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HOUSING ASSISTANCE SUPPLY EXPERIMENT

A WORKING NOTE

This Note was prepared for the DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, under Contract No. H-1789. It is intended to facilitate communication of preliminary research results. Views or conclusions expressed herein may be tentative and do not represent the official opinion of the sponsoring agency.



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MONITORING THE HOUSING ALLOWANCE PROGRAM
IN ST. JOSEPH COUNTY, INDIANA:
JULY-SEPTEMBER 1974

Michael G. Shanley

December 1977

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PREFACE

This report, the first in a series, was prepared for the Office of Policy Development and Research, U.S. Department of Housing and Urban Development (HUD). It contains information on community events, activities, and attitudes that may affect HUD's experimental housing allowance program in St. Joseph County, Indiana, or bear on research issues addressed by the Housing Assistance Supply Experiment.

The report was prepared by Rand's resident site monitor in the county, whose job it is to observe community reactions to the allowance program and make regular reports. Site monitors are encouraged to interpret local events and assess public reactions to them even though their conclusions can be supported only by anecdotal evidence and their personal experiences in the community. By this means, potentially important issues come promptly to the attention of Rand's program and research staffs; and, if warranted, more systematic evidence can be collected and evaluated.

Although their reports are edited for publication, we do not rewrite the site monitors' conclusions to reflect subsequent events that may qualify them. We judge that the immediate perceptions of a well-informed local observer constitute a valuable record whether or not they are confirmed by later events or more systematic evidence.

The period under consideration is from July through September 1974, before the allowance program actually began operating. We also report the conclusion of some developments that slightly overlap the next reporting period.

This report was prepared pursuant to HUD contract H-1789 and helps satisfy our research design requirements for informally monitoring the allowance program.

SUMMARY

This report describes community events, activities, and attitudes that may affect the experimental housing allowance program sponsored by the U.S. Department of Housing and Urban Development, or bear on research issues addressed by the Housing Assistance Supply Experiment (HASE). It covers the first two months of the preenrollment period, concurrent with the formation of the housing allowance office (HAO) in St. Joseph County, Indiana, before the program actually began operating.

The report first lists important events affecting the program, including the incorporation of the HAO, the hiring of HAO staff, and the signing of various agreements and contracts prerequisite to opening for business. It also describes the reactions of individuals and groups in South Bend to the program and assesses community opinions, confusion, and misinformation about it; lists the community organizations and governmental bodies to which the HAO made program presentations; and analyzes media reports. Many persons connected with city government and local business so far support the program, believing it will stimulate the South Bend economy. The most controversial issues to date have been the program's possible disadvantages in a tight housing market and the lack of local control of policy and funds.

Second, the report covers issues pertinent to HASE research questions. A major question of the Supply Experiment is how suppliers of housing services respond to the allowance program. Circumstances related to that question discussed here include landlords' investment decisions based on allowance program plans and the city's commitment of revenue-sharing funds to rehabilitation. Local factors affecting supply response to the allowance program include privately run rehabilitation projects. Other local factors that may affect research include certain characteristics of South Bend that suggest it may provide a less severe test of the allowance program than would a larger city.

Third, the report focuses on a special site monitor's study of general and specific neighborhood characteristics that may significantly affect the allowance program--the large proportion of older houses in good repair selling for low prices; the dispersed location of deteriorated housing; the absence of the extensive slums typical of larger cities; and the wide variety of market and social conditions in South Bend.

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I. INTRODUCTION

The Housing Assistance Supply Experiment (HASE) is one element of the experimental housing allowance program (EHAP) sponsored by the Office of Policy Development and Research, U.S. Department of Housing and Urban Development (HUD). The program is investigating whether direct financial assistance is a feasible and desirable way of helping low-income families secure decent housing; and if so, the best terms and methods for administering such assistance nationwide.

The Supply Experiment is monitoring the market response to a full-scale experimental allowance program in two sites--Brown County, Wisconsin, and St. Joseph County, Indiana. Other elements of the experimental program are a Demand Experiment, in which enrollees in Pittsburgh and Phoenix were given housing allowances on different terms and monitored for three years; and an Administrative Agency Experiment, which tested alternative arrangements for delivering allowances to low-income families.

The experimental allowance program is administered by a housing allowance office (HAO), which enrolls applicants, evaluates housing, and disburses payments. Funds for the program come from an annual contributions contract (ACC) between HUD and the South Bend Housing Authority (SBHA), which delegates operating authority to the HAO. A citizens group (HASE Advisory Committee) advises Supply Experiment staff on matters relating to the local community.

Apart from the HAO, Rand maintains a site office, one of whose staff is a resident observer charged with informally monitoring community developments that may affect the allowance program. The observer, or site monitor, attends meetings of civic and other local interest groups, reads local newspapers, follows events at City Hall, and talks with people active in the housing market as suppliers, intermediaries, or consumers of housing. He also collects and analyzes other relevant information. His monitoring reports supplement information obtained from the formal survey part of the experiment and from HAO records.

This report covers the first two months of the preenrollment period, concurrent with the formation of the HAO in St. Joseph County, Indiana, before the allowance program began operating. The remainder of the report is divided into three sections. Section II lists important events affecting the program; describes the reactions of individuals and groups in South Bend to the program and assesses community opinions, confusion, and misinformation about it; lists the community organizations and governmental bodies to which the HAO made program presentations; and analyzes media reports.

Section III covers issues pertinent to HASE research questions. Section IV focuses on a special site monitor's study of general and specific neighborhood characteristics that may significantly affect the allowance program.

II. SOUTH BEND COMMUNITY RESPONSE TO ALLOWANCE PROGRAM

EVENTS AFFECTING PROGRAM

Numerous milestones have been passed in a short time in South Bend:

- Occupation of permanent site office space, 7/22
- Incorporation of the HAO, 7/29
- Formation of the HASE Advisory Committee, August 1974
- Passage of South Bend Common Council resolution reaffirming support for the allowance program, 8/12
- Approval of the ACC and other documents by the South Bend Housing Authority, 8/14
- Hiring of the HAO director, HAO deputy director, and Rand deputy site manager, August 1974
- Completion of field work for the screening survey, September 1974
- Signing of the ACC, 9/16
- Signing of the delegation agreement, 9/6
- Opening of the temporary HAO, 9/16

HOW PROGRAM IS VIEWED

Support for Program

Many persons connected with city government and local businesses believe the allowance program may stimulate the South Bend economy. They regard it almost as a new industry whose monies will eventually feed into the construction and rehabilitation trades, providing jobs for local residents and secondarily benefiting retail and service businesses. In addition, they see the program as complementing the community's efforts to revitalize the downtown area and draw people back to the central city. Other, less common reasons to support the program include its expected benefits to the poor and elderly; its presumed superiority to current HUD programs; and its potential to

ensure residential mobility, enforce fair housing laws, and improve neighborhoods, thereby curbing crime and drug abuse.

Major Issues and Negative Reactions

The program's few opponents in governmental and community organizations apparently object to the lack of local control and the program's possible disadvantages in a tight housing market. Other community members' opposition evidently derives from their negative experience with previous governmental programs. A representative of Chicano groups, for example, suspects the allowance program may simply profit administrators and The Rand Corporation rather than uplift eligible households; and one representing black groups disdains the program as a subsidy to landlords. Some landlords, on the other hand, will probably object to program lease provisions. One multipropertied landlord in South Bend, for example, who uses one-sided leases to ensure complete control of his tenants, is likely to object to HAO control over evictions; another, who reportedly refuses to rent to blacks, would probably be suspicious of equal opportunity provisions. Some residents have already protested the beginning of what they consider another welfare program and bureaucracy of little benefit to the average citizen. Finally, opposition outside South Bend centers on fears that the program may encourage blacks to move to predominantly white suburbs, thereby causing property values to decline, as discussed below (pp. 13-21).

Currently the most controversial program issue is still the control of policy and funds. The controversy began during negotiation of the memorandum of understanding between HUD/Rand and Mishawaka and St. Joseph County. Although most community members have by now accepted Rand's control of the experiment, questions at meetings and in media reports center on just what Rand is, what credentials it has, and who sits on its Board of Trustees; and what powers the SBHA will have. Debate has also focused on program controls to prevent cheating by either recipients or administrators.

In addition, questions concerning landlord-tenant relationships are continually raised. What will the HAO do to protect tenants'

rights and prevent discrimination? Conversely, what recourse will a landlord have if an allowance recipient damages property?

Notably, few questions are being raised concerning the program's possible adverse effects--e.g., inflation, increased costs for non-participants' housing. They may begin once enrollment is under way and neighborhood groups understand program specifics more thoroughly.

Confusion and Misinformation

In general, misunderstandings about the allowance program seem to be few and localized. This circumstance must be due at least partly to the fairly intensive and accurate press coverage as well as the ability of HUD and Rand to communicate program details during presentations. The ACC, with its 10 year ceiling of \$174 million, is the source of much misunderstanding. Until that contract was announced, only figures of \$40 to \$60 million had been quoted. The issue was further complicated when still different figures were reported as "closer to actual costs" and "for South Bend only." The confusion is likely to linger awhile.

Other perplexing subjects include the respective roles of Rand, HUD, the HAO, the SBHA, and the Community Development Department; whether the program will aid only renters (probably stems from one very early newspaper article); whether the allowance will be a loan rather than a grant (confusion with previous welfare or other housing programs); whether the HAO will be actively involved in the housing market (e.g., policing tenants, monitoring rehabilitation work, building housing units); whether all money paid to allowance recipients must be used solely to rehabilitate the housing stock.

Local Political Context

The Rand site office has been and doubtless should continue to be cognizant of local politics during the structuring and administration of the allowance program in South Bend. The following examples illustrate how it has been involved in community affairs over the past six months and how it probably will be in the future.

First, the site office staff has worked closely with both the South Bend Common Council and the city's mayor and his staff--and should attempt to keep the cooperation of both. The allowance program must not be permitted to become a political football as a result of either the common council president's probable opposition to the present mayor in next year's election, or the split that has developed within the council itself. To provide more balanced representation, Rand added a second councilman to the five-member working group* it initiated to advise the allowance program.

Second, after officials from Mishawaka and the county last March refused to participate in the allowance program, several local organizations began low-key efforts to reverse those decisions. HUD and Rand press releases have also invariably expressed the hope that those two jurisdictions will join the program. Because of these efforts along with the altered composition of the decisionmaking bodies likely to result from the coming fall elections, the county will probably join in January and Mishawaka should reconsider its decision next spring. Thus, Rand should be heavily involved in negotiations throughout the spring with the county, Mishawaka, and several smaller towns.

Third, two local members of the HAO Board of Trustees and members of the HASE Advisory Committee were chosen during this period. One trustee was selected from the business and banking sector; the other has numerous strong ties with community organizations, the university, and the legal profession. The advisory committee includes representatives of all four banks and many community organizations and minority groups.

PUBLIC RELATIONS

Program Presentations

At meetings with numerous individuals and groups in the South

* A temporary group that has since been dissolved.

Bend area, Rand staff presented information and answered questions about the allowance program. Meetings with certain groups were prerequisite to the initiation of the program:

- South Bend Housing Authority, 7/24
- Allowance program working group, 8/6
- South Bend Common Council Caucus, 8/7
- HAO Board of Trustees, 8/8
- South Bend Common Council, 8/12
- South Bend Housing Authority, 8/14
- HAO Board of Trustees, 9/5

Other meetings responded to requests from community groups:

- La Raza, 7/15
- Urban League, 8/6
- South Bend Civic Planning Association, 8/13
- Kiwanis Club, 8/22

Media Reporting

Relationships with the media have been good and reporting has, in general, been accurate. However, most media reports during the period merely reproduced Rand and HUD press releases and reported on public meetings at which the allowance program was discussed. Only one newspaper article was reporter-initiated, but the signing of the ACC and hiring activities at the HAO and Rand have recently stimulated more extensive media coverage.

Local newspapers ran 12 articles on the allowance program during August and the first part of September--including two in the *Tri-County News*, which constituted the first coverage of the program by a local paper other than the *South Bend Tribune*. Table 1, which lists by month the number of newspaper articles covering the allowance program, shows

that the most extensive coverage occurred in the month prior to the selection of South Bend as a site for the Supply Experiment. Then, after a slowdown, coverage again increased in response to the signing of the ACC on September 6.

Table 1

NEWSPAPER ARTICLES BY MONTH

<u>Month</u>	<u>Number of Articles on Program</u>
December 1973	4
January 1974	14
February 1974	13
March 1974	18
April 1974	6
May 1974	4
June 1974	--
July 1974	2
August 1974	6
September 1-18, 1974	6

Interestingly, newspaper articles have not emphasized the size of the ACC. When the final figures were released, they were buried in the text of an article near the back of the paper.

Television and radio coverage during the period consisted of announcements based on press releases; two half-hour specials discussing the program in depth (making a total of four television specials since the allowance program was introduced to South Bend); and an undetermined number of discussions of the program during radio and television interviews of public officials.

III. LOCAL FACTORS AFFECTING RESEARCH

PREENROLLMENT SUPPLY RESPONSE

A major question of the Supply Experiment is how suppliers of housing services respond to the allowance program. Circumstances related to that question are described below.

Many in South Bend--especially bankers, realtors, and other businessmen--seem knowledgeable about the allowance program and how it will operate. Some landlords may even be basing investment decisions on allowance program plans. Specifically, the site monitor has spoken with two landlords of numerous older housing units. They knew the program existed, but had circumspectly adopted a wait-and-see attitude. Two others have called the Rand site office to find out how they could get their units signed up for the program. Representatives of Southhold Restoration, Inc., have called the site office to request the list of housing evaluation standards in order to ensure that the houses they were planning to rehabilitate would be suitable for an allowance recipient. Another landlord called to request information by which to determine whether he should renew the lease on eight of his units with the SBHA.

Finally, not long after South Bend was chosen as an allowance program site, the city committed \$500,000 of its revenue-sharing funds to a rehabilitation program in its most deteriorated neighborhood--the southeast side. The timing of the decision suggests that it may have been influenced by the program.

LOCAL FACTORS AFFECTING SUPPLY RESPONSE--REHABILITATION PROJECTS

Two local rehabilitation projects are active in South Bend--one, as mentioned above, is on the southeast side and financed with revenue-sharing funds; the other is part of the federally financed Model Cities neighborhood program. Both programs offer low-interest loans for rehabilitation. Another local project, RENEW, Inc., is run by a church-based group that has bought and rehabilitated about 40 older houses

in the area, then sold them on land contracts to low-income buyers. In its analysis, Rand should be careful to distinguish the effects of these programs from those of the allowance program.

MARKET INTERMEDIARIES' PRACTICES

Although the reconnaissance for the market intermediary study^{*} has just barely begun, two comments are appropriate at this time. First, a large portion of the central city has probably been "red-lined" by mortgage lenders for some time. Several city officials, local residents, and representatives of one bank have openly discussed the practice in informal conversations. Although the extent of red-lining and the boundaries of redlined areas have not yet been determined, the Model Cities and southeast neighborhoods are the most likely targets. That practice may significantly affect the allowance program.

Second, at least some realtors actively steer buyers to and away from certain areas of the city, depending on race. Recent instances of apparent steering involving local realtors, a bank, and owner-managers with small holdings suggest that the extent of the practice by brokers and rental agents may also significantly affect the allowance program.

LIKELY NUMBER OF HOMEOWNERS IN PROGRAM

Many older homes in the central city needing little or no rehabilitation sell for under \$10,000. For example, one three-bedroom house in the Model Cities neighborhood with a new furnace and electrical system and a remodeled interior, which would easily meet Federal Housing Administration (FHA) standards, was on the market for \$9,900. Somewhat puzzling, the depressed prices are presumably due to fear of crime, spread of blight, policies of lenders and realtors, change in neighborhood racial composition, and other local phenomena. Whatever

^{*}William G. Grigsby, Michael G. Shanley, and Sammis B. White, *Market Intermediaries and Indirect Suppliers: Reconnaissance and Research Design for Site II*, The Rand Corporation, WN-9026-HUD, May 1975.

the reasons, however, current prices could permit many more allowance program participants to become homeowners than now expected, despite today's high interest rates and tight money market.

Consider the following example posed by a local lender. With no money down, a family could apply to the personal loan department of a bank and perhaps secure an \$8,000 loan repayable over 10 years at 15 percent interest. Monthly payments would be approximately \$120. The family's total housing expense might be as low as \$180, not more than \$20 above the R^* (standard cost of adequate housing) projected for a four-person household.

COMPUTING R^*

The site monitor's extensive personal search for housing in South Bend indicates rent levels about \$10 to \$30 a month higher than similar units would command in Green Bay;^{*} but selling prices (for older housing only) ranging 10 to 80 percent below those in Green Bay for similar units, depending on neighborhood. A home that would meet FHA standards may well sell for \$8,000 or less in South Bend, as discussed elsewhere (pp. 10, 13-18). These comparisons suggest that R^* may be more complicated to compute in South Bend than in Green Bay. In particular, considering rent levels exclusively may give a biased picture.

SOUTH BEND'S APPROPRIATENESS AS SITE FOR SUPPLY EXPERIMENT

Many characteristics of South Bend favor its selection as a site for the Supply Experiment. These are noted in the site evaluation of St. Joseph County and in other sections of this report.^{**} There are two important disadvantages, however. First, although housing in some areas is marginal, South Bend does not have the extensive areas of deteriorating housing found in many larger cities. Even in the worst sections of the city, streets and alleys seem well kept and reasonably

^{*}In Brown County, Wisconsin, the other site of the Supply Experiment.

^{**}See Charles W. Noland and Michael Shea, *Site Evaluation: St. Joseph County, Indiana*, The Rand Corporation, WN-8576-HUD, January 1974. See also pp. 3-4 above, and p. 22 below.

clean, and at least 20 percent of the housing stock appears to be in sound condition.

Second, South Bend's big-city social problems--drugs, crime, racial tension--are not nearly so acute as in the larger cities. A professor at Notre Dame, active in the city's housing affairs, characterized South Bend as a city fighting almost all of today's urban problems but--unlike most larger cities--having, with determined effort, some hope of resolving them because they are still at a manageable stage. These characteristics suggest that South Bend may provide a less severe test of the allowance program than would a larger city.

IV. SITE MONITOR'S STUDIES

GENERAL CHARACTERISTICS OF SOUTH BEND NEIGHBORHOODS

Based on both statistical and anecdotal evidence, this section describes several characteristics of South Bend neighborhoods.* Not intended to be comprehensive or complete, the description will give a general perspective on areas most likely to be affected by the allowance program and will illustrate, first, the importance of "neighborhoods" in the housing market; and, second, the opportunities available in South Bend for testing the effectiveness of housing allowances under varying conditions. For convenience, neighborhoods are referred to by census tract number, identified by the map in Fig. 1.

South Bend has a large stock of older houses that could be affected by the allowance program. The stock seems similar in age and type to that in Green Bay, but some portions are considerably more deteriorated. Those in disrepair seem neglected rather than poorly constructed. The lowest rents and housing values center in areas west and south of downtown (tract 18), then increase in all directions outward. Although census tract data indicate that the housing stock uniformly worsens approaching the core (i.e., the block of contiguous tracts with median values under \$8,000), a tour through the city will show that (1) deteriorated or boarded-up houses are present in all older neighborhoods; (2) conversely, even in the worst areas, some units are kept in extremely good condition; and (3) the most dilapidated housing tends to concentrate in noncontiguous pockets, ranging in size from one to five square blocks.

South Bend has a black population of 17,737 (a 1970 figure representing 14.1 percent of the total population). Only one census tract had more than a 75 percent black population, whereas nearly every tract contained at least a few black residents. Individual blocks are more segregated than census tract averages might suggest. For instance, although tract 17 has a 39 percent black population overall, 26 of its 34 blocks are either less than 20 percent or more than 60 percent black.

* This section expands the description in WN-8576-HUD, pp. 18-29.

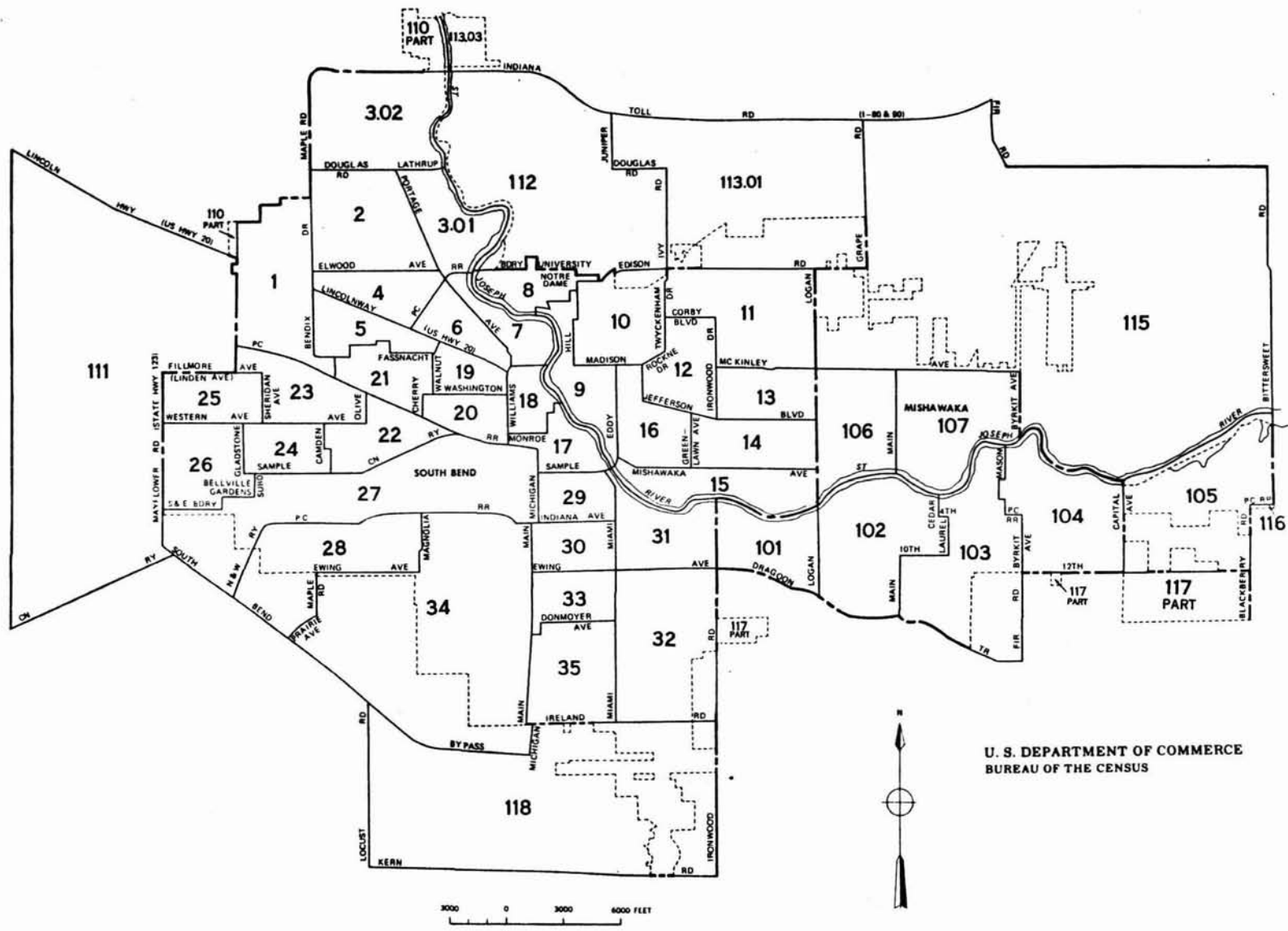


Fig. 1--Census tracts in the South Bend, Indiana, SMSA

Not surprisingly, tracts with low-value owner-occupied homes usually have a high percentage of black residents. The map in Fig. 2 shows the distribution of the black population and median value by census tract. For instance, the four tracts with 50 percent or more black residents range in median value from \$6,900 to \$9,000. Only one of the 13 tracts having more than 10 percent black residents has a median value greater than that for the entire city, which is \$11,700. Conversely, of the 21 tracts with a median value less than the city's, only eight had fewer than 10 percent black residents. In six of those eight (tracts 4, 6, 14, 15, 30, and 31) having both a low median value and a low percentage of black residents, landlords have, in informal conversations with site staff, expressed concern that neighborhood deterioration had already or soon would spread to these areas.

TWO SPECIFIC NEIGHBORHOODS: SOUTHEAST AND MODEL CITIES*

The two areas generally considered the worst in the city are the southeast side (covered approximately by census tracts 17, 29, and 30) and the Model Cities neighborhood or west side (covered approximately by census tracts 19, 20, and 21). The southeast contains largely frame, single-family houses and duplexes on small lots, plus a few masonry structures, apartments, and conversions. It has a mixture of good-, fair-, and poor-quality units in all areas, but in varying proportions. Tract 17, the northernmost, might have 40 percent in good shape and 20 percent in poor shape. The northern portion of the middle area--tract 29--might have approximately 33 percent good, 33 percent poor. Of the remaining area to the south, 60 percent might be good and at most 10 percent poor. The commercial strip on Michigan Street, which is the western boundary of the area, is somewhat depressed and is one center of crime and vice in South Bend.

Tract 29 is clearly the worst area in the southeast, marked by large numbers of deteriorated houses, vacant lots, and unoccupied housing--and a large black population. All the housing in one whole block

* Portions of this description are based on comments by Rand consultant William Grigsby for the market intermediary study, WN-9026-HUD.

SOURCE: U.S. DEPARTMENT OF COMMERCE
BUREAU OF THE CENSUS

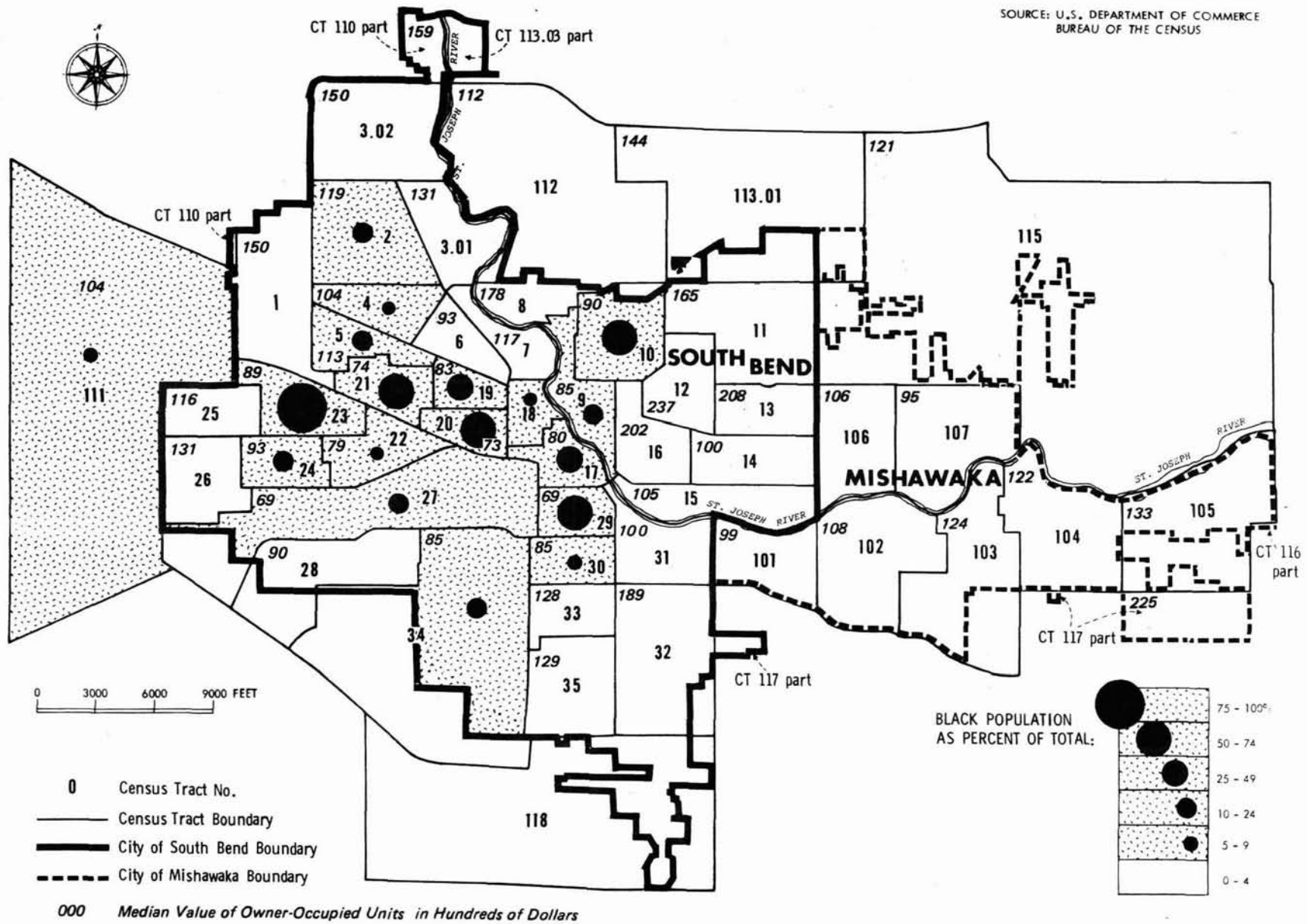


Fig. 2--Distribution of black population and median home values by census tract in St. Joseph County urban area

is either boarded up, bombed out, or vacant. Many units in the tract could easily be purchased for \$2,000 or less. These low prices, along with the threat of vandalism, fire bombings, muggings, and so on, may explain the abandonment of many buildings in the area.

Tract 30 is largely in good condition, but threatened by the blight and racial transition moving southward from tract 29. One three-bedroom house in the tract, in apparently very good condition, on a reasonably nice block, close to a golf course and two schools, was on the market for \$8,900. In another section of South Bend (or almost any part of Green Bay), the same house would sell for at least double that amount.

Although the southeast side is the most deteriorated section of the city, it is more appropriately termed a marginal rather than a slum area. Even in tract 29, for instance, as many as a tenth of the structures are in spic-and-span shape. Alleys and streets are reasonably clean and well maintained, and vacant lots are overrun with only weeds--not garbage. In addition, the worst part of tract 29 will receive \$500,000 of revenue-sharing money for residential rehabilitation over the next year.

The Model Cities neighborhood is a large area containing more substantial, better maintained, and newer housing units than the southeast. It also contains two small commercial strips of largely black-owned, somewhat deteriorated businesses that are plagued by crime and vice. The area's ethnic characteristics include a large black population (62 percent), a core of long-time residents of European (primarily Polish and Hungarian) descent who have either become trapped or stubbornly remained despite the neighborhood's decline, and a growing percentage of Chicanos.

This neighborhood contains no good or bad sections--only good and bad blocks or small pockets that are mostly scattered randomly, with no gradation from good to bad. A 1972 report on the area estimated that, of the 4,626 occupied dwelling units there, 50 percent needed repair--878 were substandard, 277 dilapidated, and 1,063 in bad condition. Most housing problems may well be related to obsolescence, however--inadequate wiring, inadequate insulation, old-fashioned kitchens and baths. Many street fronts would be vastly improved just by restoration of sagging porches, fresh paint, and reconditioned lawns. Removing

the occasional boarded-up and deteriorated vacant houses would also help. Since the prices of many houses in this area are depressed to below \$10,000, allowance recipients may be able to purchase them.

CHANGING NEIGHBORHOODS

Many areas in the central city are undergoing rapid physical and social changes. Concerned individuals and groups fear continuing decline in many already marginal neighborhoods and encroaching blight in adjacent areas. Many fear racial diversification and its effects on neighborhoods. This section will discuss some of the transformations taking place.

Although the census data are nearly five years old, many current changes may be illuminated by focusing on the modifications that occurred between 1960 and 1970. New census tract boundaries make comparisons difficult, but some approximations are possible.* Tables 2 and 3 show the changes in two characteristics for selected tracts--value of owner-occupied housing and percentage of black residents.

As Table 2 shows, housing values in many older areas of South Bend have not kept pace with the city's overall 11 percent increase (unadjusted for inflation). In fact, several tracts (6, 7, 19, 20, 29, and 30) show an absolute decline in value. Four (19, 20, 29, and 30) are in either the Model Cities neighborhood or the southeast side. The other two (6 and 7) are in an area northwest of the city and adjacent to the Model Cities neighborhood. Some extremely-high-quality older housing exists in parts of these tracts as well as a large stock of moderate-quality units. The area is obviously changing, however. More than three For-Sale signs on a block are not uncommon. One multi-propertied landlord, who reportedly refuses to rent to blacks, told the site monitor that he moved his own residence from the area because of the changing racial composition and believes the increasing black population signals neighborhood decline. Fear of the possible spread of blight throughout the area has led to the recent formation of a neighborhood group whose major goal is to preserve neighborhood quality.

* Most notably, comparisons are virtually impossible for the northeast side.

Table 2

PERCENTAGE CHANGE IN VALUES OF OWNER-OCCUPIED HOUSES
IN SELECTED TRACTS IN SOUTH BEND, 1960 THROUGH 1970

Tract	Number of Owner-Occupied Houses, 1970	Median Value		Percentage Change, 1960-1970
		1960	1970	
4 ^a	1,037	9,900	10,400	5.1
5	826	11,000	11,300	2.7
6 ^a	902	9,300	9,300	.0
7	474	11,800	11,700	-0.8
8, 9, 10 ^{a, b}	2,497	(c)	(c)	(c)
13	634	15,200	20,800	36.8
15	1,050	8,900	10,500	18.0
17 ^a	261	7,900	8,000	1.3
19 ^a	544	8,800	8,300	-5.7
20 ^a	429	7,700	7,300	-5.2
21 ^a	796	7,300	7,400	1.4
23 ^a	436	6,800	8,900	30.9
24	1,020	8,900	9,300	4.5
25	571	10,000	11,600	16.0
29 ^a	542	7,900	6,900	-12.7
30 ^a	837	8,600	8,500	-1.2
31 ^a	1,245	8,900	10,000	12.4
33 ^a	1,108	12,400	12,800	3.2
South Bend	30,309	10,400	11,700	11.1

NOTE: Tract boundaries for 1960 are used. Therefore, only tracts whose 1960 boundaries resemble their 1970 boundaries appear in this table.

^a Figures are approximations, because the 1970 tract boundaries are not exactly comparable to 1960 boundaries. However, the percentages shown are within plus-or-minus 2 percent.

^b Tracts 8, 9, and 10 are combined because the 1960 and 1970 boundaries encompass approximately the same area. The 1960 and 1970 individual tract boundaries are not comparable, however.

^c Median values are not computable.

Table 3

PERCENTAGE CHANGE IN BLACK POPULATION IN SELECTED TRACTS
IN SOUTH BEND, 1960 THROUGH 1970

Tract	Total Population, 1970	Percentage Black Population		Percentage Change, 1960-1970
		1960	1970	
4 ^a	3,508	.7	6.9	6.2
5	2,721	11.9	21.5	9.6
6 ^a	4,176	.5	4.2	3.7
7	2,943	.2	2.0	1.8
8,9,10 ^{a,b}	10,551	17.5	29.4	11.9
13	2,827	.0	.7	.7
15	4,030	.0	.2	.2
17 ^a	1,942	.1	39.9	39.8
19 ^a	3,086	10.2	37.7	27.5
20 ^a	3,004	36.0	58.8	22.8
21 ^a	3,462	58.7	72.5	13.8
22 ^a	4,247	2.0	8.8	6.8
23 ^a	1,927	84.4	84.4	.0
24	3,679	.0	17.2	17.2
25	2,438	.0	3.8	3.8
29 ^a	4,132	23.0	56.1	33.1
30 ^a	3,513	.4	9.6	9.2
31 ^a	4,461	.0	.2	.2
33 ^a	3,578	.0	.3	.3
South Bend	125,580	9.8	14.1	4.3

NOTE: Tract boundaries for 1960 are used. Therefore, tracts whose 1960 boundaries resemble their 1970 boundaries appear in this table.

^a Figures are approximations, because the 1970 tract boundaries are not exactly comparable to 1960 boundaries. However, the percentages shown are within plus-or-minus 2 percent.

^b Tracts 8, 9, and 10 are combined because the 1960 and 1970 boundaries encompass approximately the same area. The 1960 and 1970 individual tract boundaries are not comparable, however.

Statistics on housing values in Table 2 for tracts 6 and 7 tend to support the group's fears.

The value trends in these neighborhoods contrast sharply with trends in others. For example, tract 13, a high-income, white-collar area on the far east side, gained 36.8 percent in median value. An area on the west side with a high percentage of black residents (tract 23) increased 30.9 percent in value; however, most of that increase probably arises from urban renewal projects' removal of a large number of inadequate housing units and the construction of federally subsidized (under HUD program 221d(3)) units to replace them. River Park (tracts 14 and 15) gained 18 percent in value, although the age and type of housing there closely resembles that in areas considered marginal or endangered. River Park differs from these other areas most obviously in its low percentage of black residents.

Table 3 shows the percentage increases--some as high as 40 percent--in the black population between 1960 and 1970 in selected areas throughout South Bend. On the one hand, some evidence indicates a trend toward integration. Six tracts having no black residents in 1960 had, by 1970, acquired some. Other tracts showed startling increases in black population. Tract 24, for instance, went from zero to 17.2 percent black residents; similarly, tract 17 in the southeast went from 0.1 percent to 39.9 percent blacks. On the other hand, some indicators signaled greater segregation. The Model Cities neighborhood and part of the southeast side (tract 29), with already nearly the largest concentrations of blacks in 1960, experienced some of the largest increases in percentage black population.

Comparing Tables 2 and 3 reveals the relationship of change in racial composition to change in value. Not surprisingly, values apparently declined where the percentage of black population rose. The tracts declining most in value (19, 20, and 21) showed more than 20 percent increases in their percentages of black population.* Figure 2 depicts this relationship.

*Gross rents do not always decline following an increase in black population. In three of the six tracts composing the southeast and Model Cities neighborhoods, for example, rents rose substantially more than they did in the city as a whole between 1960 and 1970.

IMPLICATIONS FOR ALLOWANCE PROGRAM

South Bend offers an opportunity to test the effectiveness of a housing allowance program under a variety of market and social conditions. For instance, for the city's two marginal neighborhoods, the southeast and the Model Cities, the following questions are appropriate:

- Can the allowance program prompt changes in investors' attitudes leading to a rise of gross-rent multipliers and, in turn, to more and better rehabilitation/repair, less abandonment, and reduction or elimination of redlining?
- How will the allowance program affect the social as well as the physical conditions of neighborhoods?
- Might a continued high crime rate in the southeast, for instance, prevent allowances from stimulating increased investment there?
- Or might allowances catalyze overall improvement in neighborhoods with active citizens groups?
- How will the racial variable affect the supply response and mobility patterns in various neighborhoods?

These questions and others can be usefully examined with the implementation of HUD's allowance program in South Bend. However, the analysis will have to take into account the obvious influence of "neighborhood" on the price of housing and on racial mobility patterns. In addition, it should assess how much the allowance program stimulates changes in the physical and social characteristics of neighborhoods and in residents' and investors' attitudes. HASE surveys and site monitoring activities are directed toward such an assessment. In the case of South Bend, these changes may be substantial.

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