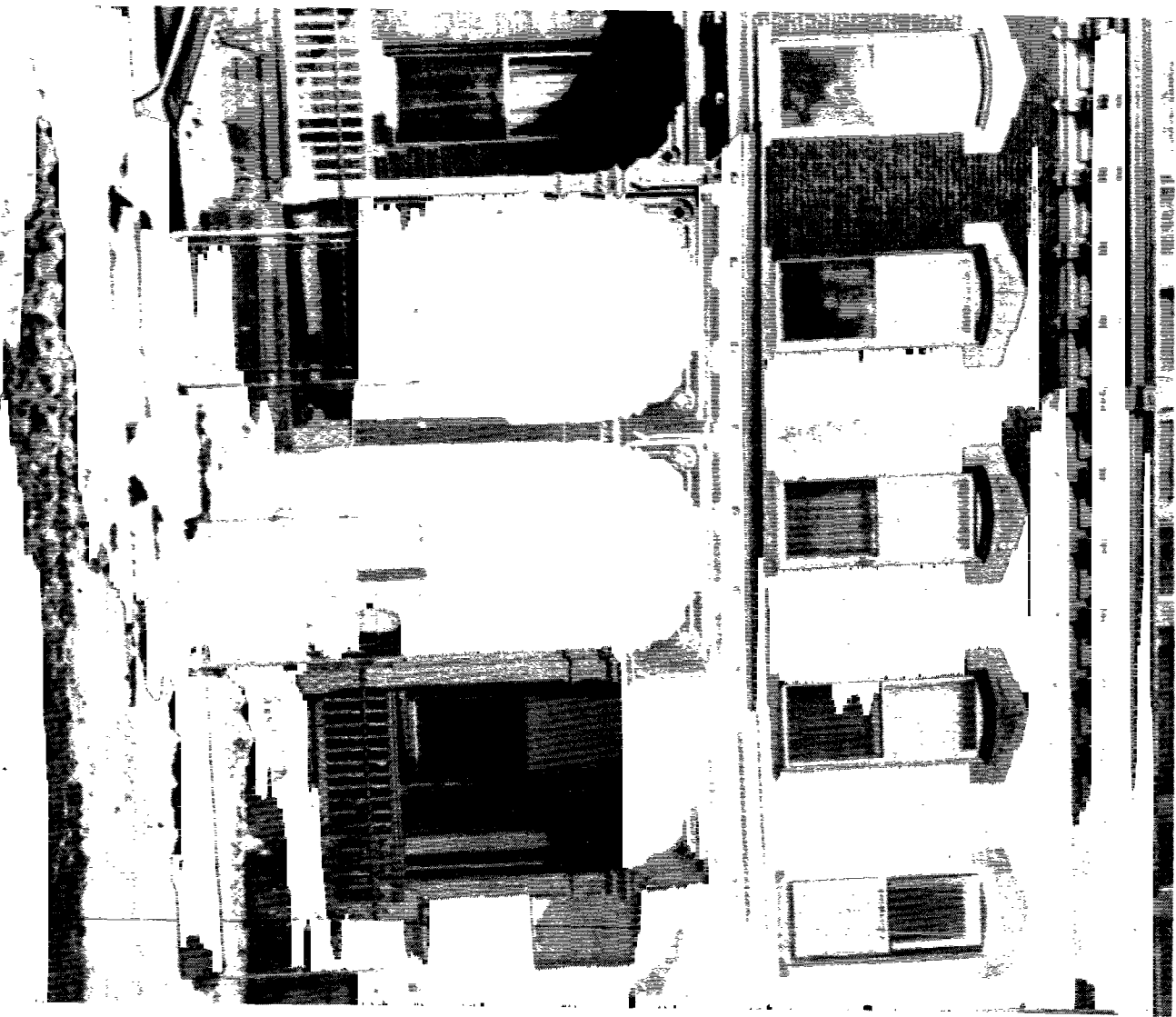




THESE TWO STRUCTURES WILL BE REHABILITATED TO PROVIDE THREE RENTAL UNITS. THE TOTAL COST WILL BE \$87,750, OF WHICH THE DEVELOPER WILL PROVIDE \$55,250. THE CITY WILL PROVIDE A FORGIVENESS LOAN OF \$10,000 AND A GRANT OF \$22,500. MAJOR COST ITEMS ARE NEW BATHROOMS, WALLS AND CEILINGS, AND FURNACES.



THIS TWO-UNIT STRUCTURE COST \$53,412 TO REHABILITATE. THE DEVELOPER PROVIDED \$33,887, AND THE CITY PROVIDED A FORGIVENESS LOAN OF \$5,000 AND A GRANT OF \$14,523. MAJOR COST ITEMS WERE NEW FURNACES, FIREPLACES, BATHROOMS AND DRYWALLS.



THE URBAN REDEVELOPMENT AUTHORITY REHABILITATED THESE TWO UNITS AT A COST OF \$82,000 AND SOLD THEM FOR \$18,200 PER UNIT.

Grants for the disabled

Direct grants were available to landlords to cover the cost of making rental units accessible to the disabled provided that the units were or would be rented to low- or moderate-income disabled tenants. Eligibility was based on income limits established by HUD's section 8 existing housing income limits. Grants for the disabled could also be used in conjunction with the deferred payment loan or 30-percent rehabilitation grant. The maximum grant for an efficiency unit was \$5,000 but increased \$1,000 per bedroom unit. In addition, grants of \$1,000 were available to provide ramps for the disabled. To receive a grant for the disabled, all major code and structural violations of the city and county codes must be corrected. The Rental Housing Improvement Program administrator stated that no one has requested a grant for the disabled. To encourage participation in providing rental units for the disabled, the new program guidelines increase the grant for disabled to 50 percent of the maximum rental rehabilitation costs allowed.

SITE ACQUISITION AND CAPITAL IMPROVEMENTS FOR SECTION 8 HOUSING AND EQUITY PARTICIPATION PROGRAMS

Although Pittsburgh has allocated more than \$1.3 million for the Site Acquisition and Capital Improvement Section 8 Housing Program, little has been done. Only \$193,967 has been expended to assist a developer in providing 38 section 8 housing units. Equity Participation Program funds totaling \$795,563 were also used.

The program's basic objective is to encourage and assist developers in providing low- and moderate-income renters with suitable housing. As of June 30, 1981, the program's only activity was providing a deferred loan of \$193,967 to a developer rehabilitating 38 units for the nonelderly in 15 properties throughout one northside area.

According to the Urban Redevelopment Authority board minutes of June 19, 1980, the developer needed the loan because the maximum rental subsidies that HUD would allow under the section 8 housing program were not high enough to support a long-term mortgage sufficient to finance the project. The developer is supposed to pay back all or a part of the loan upon sale or refinancing of the project. Until that time, the loan will accrue interest at 7-1/2 percent per year.

The developer also received \$795,563 from the Equity Participation Program for historical preservation of other section 8 units. (The Equity Participation Program is discussed in chapter 5). The following page shows several houses where historical preservation was done.

Equity Participation Loan Program Funding Mec

	LOANS						
	<u>Historic preservation</u>	<u>Deferred equity</u>	<u>Installment equity</u>	<u>Mort</u>			
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>
Owner-occupied refinancing for rehab	3	\$ 45,000	6	\$ 45,105	2	\$ 26,946	6
Owner-occupied buyer acquisition only	2	35,000	8	100,960	2	7,300	9
Owner-occupied buyer acquisition and rehab	6	95,000	12	165,660	6	52,900	12
Non-owner occupied buyer acquisition and rehab	<u>4</u>	<u>60,000</u>	<u>5</u>	<u>96,550</u>	<u>2</u>	<u>39,550</u>	<u>5</u>
Total	<u>15</u>	<u>\$235,000</u>	<u>31</u>	<u>\$408,275</u>	<u>12</u>	<u>\$126,696</u>	<u>32</u>

54

CHAPTER 5

ASSISTANCE TO HOME BUYERS

Only 2 of the 11 housing programs we reviewed had housing interventions aimed at helping people purchase houses--the Urban Redevelopment Authority's Rehabilitation Program and the Equity Participation Program. The programs were concentrated in specific community development neighborhoods and led to the purchase of only 60 houses.

URBAN REDEVELOPMENT AUTHORITY'S REHABILITATION PROGRAM

The Urban Redevelopment Authority's Rehabilitation Program was the only CDBG intervention involving the rehabilitation of houses by a city agency for resale. The program was operated during the first 3 years of the city's CDBG but was discontinued in 1979.

Pittsburgh used CDBG funds to rehabilitate properties once used as relocation units during HUD's former Urban Renewal Program. Thirty-five properties were involved in the Urban Redevelopment Authority's Rehabilitation Program which used \$1,066,059 in CDBG funds; the average cost per unit was \$30,459. These properties are located in three community development neighborhoods--Hill District, Homewood, and Manchester. After the properties were rehabilitated, they were offered for resale. Of the 35 properties, 34 were sold for a total of \$515,600. Thirty-two of these properties were sold to black buyers. The property not sold after rehabilitation remains as a relocation property resource for homeowners displaced by other housing programs. According to the Urban Redevelopment Authority comptroller, the sale proceeds went back to the CDBG account. The city was unable to provide any data on the criteria used, if any, to limit recipients, the terms of the assistance, or most demographic characteristics of the home buyers. The following page shows two units which were rehabilitated and sold.

EQUITY PARTICIPATION PROGRAM

Since 1979 Pittsburgh's Department of Housing and the Urban Redevelopment Authority have been conducting a major effort called the Northside Revitalization Program. Its objective was to bring about the renewal of neighborhoods on Pittsburgh's northside without displacing low- and moderate-income persons. Low-interest mortgages and equity participation loans were major components of the revitalization effort.

Low-interest mortgages

In 1979 and 1980 the Urban Redevelopment Authority issued tax-free revenue bonds of \$23,500,000 and \$4,800,000, respectively, to fund newly originated first mortgage loans on residential

Housing Units Acquired or Rehabilitated
Under the Equity Participation Loan Program
by Type of Owner/Buyer

	<u>Number of</u> <u>loan recipients</u>	<u>Number of</u> <u>multi-unit</u> <u>dwellings</u>	<u>Number of</u> <u>dwellings</u>	<u>Median</u> <u>family size</u>
Owner-occupied refinancing for rehab	6	1	8	1
Owner-occupied buyer acquisition only	9	3	12	1
59 Owner-occupied buyer acquisition and rehab	12	4	16	2
Non-owner-occupied buyer	<u>5</u>	<u>4</u>	<u>12</u>	<u>2</u>
Total	<u>32</u>	<u>12</u>	<u>48</u>	<u>2</u>

housing in the six northside neighborhoods. The bonds sold at par with a median interest rate of 7-3/8 percent in 1979 and 11 percent in 1980. Borrowers, without regard to income level, were able to obtain the low-interest mortgages. As of June 1981, 286 mortgages totaling \$11,644,656 at 8-1/2 percent interest were drawn against the first bond issuance and 18 mortgages totaling \$819,650 with a 12 percent interest rate were drawn from the second bond issuance.

Equity Participation Loans

In addition to the low-interest mortgages, borrowers could also qualify for an Equity Participation Loan. Equity Participation Loans were funded by CDBG in one of the six northside neighborhoods, while HUD's Urban Development Grant Program funded loans in the other five neighborhoods. Since the program inception in 1980, the city has allocated \$1.5 million of CDBG funds for the program. An additional \$2 million has been allocated for the seventh CDBG funding year.

Equity Participation Loans are broken out into two major components--deferred equity and installment equity loans. Deferred equity loans reduce the sales price by 20 percent so that the monthly payments for low- and moderate-income families are smaller. The loan, with no interest charge, is paid back when the property is sold. Installment equity loans are second mortgages for the difference between the cost to purchase and rehabilitate a house and its after-rehabilitation value. This loan, which bridges the "appraisal gap," is repaid monthly under the same terms as the first mortgage.

Within the six northside neighborhoods, anyone purchasing a property; any owner-occupant wanting to refinance and/or rehabilitate his or her home; and any investor, developer, or landlord wanting to renovate existing structures for sale or rental was eligible for installment equity loans. Any of the above in the CDBG neighborhood were also eligible for deferred equity loans. The five Urban Development Action Grant neighborhoods had a \$16,500 or less income requirement for deferred equity loans. It was possible for a borrower to obtain both deferred equity and installment equity loans.

Loan recipients were also eligible for historic preservation loans of \$10,000 to \$20,000 to preserve the exterior facing of selected housing structures in the CDBG neighborhood.

As of June 30, 1981, CDBG funds of \$1,565,534 were used to fund 58 loans under the Equity Participation Loan Program; loans totaling \$769,971 were provided to 32 recipients. The remaining \$795,563 was provided as one loan to a developer for historic preservation of the exteriors of 15 residencies containing 38 section 8 dwelling units. The developer is required to repay the loan when he sells the properties if the fair market value exceeds the first mortgage on the property. The following table shows a breakout of the loan activity by type and dollar amount.

CHAPTER 6

HOUSING INTERVENTIONS

FOR ENERGY CONSERVATION

Three of the 15 housing programs funded by the city using CDBG funds involved weatherizing housing units within the city to help save energy. CDBG funds of \$2,051,826 were used to weatherize 4,931 housing units at an average unit cost of \$397. Three housing interventions were used--partial and full grants for single-family housing and full grants for multifamily housing.

The programs involving weatherizing housing were:

- The Home Insulation Matching Grant Program--partial grants of up to \$400 were provided to homeowners for insulation as part of the Home Improvement Loan Program.
- The Weatherizing Housing in Pittsburgh Program--CDBG funding provided reimbursement for the labor costs involved in weatherizing single-family and rental housing under the Department of Energy's weatherization program.
- The Rent Brake Program--landlords were provided full grants up to \$2,000 per rental unit for insulation costs.

HOME INSULATION MATCHING GRANT PROGRAM

The Urban Redevelopment Authority provided 1,830 partial grants costing \$424,339 to homeowners receiving CDBG-funded loans under the Home Improvement Loan Program. The average grant was \$232. The program has operated since 1975 and provided grants to homeowners to insulate their homes. According to the program administrator, before 1978, only elderly homeowners over age 62 could obtain a matching grant for half of the insulation costs up to \$400. Since 1978, any homeowner qualifying for a CDBG-funded loan under the Home Improvement Loan Program (see p. 29) could obtain a matching grant.

Through June 30, 1981, 1,830 home insulation matching grants were awarded totaling \$424,339; 376 grants totaling \$108,344 were awarded during the 1980-81 CDBG funding year with an average grant of \$288. Demographic data on grant recipients was not kept specifically for this program (see the Home Improvement Loan Program demographics).

WEATHERIZING HOUSING IN PITTSBURGH PROGRAM

The Weatherizing Housing in Pittsburgh Program started in 1976 and was managed by the Community Action Pittsburgh, Inc., a

Most of the owners/buyers (75 percent) consist of households with less than three persons and above Pittsburgh's median family income of \$25,000. However, loan recipients acquiring and rehabilitating the housing units generally had above-average incomes.

Twenty of the 32 loan recipients acquired or rehabilitated a property containing one dwelling unit--19 of the 20 occupied the unit. The remaining 12 recipients had property containing 28 dwelling units with the largest being 4 units. The following page shows the type of buyer by income, family size, and type of unit. (Page 57 shows one unit acquired and rehabilitated.)

in 1980 but dropping to \$600,000 in 1981. As of June 30, 1981, landlords had received \$984,192 in grants for 285 structures (\$3,453 per structure) containing 505 dwelling units (\$1,949 per dwelling unit). Administrative costs were \$92,295 (8.6 percent).

The average income of a household in the 505 dwellings was \$6,491 with a median monthly rent of \$169. Sixty-four percent of the households had an unmarried single head of household, 54 percent had a female head of household, 31 percent were minority, and the average family size was less than two. About 69 percent of the grant recipients and dwellings were located in community development-designated neighborhoods.



THE OWNER-OCCUPANT ACQUIRED AND REHABILITATED THIS STRUCTURE FOR A COST OF \$146,000, WITH THE BUYER MAKING A DOWNPAYMENT OF \$5,000, USING CDBG FUNDS. THE CITY PROVIDED THE OWNER WITH A HISTORICAL PRESERVATION LOAN OF \$15,000, A DEFERRED LOAN OF \$26,200, AND AN INSTALLMENT LOAN OF \$4,800. THE OWNER ALSO RECEIVED A \$95,000 MORTGAGE AT 8-1/2 PERCENT INTEREST FROM THE CITY. WHEN REHABILITATED, THE PROPERTY WILL HAVE AN APPRAISED VALUE OF \$100,000. (UNITS ON BOTH SIDES ARE VACANT AND BOARDED.)

Urban Redevelopment Authority of Pittsburgh
Source and Application of Fund Budget
Year Ending December 31, 1981

Total administrative budget \$4,448,400

Funding sources:

Community Development Block

Grant

Housing	\$2,429,600	(55 percent)
Development	475,000	(11 percent)
Planning	259,300	(6 percent)

Urban Development Action

Grant

283,000 (6 percent)

Federal/State Redevelopment

Projects

553,500 (12 percent)

Other

448,000 (10 percent)

Allocation of costs:

Housing	\$2,680,300	(60 percent)
Industrial/commercial	590,900	(14 percent)
Redevelopment	625,600	(14 percent)
Land acquisition	139,800	(3 percent)
Other	411,800	(9 percent)

The 1981 administrative budget included \$3 million for salaries and fringe benefits of 145 individuals; \$2 million was for housing activities. The CDBG-funded loan section with 17 staff members was the authority's largest housing section. Salary and fringe benefit costs totaled \$343,786, mostly for property inspections on CDBG-funded rehabilitation projects. Other CDBG- and HUD-funded housing programs identified were:

- Rental Housing Improvement Loan Program--six staff members with costs totaling \$123,404.
- Emergency and Party Wall Program--four staff members with costs totaling \$78,296.
- HUD's Urban Development Action Grant and section 312 loan programs and CDBG's interest-subsidized and bond-funded loan programs--combined staffing of 12 individuals with costs totaling \$233,101.
- Neighborhood Development Offices--seven staff members with costs totaling \$113,687. Since inception, CDBG funds totaling \$660,000 have been allocated to this housing outreach program, which promotes the city's housing programs.

nonprofit organization for the State of Pennsylvania. The purpose of the program was to weatherize homes of low-income families in Pittsburgh. In 1979 the Community Action Pittsburgh, Inc., sub-contracted with the city for installation services, and CDBG funds of \$551,000 were used to fund these services. Department of Energy funds of \$1.7 million were used for material and overhead costs. Between January 1978 and June 1981, the program provided installation of insulation material for 2,596 dwellings. The 1981 budget was \$550,000--up \$120,000 from the 1980 budget.

Any homeowner within the city of Pittsburgh could have had \$500 worth of weatherization material installed if his or her household met income requirements lower than HUD's section 8. Likewise, a tenant whose income did not exceed the income requirements could have qualified if the landlord agreed. The program provided insulation, storm windows, caulking, and weatherstripping.

Between 1978 and June 1981, 2,596 housing units were weatherized at a total cost of \$2,241,882 (\$864 per unit). The CDBG-funded portion of this program was \$551,000; the rest came from the Department of Energy.

Since 1978 about 84 percent of the housing units were owner-occupied; however, during the first 6 months of 1981 about 56 percent were renters. Almost 48 percent of the recipients were more than 60 years old or handicapped. Other demographic data on recipients of weatherizing grants was limited; however, the Community Action Pittsburgh, Inc., had the following statistics on applicants applying for weatherizing grants between July 1980 and June 1981. Of the 1,205 applicants, 894 (74 percent) were receiving welfare assistance, 62 (5 percent) were receiving unemployment compensation, 33 (3 percent) were living off pensions, and 216 (18 percent) had other sources. With regard to race, 764 (63 percent) of the applicants were black, 435 (36 percent) were white, and 6 (0.5 percent) were classified as other. Seventy-two percent of the applicants were households headed by females.

RENT BRAKE PROGRAM

The purposes of the Rent Brake Program were to reduce housing costs of low- and moderate-income renters and to improve the quality of the city's rental stock by decreasing utility costs through energy conservation incentives.

Energy conservation grants of up to \$2,000 per unit were made available for any city rental unit with low- and moderate-income tenants (as defined by section 8 regulations) if the landlord agreed not to increase the rent for 1-2 years, depending on the grant amount--\$1,000 or less for 1 year; \$1,001 to \$2,000 for 2 years.

Rent Brake was first implemented in March 1980. The initial program budget in 1979 totaled \$475,000, increasing to \$610,000

only Neighborhood Development Program treatment area. The program's primary accomplishment was the acquisition and clearance of urban renewal lands.

The Urban Redevelopment
Authority property management
and administrative costs

Starting in 1979, Pittsburgh allocated CDBG funds to the Urban Redevelopment Authority for property management and administration. The allocation for 2 years totaled \$650,000. The 1981 budget was \$400,000, an increase of \$100,000 over the 1980 budget.

When the authority started receiving property management funds in 1979, the Neighborhood Development Program's property management budget was substantially cut. According to the authority's comptroller, the reasoning behind this cut was that fewer properties were being managed in the Neighborhood Development Program area because they were being sold off. At the same time, substantial properties in other neighborhoods were coming into the city's inventory. Therefore, one property management program was exchanged for another.

INDIRECT COSTS--
DEMOLITION AND COUNSELING

Indirect costs accounted for \$4.1 million (6 percent) of the total CDBG housing funding. Indirect costs were those costs not clearly identified with any one housing program but which paid for housing assistance across several housing programs. The two significant indirect cost items were demolition and site clearance (\$2.8 million) and housing counseling (\$0.9 million).

Demolition and site clearance

As of June 30, 1981, Pittsburgh had spent CDBG funds totaling \$2.6 million to demolish housing structures and clear the sites. At least 1,185 housing structures were demolished. The 1981 CDBG budget was \$300,000, which was the same as 1980.

According to the city's senior planner, housing structures were demolished if they were in hazardous or unlivable conditions and the owners refused to correct the deficiencies.

Pittsburgh housing
counseling services

The Urban League of Pittsburgh has received \$915,000 since 1976 in CDBG funds to provide housing counseling services for low- and moderate-income individuals and families residing in or seeking residence in Pittsburgh. The 1981 CDBG budget was \$270,000, which was \$5,000 less than 1980.

CHAPTER 7

CDBG HOUSING ADMINISTRATIVE

AND INDIRECT COSTS

About \$15 million (22 percent) of the \$69 million in CDBG housing costs were administrative and indirect (not specifically identified with a housing program). Administrative costs partially support the Urban Redevelopment Authority and the city's housing department, while indirect costs paid for housing demolition and counseling.

CDBG HOUSING ADMINISTRATIVE COSTS WERE NOT PROGRAM ALLOCATED

Administrative costs were \$11.1 million (16 percent) of the total CDBG housing activities funded during the first 6 years. Most of the funds went to the Urban Redevelopment Authority for administering CDBG housing programs and were not allocated by program. Administrative funds were also used by the city's housing department, the Neighborhood Development Program, and the authority's property management.

Urban Redevelopment Authority administration of CDBG housing programs

During the first 6 years of Pittsburgh's CDBG program, \$5.8 million was allocated to the Urban Redevelopment Authority for administering CDBG housing programs. ^{1/} The 1981 budget was \$1.9 million, an increase of \$200,000 over 1980.

The authority's 1981 source and application of funds statement shows how administrative costs were allocated.

^{1/}We were unable to determine the administrative costs for the first 3 years because individual housing programs were directly charged with administrative expenses. According to the authority's comptroller, the administrative expenses could not be identified by program and were lumped together in the latter years.

CHAPTER 8

VIEWS ON THE CONCEPT OF HOUSING

ASSISTANCE BLOCK GRANTS

Pittsburgh's variety of housing programs and financing techniques was developed over a period of years. This developmental period has provided considerable experience in program design issues and financing. Nevertheless, city officials have expressed concern over various issues related to the concept of a housing assistance block grant program. In testimony before the Senate Subcommittee on Housing and Urban Affairs on April 24, 1981, the Director of the Department of Housing for Pittsburgh discussed various issues related to housing assistance block grants. The issues included

- the capability of local governments to implement a housing block grant program,
- the design of a housing block grant program, and
- the future role of Federal Government.

This chapter presents these views and other data obtained during interviews with city officials.

CAPACITY TO IMPLEMENT HOUSING PROGRAMS

One of the most discussed issues concerning housing assistance block grants is the capacity of local governments to design and implement housing programs. One indicator of local capacity to develop and implement housing programs is the extent of housing activity under the Community Development Block Grant Program. The capacity can be evaluated in terms of the various types of ongoing housing programs, the financing methods used to spur interest in the programs, and the cost and beneficiaries associated with each activity.

Local design of housing programs

Pittsburgh, as discussed in chapter 2, has designed and implemented various housing programs using various financing techniques. The Director of the Department of Housing has stated that local governments have been able to show innovations in both the administration of programs and by designing financing techniques to successfully leverage public funds with private funds. In testimony before the Senate Subcommittee on Housing and Urban Affairs, the Director of the Housing Department stated that local governments have

City's Department of Housing
administrative costs

The city's Department of Housing received CDBG funds totaling \$2.3 million during the first 6 years of the CDBG program. The funds were primarily used to pay for housing code violation inspections (\$1.3 million).

Code violation inspections were done by the city's Bureau of Building Inspection, which is a Department of Housing component. According to the program administrator, before March 1979, inspections were made on all residences whose owners were seeking a direct-funded loan under the Home Improvement Loan Program to determine if the residences violated any of the city housing code. Violations had to be corrected as part of residence rehabilitation. After March 1979, inspections were no longer made before borrowers received loans; however, during and after rehabilitation, inspections were made to see if identified code violations were corrected.

A review of the 1980 obligations and expenditures showed that the Department of Housing received CDBG funds totaling \$915,349 for:

- Inspections (\$315,000). Salaries for a staff of 17 inspectors. The total Bureau of Building Inspection staff was 79.
- General Office (\$131,600). Services cost \$105,000 and the remaining \$27,600 went for travel, supplies, equipment, and professional services.
- Weatherization in Pittsburgh (\$468,719). Salaries for installers of energy conservation materials. This program is described on page 61.

Neighborhood Development
Program property management
and administrative costs

HUD provided Pittsburgh with \$21.4 million in Neighborhood Development Program funds and the city allocated \$2 million of CDBG funds (3 percent of CDBG housing funds) for the program administration during the 1975-80 program period. No CDBG funds were allocated for the 1981 budget year after \$100,000 was budgeted in 1980.

The Neighborhood Development Program was designed to change conventional urban renewal methods by providing responsive planning. The program could manage urban renewal properties where no action had taken place or where, due to delays, original plans were no longer relevant.

The Hill District, which is largely black with a growing senior citizen segment and a low occupancy rate, was the city's

ROLE OF THE FEDERAL GOVERNMENT

The Director believes that the Federal Government will have a significant role under a housing block grant program. Specifically, he believes that HUD should

- continue with the FHA insurance programs;
- monitor housing block grant activities as it is supposed to monitor the CDBG program; and
- require and monitor progress toward meeting broad-based Federal policies such as energy conservation and affirmative action.

The Director does not believe that current Federal responsibilities for operating subsidies for public housing or funds needed to support federally insured foreclosed properties should be part of a housing block grant program.

Overall, the Director supports a move toward housing block grants. In his opinion, cities have developed or can develop technical expertise to carry out housing assistance programs. He cautions, however, that "housing block grants should be moved into, not traumatically, but with forethought to the process of making appropriate transaction from the massive amount of Federal control over these programs to less control." The Director believes that housing block grants should be viewed as the next logical step in transferring housing functions to the local level which has been occurring over the past 7 years.

According to a league report, housing counseling has been provided to more than 10,000 households since the program's inception in June 1976. During 1980, 1,936 new households representing 3,243 people received services. In addition, 936 former clients received additional services during 1980.

Data on the 1,936 caseload in 1980 showed that the average client was predominantly female (79 percent), black (62 percent), and under age 36 (61 percent). The one-time client profile is slightly different in that, while it is also predominantly female (72 percent) and under age 36 (71 percent), it is predominantly white (60 percent).

Clients came to Pittsburgh Housing Counseling Services with a multitude of problems that required the following housing counseling services:

	(Percent)
Housing selection	57.7
Tenant counseling	24.4
Mortgage counseling	1.1
Household management	6.6
Housekeeping	2.0
Money management	2.7
Counseling to the elderly	3.5
Consumer education	1.5
Unknown	<u>0.5</u>
Total	<u>100.0</u>



- invented new and successful programs;
- developed a more effective working partnership with the private sector;
- developed programs in response to local needs; and
- learned from each other and, collectively, they have advanced the state of knowledge about successful programs.

Experience under CDBG

The Director of the Housing Department believes the CDBG Program has shown that cities can responsibly implement technically difficult programs and improve Federal performance. The previous list indicated the major accomplishments that have occurred at the local level.

DESIGN OF A HOUSING BLOCK GRANT PROGRAM

Based on the opinion that local capacity for handling housing programs exists, the Director outlined various housing block grant program components. These components are that

- local governments should be given more control over budget authority for rental subsidies and
- local governments should be permitted to combine housing block grant funds with CDBG funds.

Local control over budget authority for rental subsidies

The control of budget authority for rental subsidies as part of a housing block grant program is also a design issue. The Director believes that the section 8 existing and moderate rehabilitation programs should be revised to permit subsidies with 5- to 15-year budget authority. The rental assistance could be combined with the production subsidy funds to make projects workable.

To enhance local flexibility, the Director believes that the ideal system would allow cities to exchange production block grant funds for rental subsidy funds and vice versa.

Combining housing block grants with CDBG funds

The Director also favors the combination of housing block grant funds with community development funds to meet both housing assistance and community development needs. Revised parameters of the housing assistance plan would help this to work.

AN EQUAL OPPORTUNITY EMPLOYER

**UNITED STATES
GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548**

**OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE, \$300**

**POSTAGE AND FEES PAID
U. S. GENERAL ACCOUNTING OFFICE**



THIRD CLASS

PITTSBURGH COMMUNITY DEVELOPMENT NEIGHBORHOODS

(382753)

