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I am submitting herewith a thesis written by Bennett W. Adams, Jr., entitled "Private Market Non-Subsidized Housing Rehabilitation in Knoxville, Tennessee: An Examination of Three Inner-City Census Tracts." I recommend that it be accepted in partial fulfillment of the requirements for the degree of Master of Science in Planning.

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PRIVATE MARKET NON-SUBSIDIZED HOUSING REHABILITATION IN KNOXVILLE, TENNESSEE: AN EXAMINATION OF THREE INNER-CITY CENSUS TRACTS

A Thesis

Presented for the

Master of Science in Planning

Degree

The University of Tennessee, Knoxville

Bennett W. Adams, Jr.

August 1980

ACKNOWLEDGMENT

I would like to express my appreciation to James A. Spencer for providing me with the opportunity to write this thesis. Appreciation is also given to Dr. Kenneth B. Kenney for his advice and guidance in the preparation of this thesis. Thanks also go to the other members of my thesis committee, George E. Bowen and Walter L. Shouse.

I would like to express special appreciation to my wife, Patti, whose encouragement and understanding during the preparation of this work helped maintain the momentum necessary to complete it.

ABSTRACT

The purpose of this study was to examine five major aspects of private market inner-city housing rehabilitation in Knoxville, Tennessee. These aspects were: socioeconomic characteristics of the inner-city housing rehabilitators; the amount of rehabilitation being performed on each home; the reasons for moving into the study area, the financing of the acquisition and rehabilitation of the homes; and the rehabilitators' perceptions of the acequacy of public services in the study area.

The three Knoxville study areas were selected from 15 census tracts that were designated as rehabilitation census tracts by the Knoxville-Knox County Metropolitan Planning Commission in August 1976. Four criteria were used in the selection of the three study area census tracts. The criteria used included: the census tract had to be located within 2.5 miles of the center of Knoxville's central business district; the housing stock had to possess unique architectural or historical significance; clearly defined boundaries, unusual topography or other qualities which set it off from other areas of the city; and the expectation that a significant amount of rehabilitation will occur in the area.

This study dealt solely with single-family owner-occupied homes in the three study areas. After the study areas were

selected, a universe of 91 homes was identified within the study areas. The homes were identified through a windshield survey, examination of records at the Knoxville building inspector's office, and a walking survey of the area. The personal interview technique was used to gather the needed information. A total of 73 interviews were completed, creating a response rate of 80 percent for the survey.

The major findings derived from the study are as follows: more Knoxville rehabilitators have children than in other cities where similar studies have been performed; the rehabilitators are performing the bulk of the rehabilitation tasks themselves; and financing for the acquisition and rehabilitation of inner-city housing is often difficult to obtain. The rehabilitators gave three main reasons for moving into the study area: the characteristics of the home, the appearance of the neighborhood, and the convenience associated with inner-city living. The rehabilitators indicated that increased police and fire protection, creation or upgrading of parks and recreation areas, and construction or upgrading of schools were the public services that should be improved within the study area.

Planners, public officials, and private individuals and organizations interested in encouraging private market inner-city housing rehabilitation need to understand what motivates the individual homeowners to purchase and rehabilitate homes

in the inner-city. It is hoped that this research can play a part in providing this understanding.

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CHAPTER I

INTRODUCTION TO THE PROBLEM

The rehabilitation of inner-city housing stock has been an ongoing practice in Europe for many years. Unfortunately, this has not been the case in the United States. The problem was formally recognized by the Federal government in 1931, when the "President's Conference of Home Building and Ownership" was held in Washington, D.C.[1] Although the problem of maintenance and rehabilitation of America's housing stock was recognized at that time, it was not actually addressed at the Federal level until 1961, with the passage of the Housing Act of 1961.[2] Since this initial effort, various programs initiated at the Federal, state, and local levels have allocated billions of dollars for subsequent efforts which have attempted to renew the deteriorating residential areas of our inner-cities.[3]

Despite these programs and the large expenditures associated with them, there was no significant reduction in

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[1]William W. Nash, Residential Rehabilitation: Private Profits and Public Purposes (New York: McGraw-Hill Book Company, Inc., 1959), p. 210.

[2]Public Law 70, 87th Congress, Sections 102 and 307.

[3]J. Thomas Black, "Private Market Housing Renovation in Central Cities: A ULI Survey," Urban Land (November 1975), p. 3.

the number of residents leaving the inner-cities of our nation in the four decades following the initial recognition of this problem. The flow of inner-city residents to the suburbs appears to have slowed and, in some cases, reversed, during the 1970's. A report recently completed by the Federal National Mortgage Association revealed that approximately one-third of the residents surveyed in the St. Louis rehabilitation areas had moved to their present homes from the suburbs.[4] The study found that 75 percent of the new residents in the study area had rehabilitated or planned to rehabilitate their homes within the next year. The return to the inner-city seems to have occurred because of a number of unrelated events and trends which have combined to make rehabilitation of inner-city housing stock attractive.

Perhaps the most significant trend in creating this situation has been the fuel shortage of the Seventies. The fuel problem first occurred in 1973 with the Arab oil embargo. The 1979 fuel shortage and sharply rising fuel prices indicated the fuel problems were not a unique phenomena of 1973. The questionable availability of adequate future supplies of petroleum and the Federal government's uncertainty on how to cope with the problem has also enhanced the attractiveness of inner-city housing stock. The fact that most inner-city

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[4]Kevin Horrigan, "Moving In, Back to the City, New Gentry's Cry," St. Louis Post-Dispatch, May 13, 1979, p. 1.

neighborhoods are accessible to public transit routes also makes them desirable in these times of rising costs and shortages of fuel.

Another factor contributing to the renewed interest in the rehabilitation of inner-city housing stock in the 1970's has been the lack of housing options available to moderate and middle income families. Heightened concern for the environment and poorly managed growth have combined to limit the availability of construction sites for new homes in many parts of the country. The Federal government exacerbated the problem by posing a moratorium on construction of Federally-assisted housing in 1973.[5] Although no longer in effect, this created a serious shortage in housing available for the moderate and middle income families seeking a home.

Many of the families faced with this shortage have turned to the inner-city for housing. Many members of these families grew up in the homogeneous subdivisions built to accommodate the population increase following World War II. They have a desire for variety in texture and type in housing that is frequently not found in the suburbs but can often be found in the inner-city. These individuals also appreciate the craftsmanship often found in the inner-city housing stock

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[5]J. Thomas Black, Allen Borut, and Robert Dubrinsky, Private Market Housing Renovation in Older Urban Areas (Washington: Urban Land Institute, 1977), p. 2.

and the variety of lifestyles offered by inner-city living.[6] Because of these reasons, and the fact that inner-city homes are frequently available at a significantly lower cost than suburban single-family homes, these families are purchasing inner-city homes.

According to data compiled by the National Association of Realtors, the average price of an existing single-family home had reached $57,900 in February 1980.[7] This represents an increase of 15.7 percent above the price of a similar home in 1978. The Knoxville housing market has not escaped the increase in the price of an existing single-family home. In 1973, the average single-family home in Knoxville sold for $24,048. This price rose to $52,500 at the end of the first quarter of 1980.[8] This represents an increase of 118 percent in the average selling price of an existing single-family home in Knoxville during this seven-year period.

Inner-city housing in Knoxville has also experienced an increase in selling price. Despite this increase, inner-city housing in need of repair can be purchased in the $15,000-$25,000 price range, rehabilitated as needed, and still be

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[6]James Biddle, "Why Are We Seeing an Emergence of Rehabilitation in the Inner City and Who Is Doing It?" House Beautiful, 120, No. 9 (1978), pp. 112-114.

[7]Telephone conversation with Chattanooga Board of Realtors, March 19, 1980.

[8]Telephone conversation with Donna Rudd, Knoxville Board of Realtors, May 13, 1980.

significantly cheaper than the purchase of an existing suburban single-family home. The cost of rehabilitation can be reduced in many cases by the owner performing the rehabilitation and bringing in skilled craftsmen only for the highly technical tasks such as electrical wiring and plumbing. If the owner does not elect to perform the rehabilitation tasks, an additional investment of $5,000-$15,000 can give the owner a home that is in conformance with applicable codes at a cost less than that of an existing suburban single-family home.[9] Additional advantages inherent in inner-city housing rehabilitation are the absence of site preparation, the existence of service infrastructure, and the additional mass that was built into many older homes.

Changes in national demographic trends have created an increase in childless and single-person households. Since 1970, the number of households consisting of singles, married couples, or unrelated individuals without children has increased by 2,708,000, or 71 percent of the total increase in the number of all types of households.[10] There has also been an increase in the 20-35 age group. This age group has been singled out as performing most of the private market

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[9]Examination of selling prices listed in Sunday Knoxville News-Sentinel editions for unrehabilitated or partially rehabilitated homes in the study area, June-July, 1979.

[10]U.S. Bureau of the Census, Statistical Abstract of the U.S. 1974 and Current Population Reports, Series P20-276, February 1975.

nonsubsidized housing rehabilitation in previous studies. The increase in this age group has paralleled the increase in managerial, technical, and professional jobs in the central city.[11] Many of the individuals in the 25-30 age group are filling these positions, earning good incomes, and are oriented to the cultural and social opportunities available with inner-city living.[12] They are also able to afford nonsubsidized rehabilitation on the homes they purchase in the inner-city.

Because of the previously cited events and trends, the rehabilitation of inner-city housing stock is becoming a rapidly growing phenomena. To date there have been very few attempts to pinpoint the reasons for it other than those stated generalizations.

Statement of Purpose

Several purposes were served by this research. The first purpose was to provide current data on the socio-economic characteristics of the individuals performing private market nonsubsidized inner-city housing rehabilitation in Knoxville, Tennessee. Surprisingly little data exist pertaining to the race, marital status, size of

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[11] J. Thomas Black, Private Market Housing Renovation in Older Urban Areas, p. 3.

[12] Ibid.

household, number of children in each household, age of head of household, occupation of head of household and spouse, annual household income, length of residence at present address, and location of previous residence. This study collected these types of data specific to three inner-city neighborhoods in Knoxville.

Ascertaining the degree of importance of public services to the rehabilitators is another purpose of this research. The services assessed were: street and sidewalk improvement; street lighting; construction or upgrading of schools; creation or upgrading of parks and recreation facilities; and the upgrading of sanitary, police, and fire services. These services were ranked in order of importance of influence in encouraging continued rehabilitation in the inner-city neighborhoods in Knoxville. This information should assist planners and service providers in assuring that the public service needs of inner-city neighborhoods are met, thereby making them more desirable for rehabilitation.

An examination of the availability of funds for the acquisition and rehabilitation of inner-city housing in Knoxville was also an objective of the study. The percentage of the purchase price covered by the mortgage, the amount spent on rehabilitation of the homes, and the source of financing for the acquisition and rehabilitation were questions specifically addressed. It was felt that the information gained would indicate the degree of support for

the rehabilitation movement by the local lending institutions, a factor found to have significant influence on the success of a rehabilitation movement. These questions were also an attempt to determine if funding was becoming increasingly available in Knoxville as it had been reported in other cities.

Another purpose of the research was to learn what form the rehabilitation itself was taking. The information sought included specific tasks involved, whether they were performed by the rehabilitators or by professional contractors, previous construction experience within the rehabilitation household, and problems encountered in the rehabilitation process. Data in these areas could be used in preparing seminars for rehabilitators. Knowing what assistance was available could provide impetus to those considering involvement in inner-city housing rehabilitation.

Finally, the research was conducted to obtain information directly from the rehabilitators as to their reasons for purchasing and rehabilitating homes in an inner-city neighborhold in Knoxville. Specific data of such nature should be valuable to planners, city officials, and interested citizens in their efforts to encourage the continuation of inner-city housing rehabilitation in Knoxville, Tennessee.

Methodology

This study was conducted to ascertain the occurrence of rehabilitation, characteristics of the rehabilitators, and various other questions designed to give local planners and other officials insight into the phenomena of private market nonsubsidized inner-city housing rehabilitation in Knoxville.

The 15 census tracts designated as rehabilitation areas by the Knoxville-Knox County Metropolitan Planning Commission in August 1976 contained 20,575 dwelling units, 31 percent of the city's total housing stock.[13] Because of the large number of dwellings located within these rehabilitation census tracts, only three of these census tracts were proposed as the study area for this research. The census tracts selected for indepth study were tracts 3, 5, and 19 as shown in Figure 1. These census tracts were predominantly single-family residential areas, but they contain some multi-family units. These census tracts also contain less commercial land use than most of the other rehabilitation census tracts, and had a combined 1970 average income that was close to the average per capita income for the 15 census tracts designated as rehabilitation areas. The average age of the housing stock in these census tracts was older than other

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[13] Knoxville-Knox County Metropolitan Planning Commission, Knoxville's Neighborhood Revitalization Program: A Strategy for the Selection of Areas for Community Development Activities (Knoxville: Office of the Mayor, 1976), p. 173.

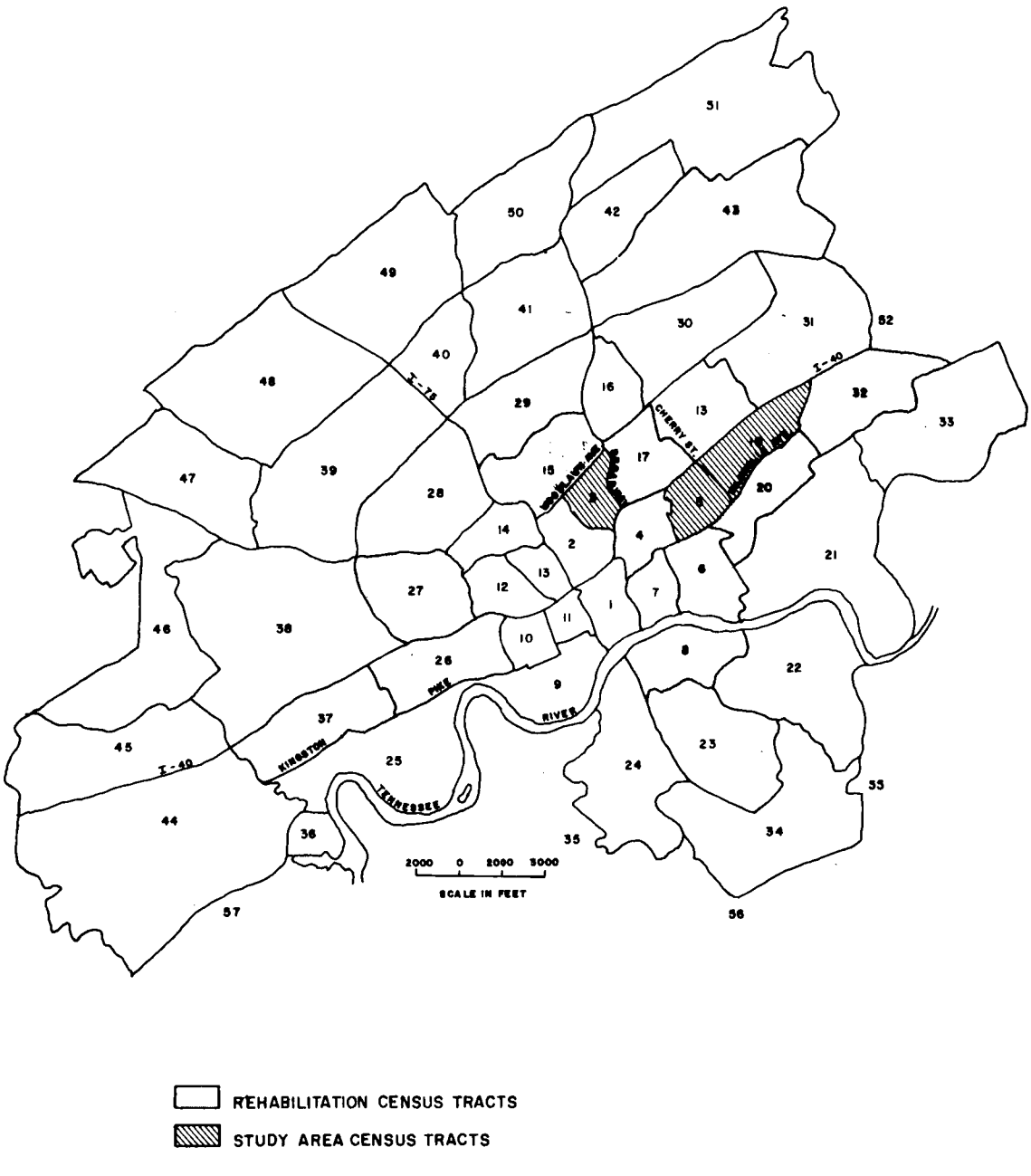

Figure 1. 1970 Census Tracts Knoxville & Vicinity.

rehabilitation census tracts. This was a factor used to select these particular census tracts in order to insure that the sample had the mass, variety of scale and texture, and architecture found attractive to inner-city rehabilitators.

The three census tracts selected for the survey contained approximately 1,428 dwelling units with an average household size of 2.55, according to 1970 statistics.[14] A detailed survey of this magnitude was not considered possible considering the time and, more importantly, the resources available for the research. Taking these constraints into consideration, a windshield survey was conducted to pinpoint rehabilitated homes that could potentially qualify as private market nonsubsidized rehabilitation.

The windshield survey revealed approximately 160 structures that were judged to have been rehabilitated since the early 1970's. In an attempt to further identify rehabilitated units in the study area, the city building inspector's office was contacted and the building permits issued within the study area from December 1972 through July 1979 were recorded. In a further attempt to locate houses that had been rehabilitated, a walking survey of the study area was performed. Through these efforts, a final list of 91 structures were identified as single-family owner-occupied

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[14] Ibid., p. 21.

housing units that had experienced some form of rehabilitation in the 1970's. Residents of 73 of the 91 structures were actually interviewed during this research. Each of the 73 structures had experienced some form of rehabilitation.

Survey Questionnaire

A questionnaire (see Appendix) was administered through the use of the interview technique to achieve as high a completion rate as possible. It was felt that a properly designed and executed interview should result in a completion rate of approximately 80 percent.[15] This type of survey also allowed the interviewer to probe for answers and possibly discuss general perceptions of the rehabilitators not covered in the questionnaire but of possible relevance to the study. The survey instrument itself consisted of 27 questions. The questions dealt with the five areas specified as the purpose of the research: socioeconomic characteristics of the rehabilitators, the amount of rehabilitation performed on each home, the financing of the acquisition and rehabilitation of each home, the reasons the rehabilitators chose to move into the study area, and the importance of the availability of public services as perceived by the rehabilitators to the rehabilitation movement.

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[15]Earl R. Babbie, Survey Research Methods (Belmont, California: Wadsworth Publishing Co. Inc., 1973), p. 173.

Organization of the Thesis

Chapter II of this study traces the progression of the public sector efforts at stimulating inner-city housing rehabilitation in Great Britain, France and the United States. The European programs are compared to the programs in the United States and the similarities and differences are noted.

Chapter III presents an examination of three American cities that are experiencing private market nonsubsidized inner-city housing rehabilitation activity. These cities are Atlanta, St. Louis, and Dallas. This chapter also presents information derived from this three-city overview detailing the characteristics of the inner-city rehabilitators and the rehabilitation areas in these cities.

Chapter IV deals with the methodology of the study. Specific criteria were established to facilitate the selection of three study areas from the 15 potential rehabilitation census tracts identified in Knoxville. The study areas are described in relation to these criteria. The structure of the Survey Instrument, the process of identifying subjects for the study and the administration of the survey are also presented.

Chapter V contains the results of the survey conducted for the study. Information relating to the socioeconomic characteristics of the inner-city housing rehabilitators in

the Knoxville study areas, the type and amount of rehabilitation being performed on the homes in the study areas, the financing of acquisition and rehabilitation of the homes, the reasons given by the respondents for moving into the study areas, and the adequacy of public services available in the study areas as perceived by the rehabilitators is presented in this chapter.

Chapter VI presents a summary of the information obtained through the study. Conclusions that can be drawn concerning inner-city housing rehabilitation in the study areas and recommendations for stimulating private market inner-city housing rehabilitation are also discussed.

CHAPTER II

PUBLIC SECTOR HOUSING REHABILITATION EFFORTS IN GREAT BRITAIN, FRANCE, AND THE UNITED STATES

In order to provide a better understanding of the development of inner-city housing rehabilitation in The United States, an overview of housing rehabilitation programs in Great Britain and France will be presented. The European programs will be examined in an historical context showing the chronological progression of these programs and how each program has addressed problems similar to those associated with inner-city housing rehabilitation in The United States.

Historically, Americans have looked to Europe as an example in such fields as law, fine arts, and the sciences. It is only natural that programs seeking to preserve the cultural, economic, and physical heritage represented by older housing areas should look to European housing rehabilitation programs for ideals and principles which may be of value in solving problems presented by housing rehabilitation efforts in The United States.

Housing Rehabilitation in Great Britain

British efforts aimed at maintenance and rehabilitation of existing housing stock date from the Artisans and Laborers Dwellings Act of 1868, more commonly known as the Torrens Act.

The Torrens Act made it the duty of owners to keep their homes in good repair and if the owners failed to maintain their homes, local authorities were empowered to close the homes as unsafe and unsanitary.[1] This legislation was the basis for the principle that the State could override property rights of the individual in the interest of public health, a forerunner of modern-day police powers used by municipalities in The United States. Rent was raised to finance maintenance, thus producing a gap between the rent-paying capacity of working-class families and the cost at which low income housing could be provided.

The British government felt that rent controls were required in order for low-income families to be able to afford adequate housing. Legislation was passed in 1915 to provide a rent control mechanism, causing economic dissatisfaction among those in the private sector who provided low-income housing. The private sector feared that, although the rent controls applied only to existing structures, there was no security that future legislation would not bring new construction under similar restrictions.[2]

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[1]J. B. Cullingworth, Housing and Local Government (London: Simson Shad, Ltd., 1966), p. 16.

[2]Ministry of Health, Final Reports of the Departmental Committee on the Increase of Rent and Mortgate Interest (Restriction) Act, 1920 (ONSLOW REPORT), Cmd. 1803, HMSO 1923. As cited in J. B. Cullingworth, Housing and Local Government (London: Simson Shad, Ltd., 1966), p. 18.

Realizing that the private sector could not cope with the economic hardships created by the rent control mechanism, the British government passed its first law specifically designed to stimulate housing improvements. The Housing Act of 1919 empowered local authorities to acquire, alter, enlarge, repair, and improve properties so as to make them suitable for low-income housing.[3] Loans were made available to private landlords for the same purposes.[4]

The Housing Act of 1926 provided basically the same subsidies to low-income owner-occupants. To be eligible for grants under the program, structures had to have an assessed minimum value as specified in the Act.

Housing rehabilitation legislation continued with the passage of the Town and Country Planning Act of 1944. Local authorities were given the power to acquire buildings and make short-term improvements, known as "patching," to extend their use while awaiting clearance and redevelopment that was necessary as the result of World War II.[5] The Housing Act of 1949 followed and extended public subsidies for housing rehabilitation to all sectors of the community. Grant availability was extended to private home owners and long-term

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[3]Ibid., Section 12.

[4]Ibid., Section 22.

[5]J. Robert Dumouchel, European Housing Rehabilitation Experience (Washington: National Association of Housing and Rehabilitation Officials, 1978), p. 10.

lease holders. The grants provided for up to 50 percent of the approved cost of rehabilitation on properties with a remaining useful life of at least 30 years. Grants for rental property specified that the yearly rent increases could not exceed 6 percent of the landlord's expenditures for rehabilitation. Monies were dispersed at the discretion of local authorities and voluntary efforts were encouraged.[6] It should be pointed out that the term "local authorities" is used to denote local units of government and does not refer to the concept of local housing authorities as used in The United States.

The desire to repair war-damaged structures was probably the motivating factor in the passage of the majority of British legislation aimed at housing rehabilitation. The 1944 Act, with its provision for short-term improvements, was an outgrowth of the realization that an extensive time period would be required to completely clear and rebuild war damage and that buildings could remain in use for a number of years if rehabilitated. Rehabilitation would take considerably less time than rebuilding. Early British rehabilitation programs focused on the housing stock itself rather than the socioeconomic standing of the inhabitants.[7]

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[6]Simon Pepper, Housing Improvement: Goals and Strategy (London: Lund Humphries Publishers Limited, 1971), p. 123.

[7]Dumouchel, p. 11.

The results of these early housing rehabilitation programs were disappointing. There were several reasons that the programs were not as successful as the British government had anticipated. Stringent administrative and qualifying requirements combined with a general bias on the part of local authorities against the improvement concept created the basic constraints experienced by the early programs. Rehabilitation work had to be performed at a level specified by the British housing rehabilitation code. The "patching" program did not meet these rehabilitation code requirements, thus creating problems with grant procurement and successful completion of the proposed rehabilitation.

The British government was sensitive to this weakness in their early programs designed to encourage housing rehabilitation. The Housing Repairs and Rents Act of 1954 sought to alleviate these problems through the following provisions: reducing the remaining useful life requirement on housing from 30 to 15 years; lowering the standards required for the rehabilitation activity to be eligible for grants; allowing landlords to adjust rents following improvements to rental properties; providing subsidies for short-term improvements, "patching" of housing with a remaining useful life of five to 15 years.[8]

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[8]Pepper, p. 123.

The House Purchase and Housing Act of 1959 introduced the Standard Grant for the provision of the five basic amenities. The five basic amenities consisted of: an inside toilet or water closet, a fixed bath in a bathroom, a wash-basin, a sink, and hot and cold water at three points in the home.[9] The Standard Grants could be used only for these basic improvements. The Standard Grants were available to any residential property owner on request.

The rehabilitation trend in housing legislation continued in 1964, when local authorities were given the power to require compulsory improvement of tenant housing within designated "improvement areas" to the full Standard Grant level. This required that each dwelling contain the five basic amenities. The upgraded housing had to have a remaining useful life of 15 years or more. If the owner of a structure refused to bring it up to the Standard Grant Level, local authorities could undertake the improvements using the same type of improvement grant.[10]

The Housing Act of 1969 was the most comprehensive legislation concerning housing rehabilitation initiated by the British. Six major new features were introduced: grants for environmental improvements and procedures for the declaration of General Improvement Areas; increased

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[9]Dumouchel, p. 7.

[10]Ibid., p. 11.

Discretionary Grants (for general improvements) and Standard Grants; introduction of Special Grants for improvements to multi-family housing; a general relaxation in grant limitations; the inclusion of repair expenses in the allowable costs; and increased the allowable cost of acquisition and conversion or improvements eligible for assistance. The Act provided for repeal of the compulsory improvements section of the 1964 Housing Act and also provided for decontrol of rental fees on improved rental housing units. The latter provision was specifically designed to induce landlords to participate in the new programs provided by the 1969 Housing Act.[11]

Housing legislation passed in 1971 was significant in that it increased the percentage of improvement costs available from grants. As a result, the number of persons applying for grants increased measurably.[12]

The Housing Act of 1974 is the most inclusive effort by the British government aimed at inner-city housing rehabilitation. This legislation provided for the designation of three "target" areas which could be eligible for various forms of improvement assistance. These designated areas are Housing Action Areas, General Improvement Areas, and Priority Neighborhoods.

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[11]Pepper, p. 125.

[12]Dumouchel, p. 14.

Housing Action Areas (HAAs) are neighborhoods considered to have the worst deteriorated housing, usually consist of 200 to 400 units, and can maintain the designation for five years with two one-year extensions. In HAAs, local authorities are empowered to: acquire land "to further the objective of improving living conditions"; require landlords to give prior notice of their intention to dispose of property and to notify local authorities whenever they serve an eviction order; and initiate compulsory improvements.[13] Grants for home improvements within HAAs covered 75 percent of the total cost of rehabilitation and 90 percent in hardship cases.

General Improvement Areas, continued from the 1969 Act, is a designation for basically sound areas. Improvement grants were made available to maintain the stability of the neighborhood and appealed primarily to voluntary efforts by owner-occupants. Grant funds were provided to cover up to 60 percent of the total cost of rehabilitation.

Priority neighborhoods are basically sound areas which are contiguous to deteriorating neighborhoods. The rationale for this designation was to provide assistance in an attempt to prevent housing deterioration from spilling over into a stable area.

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[13]Ibid., p. 17.

The current problems arising in Great Britain's efforts at housing rehabilitation are similar to those in The United States. Housing stock in the inner-city is usually in poorer condition than that in the suburbs. Because of the demand for housing, many of these homes are being sold by their owners to middle-class families who are converting them from multi-family rental units to single-family owner-occupied units, thus creating areas of gentrification. Gentrification is the takeover of low-income housing units by middle- and upper-class families. This is occurring in the inner-cities of Great Britain, especially London.[14]

The major area in which Great Britain's housing rehabilitation situation differs from that of The United States is in the practice of "municipalization." Municipalization is the power of local authorities to purchase, improve, and manage large quantities of privately owned rental housing for use as low-income rental housing owned and maintained by the local level of government. Approximately 30 percent of the housing stock in England and Wales is owned by units of local government under this program. In general, the British have been willing to spend more money on rehabilitation of existing housing stock to meet the objectives of the rehabilitation programs than on new construction.

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[14]Ibid., p. 7.

Housing Rehabilitation in France

The French efforts at stimulating housing rehabilitation date from an 1852 law which called for mandatory resurfacing of buildings.[15] The law pertained to buildings in designated cities and was carried out in accordance with plans established by local authorities. Included in this law were provisions for resurfacing facades and cleaning stairways and corridors every 10 years on buildings facing streets or courtyards. The law is cited as operative legislation in current French government publications.

The French efforts at housing rehabilitation continued with a law passed in 1913 which called for the protection of historically significant structures and their surroundings. In 1914 the French government enacted a nationwide system of rent controls which depressed the rate of new construction in the 1920's and 1930's. This legislation created an added dimension to the problem of replacing war-damaged housing as late as the 1940's. Attempts were made to alleviate the problem when emergency measures were passed between 1945 and 1948 to finance new housing construction and for the repair of war-damaged structures. The National Fund for the Improvement of Housing was established to administer the housing

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[15] Ibid., p. 38.

program and received its funding from a tax on leases covering rent-controlled dwellings.

The period from 1950 to the late 1960's saw several laws enacted aimed at encouraging housing rehabilitation. A law passed in 1966 provided mortgage loans and housing saving fund loans to owners to rehabilitate their properties. Legislation enacted in 1967 permitted either an owner or tenant to perform work that upgraded housing units to minimum standards of habituation if the other party did not object. This law allowed a tenant who performed the rehabilitation to recover the cost of the rehabilitation when he vacated the premises. The cost of rehabilitation that could be recovered by the tenant under this act was reduced at a rate of 6 percent per year. From 1958 to 1971, the French program had three major thrusts to encourage housing rehabilitation: progressive relaxation of rent controls on improved units; direct subsidies to tenants to offset the ensuing higher rents; and increased tax deductions to owners for the cost of rehabilitation of rental units.[16]

French Housing policy, beginning in 1970, demonstrated an increased interest in preserving and upgrading inner-city housing stock, with an emphasis on providing housing for families of modest income. The new emphasis was called the "Sixth Plan." When the "Sixth Plan" was introduced, the

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[16]Ibid., p. 37.

French housing situation was very similar to that in The United States at that time. There had been an exodus of middle- and upper-income families, along with industry and commerce, to the suburbs. Previous French efforts directed at inner-city housing rehabilitation had led to the takeover of redeveloped areas by the affluent and a subsequent overpopulation problem in the slums.

The "Sixth Plan" addressed the survival of older inner-city neighborhoods. Assistance was provided to people who were affected by the rehabilitation programs, as well as to the structures. The program made available five basic subsidies to eligible individuals. One of these was a subsidy provided by the National Agency for Improvement of Housing for specific repairs or improvements on a fixed price basis to either owner or tenant. The grant paid for up to 50 percent of the cost of rehabilitating the structure.

Other subsidies made available by the "Sixth Plan" were: rural housing rehabilitation grants available to owner-occupants or to landlords renting to agricultural workers; grants provided by the Ministry of Cultural Affairs for rehabilitation of structures designated as historically significant; retirement fund loans available to retirees with specified limited incomes; and Building Society Credit Loans available to owner-occupants within specified income

ranges to purchase homes over 20 years old.[17] These loans were made available at reduced interest rates and could cover the cost of acquisition and rehabilitation and/or enlargement of structures.

Under the "Sixth Plan," the National Agency for Improvement of Housing coordinated its activities with the Ministry of Equipment, the agency concerned with land, planning, housing allocation, and tourism. Through the joint program, the Ministry of Equipment provided technical assistance to the housing rehabilitation effort throughout France. One of the technical services recently developed by the Ministry of Equipment is a method of rapid estimation of the cost of rehabilitation of individual structures. The system employs a four-point code to classify the condition of each component of a dwelling. It is claimed that with this system, an inspection can be completed within 10 minutes, yet is considered to be accurate within 10 to 15 percent of actual rehabilitation costs. The system can be used by essentially untrained individuals when used with a technical guide along with the survey forms.[18]

In recent years, the Ministry of Equipment has continued to develop technology to assist the rehabilitator in the areas of heating, building materials, insulation, and time

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[17] Ibid., p. 48.

[18] Ibid., p. 49.

management. Tax deductions were made available for energy efficiency efforts. The French housing rehabilitation programs have placed their main focus on providing assistance to the rehabilitator.

Housing Rehabilitation in The United States

The rehabilitation of existing housing stock was formally recognized as a problem by The United States government at the President's Conference on Home Building and Homeownership in 1931. The conference examined the financial hardships associated with homeownership and the inadequacies present in the home construction and rehabilitation programs in The United States. There have been many subsequent efforts by the Federal government aimed at easing the burden of homeownership from the establishment of the Federal Home Loan Bank Board in 1932 to the Housing and Urban Development Act of 1977.[19] However, the Federal government has been slow in formulating programs which encourage rehabilitation of existing housing stock in the center cities.

The first legislation which identified the problems posed by deteriorating or substandard inner-city housing stock was the Housing Act of 1949. Recognizing the problem of deterioration of existing housing stock, the Act created

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[19]United States Department of Housing and Urban Development, Housing in the Seventies, (Washington, D.C.: U.S. Government Printing Office, 1974), p. 7.

a system for the removal of the deteriorated housing through urban redevelopment. The rehabilitation potential of this housing stock was ignored in 1949. However, housing rehabilitation was strongly emphasized by the Senate Banking and Currency Committee in its report on the first major revision of the 1949 Act, the Housing Act of 1954. In the report, the committee went on record as "desiring to clear out structures in rock-bottom slum areas," while providing for the "conservation and rehabilitation of blighted areas which are economically worth saving."[20]

The Housing Act of 1954, as the result of the Senate Committee report, eliminated the requirement that urban renewal areas must be bulldozed.[21] Despite the strong emphasis on housing rehabilitation in the report, the Housing Act of 1954 only mentioned housing rehabilitation by defining an "urban renewal project" to include both slum clearance and rehabilitation activities. Section 220 of the Act permitted the Federal Housing Administration (FHA) to insure mortgages for providing funds for rehabilitation of existing housing stock within urban renewal projects. Mortgages could be for as much as $20,000 for one- or two-family structures, with higher limits for multi-family structures. Apart from this

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[20]Senate Report 1472, 83rd Congress, 2nd Session, p. 40.

[21]HUD, p. 9.

section, no other funds were provided for rehabilitation of existing housing stock within urban renewal areas.[22]

Prior to the Housing Act of 1961, housing rehabilitation was an often mentioned but rarely encouraged subject. The Housing Act of 1961 created two rehabilitation programs. Section 102(a) provided that the FHA could insure loans for repairs and rehabilitation of homes and apartments in urban renewal areas. The loans could run for 25 years with a maximum interest rate of 6 percent.[23] The Federal National Mortgage Corporation was authorized to purchase these loans from private lenders as a means of encouraging private lenders to make rehabilitation loans.[24] Direct financial support for rehabilitation was also authorized. Under a special program intended to demonstrate the feasibility of rehabilitation, structures could be purchased, rehabilitated, and resold by the local urban renewal authority as part of the project. The total number of rehabilitated units could not exceed 100 or 5 percent of the total units in the project, whichever was less. The Act also provided $75 million to be used for grants to plan rehabilitation programs.[25]

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[22]Irving H. Welfeld et al., Perspectives on Housing and Urban Renewal (New York: Praeger Publishers, 1974), p. 193.

[23]P.L. 70, 87th Congress, Section 102(a).

[24]Senate Report 281, 87th Congress, 1st Session, p. 11.

[25]P.L. 70, Section 307.

The Housing Act of 1964 played a larger role in the encouragement of housing rehabilitation. Section 312 authorized rehabilitation loans in urban renewal areas, code enforcement areas, and areas likely to become either. An interest rate reduction subsidy was included in these loans. Direct Federal loans with terms up to 20 years and bearing interest rates at 3 percent were made for the improvement of residential and nonresidential properties.[26] The Act also permitted the use of urban renewal funds to enforce housing codes in urban renewal areas.

Section 115 of the Housing Act of 1965 made available rehabilitation grants for individuals or families who owned or occupied residences in eligible areas. Federally assisted urban renewal areas, federally assisted code enforcement areas, and areas certified by local governing boards as containing a substantial number of structures in need of repairs and definitely planned for rehabilitation or code enforcement within a reasonable period were considered for grants.

The Housing and Urban Development Act of 1968 contained three major sections aimed at encouraging inner-city housing rehabilitation. Section 223(a) provided mortgage insurance for housing in declining neighborhoods. Under this program, the Federal Housing Administration was authorized to insure

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[26]P.L. 560, 88th Congress, Section 312.

mortgages financing the repair, rehabilitation, construction, or purchase of housing stock in older, deteriorating urban areas where normal eligibility requirements under a particular program could not be met. Usual economic soundness and economic life requirements were waived, and decisions concerning location eligibility were based on individual merit and the need for housing for low- and moderate-income families. Section 235 provided a homeownership subsidy for moderate-income households using newly constructed or rehabilitated single-family units. The subsidy combined an interest rate reduction, an extended loan term, and increased loan coverage for owner-occupants. Section 236 provided basically the same subsidy to moderate-income households in newly constructed or rehabilitated multi-family units.

In January 1973, the President called a moratorium on all FHA subsidies. The moratorium, which extended beyond the housing subsidy programs, included urban renewal, model cities, and related Department of Housing and Urban Development (HUD) programs for inner-city improvement.[27] There were three major reasons for the moratorium: the high costs of the HUD programs; a major reorganization of HUD and FHA which had destroyed effective control of the field offices; and a feeling among the HUD and FHA staff that there

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[27]M. Carter McFarland, Federal Government and Urban Problems (Boulder, Colorado: Westview Press, 1978), p. 145.

was too much emphasis on quantity instead of quality in the federally sponsored housing programs. This created a reduction in the FHA staff, due to retirement and movement to private industry by qualified people.[28] Because the 1973 moratorium affected most of the HUD programs designed to encourage homeownership, the moratorium helped create the housing shortage which now makes inner-city housing rehabilitation popular and economically feasible.

The Housing and Community Development Act of 1977, the most recent legislative effort that addresses housing rehabilitation at the Federal level, extended the Section 312 housing rehabilitation loan program, expanded rehabilitation activities eligible for funding and provided assistance to local governments for these activities, authorized lump-sum drawdowns of Community Development Block Grant (CDBG) funds for rehabilitation, established new emphasis for rehabilitation in housing assistance plans, and made neighborhood revitalization one of the two primary objectives of the new Urban Development Action Grant (UDAG) programs. Also included in this legislation were provisions which: encouraged use of Section 8 housing assistance to rehabilitate housing; increased loan ceilings under FHA Title I home improvements; and encouraged private financial institutions to make

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[28]Ibid., p. 147.

available property improvement funds in low and moderate income neighborhoods.[29]

Similarities of European and United States Housing Rehabilitation Programs

The examination of the public housing rehabilitation programs in Great Britain, France, and The United States reveals that the problems faced by all three countries are very similar. Problems involving housing abandonment, temporary relocation, expediting construction activity to avoid undue disruption of the lives of households occupying structures undergoing rehabilitation, increased rents after rehabilitation, and improving the rehabilitation systems and technology are some of the problems experienced by each of the public sector programs

In many regions of the three countries, there is a shortage of housing which has forced housing policymakers, both public and private, to give more attention to the need to improve the conditions of the existing housing stock in older neighborhoods.[30] The housing shortage has been exacerbated by increasing affluence, creating a desire and ability to afford homeownership among moderate- to middle-income groups. In view of the rapidly rising costs associated

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[29]Sheryl J. Lincoln, "Journal of Housing," NAHRO, December 1977, Number 11, p. 559.

[30]Dumouchel, p. 78.

with new housing, the older housing stock appears to be the most likely target for home purchases by this group.

The growing demand for homeownership among this group has revived interest in the well-being of older center-city housing. Because of the similarities shared with the European programs, there should be some basic concepts or techniques from these programs that could be incorporated into housing rehabilitation programs in The United States. It should be pointed out that European housing rehabilitation programs function in the context of national economic systems and, sometimes, in cultures fundamentally different from our own.[31]

Differences between European and United States Housing Rehabilitation Programs

Great Britain and France exercise national systems of rent control. There is no rent control program in effect at the national level in The United States. Even between Great Britain and France, there are differences in how the rent control systems are operated and accepted. The British rent control system is generally viewed as hindering the accomplishment of national housing objectives. Landlords have little incentive to participate in rehabilitation programs. As a result, local authorities and housing associations often

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[31]Ibid., p. 79.

end up purchasing houses and rehabilitating them with public funds. In contrast, the French system of rent controls permits the private owners of rental housing to increase rents after rehabilitation has been performed. The effectiveness of this system is dependent on the fact that the housing allowances to tenants of rental housing is increased accordingly so that the tenant does not have to bear the entire burden of rehabilitation. If enacted in The United States, a rent control system would have to allow for rent increases similar to those allowed by the French system for rehabilitated structures.

Another area where the British programs differ from the United States housing rehabilitation programs is the level of political commitment for housing rehabilitation, both locally and nationally. As an example, every city council in Great Britain has a housing committee. Europeans seem to have an awareness that resources are not unlimited and therefore not to be wasted. Preventive maintenance as well as basic housing upkeep are an accepted way of life in Europe. This is apparent in the concern for conservation of existing housing stock as a man-made resource. This attitude is not found in The United States, especially in regard to older inner-city neighborhoods.[32]

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[32]Ibid., p. 78.

French housing policies, including rehabilitation policies, are subservient to the country's economic plan. Government-sponsored housing programs are considered as instruments to stimulate or temper the national economy according to the needs identified by national planners. In contrast, American housing policies concerning the provision of housing assistance to low- and moderate-income groups, including rehabilitation, are seen largely as means of fulfilling social objectives only. The development of assisted housing programs is seen essentially as a burden on the Federal budget, contributing to budget deficits and inflation, rather than as a contribution to the national economy.

Because of the economic or "objective" emphasis of the housing rehabilitation programs in Great Britain and France, a number of techniques have been developed for measuring housing quality, basic rehabilitation potential, and cost estimation ranges on a national scale, as well as on a community or neighborhood scale. The British have a very good system for measuring housing quality and, subsequently, are able to formulate objectives for the housing goals such as the number of dwelling units to be improved. The French have developed a method of measuring housing quality that can provide the approximate cost of rehabilitating a structure by basically untrained inspectors.

The European systems have established different levels of rehabilitation that can be accomplished under each rehabilitation program. The British programs are geared toward either 15 or 30 years of remaining useful life for the structure. American housing rehabilitation efforts do not distinguish between types of structures, age, or anticipated remaining usefulness.

It is obvious that it is not possible for public programs to meet all the needs presented by rehabilitation of existing housing stock. Although various programs in The United States have evolved to a point that public and private funds can often be used simultaneously to accomplish housing rehabilitation, the private sector still performs housing rehabilitation at a rate equal to or above the Federally subsidized 312 loan program in older center-city areas.[33]

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[33]J. Thomas Black, "Private Market Housing Renovation in Central Cities: A ULI Survey," Urban Land, November 1975, p. 3.

CHAPTER III

CURRENT TRENDS IN PRIVATE MARKET NONSUBSIDIZED HOUSING REHABILITATION IN THE UNITED STATES

Introduction

The public sector's limited response to the housing problems plaguing America during the decades of the 1960's and 1970's, a shortage of housing, and spiraling costs associated with homeownership has encouraged private sector housing rehabilitation. The exact number of houses rehabilitated through private market efforts will probably never be accurately assessed on a national level. The best effort, to date, aimed at documenting private market rehabilitation was a survey conducted in 1975 by the Urban Land Institute. The survey revealed that private market rehabilitation was taking place in at least half of all cities with a population of 50,000 or more.[1] The South was found to be the most active rehabilitation region, with approximately 60 percent of the center-city areas experiencing private market housing rehabilitation.

Three brief case studies of cities experiencing inner-city private market housing rehabilitation will be

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[1]J. Thomas Black, "Private Market Housing Renovation in Central Cities: A ULI Survey," Urban Land, November 1975, p. 6.

presented to give an overview of this type of activity. Atlanta, Dallas, and St. Louis are the three cities examined. Atlanta and Dallas are in the census region experiencing the greatest rehabilitation activity. St. Louis was selected because of a unique feature in the Missouri state law which facilitates housing rehabilitation and because of a special effort by the Federal National Mortgage Association (FNMA) to provide funding for housing rehabilitation in 15 selected inner-city neighborhoods in St. Louis.

Atlanta[2]

Atlanta's Inman Park was originally platted in the late 1880's. Some of the more prominent families in Atlanta built homes there. During the 1890's, the area was linked to the central business district by streetcar. The area became an upper income garden suburb with curving, tree-lined streets with a central park, a lake, and large lots and houses. Inman Park remained a stable neighborhood until after World War II, when rapid changes began to occur. Large single-family houses were converted to apartments or rooming houses as changes in zoning during the 1950's allowed this trend to continue. The residents of Inman Park moved to the suburbs

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[2]The information for this section was largely drawn from J. Thomas Black, Allen Borut and Robert Dubinsky, Private Market Housing Renovation in Older Urban Areas (Washington, D.C.: Urban Land Institute, 1977), pp. 13-18.

and the area's housing stock deteriorated. The deteriorated housing stock was accompanied by an increased crime rate and a transient population.

The trend of deterioration was halted when an Atlanta decorator, Robert Griggs, purchased a home in the area priced in the low $20,000 range and began to rehabilitate it. The rehabilitation was completed in 1969, and was shown to over 600 people at a large open-house held by Mr. Griggs. People were so impressed with what could be done that soon 10 houses were being rehabilitated.[3]

In 1973, the new residents of Inman Park were able to get the area placed on the National Register of Historic Places as Atlanta's first historic district. Through their neighborhood association, the residents have been able to stop a proposed segment of an interstate highway from running through the neighborhood and prepared a zoning proposal to down-zone the area which was approved by the City Council.[4]

With few exceptions, the rehabilitators of Inman Park are home-buyers or present owners who are rehabilitating their homes for their own use. The residents already living in Inman Park try to discourage speculative rehabilitation by outside investors, preferring that the older homes be

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[3]Ibid., p. 15.

[4]Black, Private Market Housing Renovation in Older Urban Areas, p. 15.

purchased by individuals planning to live in the neighborhood. The Inman Park homebuyer/rehabilitators are generally professional people who work in or around downtown Atlanta.

For the Inman Park rehabilitators, one of the greatest obstacles they had to overcome was obtaining the money to first buy the home and then to rehabilitate it. Until 1974, conventional mortgage credit was not available. The purchase of a home in Inman Park usually involved the assumption of an existing mortgage, a second mortgage financed by the seller, and a large downpayment.

Mortgage lenders in Atlanta had witnessed the decline of the area and did not understand attempts to "save" the dilapidated neighborhood. Many mortgage lenders believed the deterioration trend could not be stopped, and therefore the properties were not considered to have sufficient security for long-term loans. The risks were thought to be too great for them to be involved in such a lending program.[5]

Beginning in 1973, efforts were initiated by business and political leaders to change mortgage lending practices. In 1974, a report on center-city housing goals and policies prepared by Central Atlanta Progress, Inc. (CAP), an organization of private lenders and financial leaders in Atlanta, noted that:

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[5]William S. Jones and Dennis D. McConnell, "Reinvestment in the City: The Atlanta Story," FNMA Seller/Service, September-October 1976, p. 9.

> CAP and several members of the lending community have been exploring alternatives for making greater capital resources available to existing neighborhoods in and adjacent to the Central Area. The unique problems associated with appraisal, underwriting criteria, and actual mortgaging for close-in residential units is receiving intensive attention by CAP largely at the initiative of several lending institutions. Perhaps, the major stumbling block to single family home ownership in close-in areas is the inability of buyers to obtain adequate mortgage financing for 20 and 30 year old units which lend themselves ideally to restoration and modernization. The concept now being pursued is the creation of a special mortgate pool for close-in neighborhoods; this should be a major component of any private-public cooperative effort.[6]

As an outgrowth of this effort, several conferences were held by mortgage lenders to discuss the establishment of a pool of funds to support inner-city mortgage lending. Although the lender did not ultimately establish a special pool of funds for loans to inner-city properties, each member of the group pledged to lend a certain amount in the inner-city over the next five years. At the end of September 1976, $62.5 million had been pledged.[7] The successful implementation of the inner-city lending program in Atlanta indicates that lenders are recognizing that the rehabilitation movement is real and that mortgage loans on older homes can

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[6]Central Atlanta Progress, Inc., Back to the City: Housing Options for Central Atlanta, June 1974, p. 55.

[7]Black, Private Market Housing Renovation in Older Urban Areas, p. 16.

be underwritten successfully, provided there is a familiarity with the market and the rehabilitation process.

One of the arguments against rehabilitation in any form, whether public or private, is whether it is really economically feasible. It is difficult to obtain summary statistics for the rehabilitation performed in Inman Park. Cost of acquisition, the extent of rehabilitation and its cost, and postrehabilitation values vary with the type, condition, size, and location of each structure, as well as the time at which all of this took place. Griggs' home, the first rehabilitated in Inman Park, was purchased in 1969 for $23,000 and was reportedly valued at $150,000 in 1977.[8] One might conclude that these rehabilitation efforts were indeed economically feasible.

The success of the rehabilitation of Inman Park shows that there is a strong demand for older housing in inner-city neighborhoods composed of predominately single-family structures that can be acquired and rehabilitated at a cost less than the replacement cost and that have some architectural or historical distinction. The Inman Park experience indicates that lenders generally may be reluctant to lend on normal terms in rehabilitation areas for several reasons: ignorance about what is going on in these areas and feelings by each lender that his individual action would be too risky

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[8]Ibid., p. 17.

and could put him at a disadvantage among his competitors. Education of the lenders and encouragement of collective action could help improve the financing situation in other cities.

Dallas[9]

Dallas's Munger Place is an old, once fashionable residential area located near the central business district that had experienced extensive deterioration of its housing stock, streets, and sidewalks. The area had lost many of its owner-occupants to the suburbs; and had become populated with transients. Munger Place consists of an area of more than 10 square blocks of houses built around 1900. The area was unique in its time due to certain deed restrictions attached to property in the neighborhood: lots were required to be a minimum of 10,000 square feet; yard setbacks, sidewalks and planting strips in street medians were to be uniform; utilities had to be located in alleys at the rear of the houses; and the houses were required to have integrity and character of structure and architecture. The neighborhood deterioration began during the Depression and continued through World War II. Munger Place was rezoned for

[9]The information for this section was drawn from Black, Private Market Housing Renovation in Older Urban Areas, pp. 19-25.

multi-family housing in the 1950's. Many of the houses were torn down or divided into apartments and rooming houses.[10]

The destruction of many of the older homes in Munger Place led a group of local residents to form a lobby in 1972 for the purpose of getting an area within Munger Place, known as Swiss Avenue, designated as an historic district. In July 1973, the Swiss Avenue area became an historic district and this designation caused a marked increase in popularity of Munger Place in general and in the historic district specifically.

The rehabilitation of Munger Place was exceptional in that all parties involved had a high degree of commitment and an uncanny ability to work together to reach the common goal of preserving and rehabilitating the housing stock in the area. The East Dallas Community Design Committee, the Historic Preservation League, and the Lakewood Bank and Trust Company worked jointly in an effort to encourage the rehabilitation in Swiss Avenue and then Munger Place as a whole.

Because the rehabilitation of the housing stock in Munger Place was a cooperative effort by several diverse groups, the process can be assessed in terms very similar to those of a typical land development. There were certain tasks that had to be carried out to insure the success of

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[10]Ibid., p. 19.

the project: acquisition of property, planning, construction, marketing and financing, and provisions for public services and facilities.

In the planning stages of the rehabilitation process, the Dallas Department of Urban Planning conducted a neighborhood environmental survey to learn what the residents of the older section of the city thought about their community and how other residents felt about these neighborhoods. The survey was conducted city-wide. A group of architects, working with the Historic Preservation League, prepared an architectural and historical survey of Munger Place in order to provide an overview of the physical structures, as well as to determine which structures were architecturally significant.

A revolving fund of $80,000 was established for the Historic Preservation League by the Lakewood Bank and Trust Company. The League was able to acquire or option 21 properties in Munger Place by mid-October 1976.[11] This figure represents close to 10 percent of the houses in the target area. Their goal was to generate interest in the area and to insure that purchasers were interested in rehabilitating the houses. The League was also concerned with maintaining the integrity of the original structures. Restrictions on appearance and use of the houses were

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[11]Ibid., p. 22.

incorporated in the deeds of those houses when they were resold.

The architects who prepared the survey and other staff members of the League, many of whom had experienced the rehabilitation process with their own homes in Swiss Avenue, shared their knowledge and expertise with new owners who had no experience with rehabilitation.[12] The Historic Preservation League also realized that the homebuyer who was interested in rehabilitating a house in the center-city had to be convinced that these structures were of value and worth the investment, as well as the effort required for rehabilitation. As a result of the League's contacts with the news media, along with the designation of the area as an historic district, interest in the area increased and Munger Place became one of the most popular inner-city residential areas of Dallas.

Although Munger Place was one of the most well-planned and thought-out rehabilitation efforts to date by the private sector, it still required availability of loans. The Lakewood Bank and Trust Company, located in the periphery of the Swiss Avenue historic district, was interested in the rehabilitation process in Munger Place, and took time to learn the steps involved in the rehabilitation of inner-city housing stock. When the Lakewood Bank gained this knowledge,

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[12]Ibid., p. 23.

it became the leading lending institution for the project and helped influence other lending institutions in the city to support the rehabilitation efforts in Munger Place.

The Lakewood Bank and Trust Company is presently involved in two specific rehabilitation lending programs. The first is a short-term rehabilitation loan program that assists owner-occupants in efforts to upgrade their homes. Led by the Lakewood Bank, a consortium of lenders have been formed and have agreed to lend up to $1,000,000 for rehabilitation over a three-year period from 1976 through 1977. The second program that Lakewood participates in involves the Federal National Mortgage Association's (FNMA) purchase of initial mortgages made by Lakewood in the Munger Place target area. FNMA's and Lakewood's commitment to the area amounts to $2,000,000 and is unique in that the purchase of the mortgage paper has been made one loan at a time.[13] This is quite a departure from FNMA's usual practice of purchasing large quantities of mortgages in the secondary mortgage market on a quarterly basis. The FNMA's interest in the program evolved out of a desire to address the problems associated with housing rehabilitation. Lakewood Bank was responsive because it wanted to spread the beneficial effects of its work in Swiss Avenue.

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[13]Ibid., p. 24.

The key to the success of the Lakewood Bank effort is its understanding of the rehabilitation process. For many houses in need of extensive repair to be purchased by owner-occupants, construction and permanent loan commitments must be given simultaneously. Lakewood was willing to make loans on properties in Munger Place that reflected their potential postrehabilitation value.

The rehabilitation of the housing stock in Munger Place is probably one of the better examples of how quickly an area can be revitalized when local community groups, city officials, and private market lenders share the same goals and support the same programs. Other generalizations can be drawn from the Munger Place experience: marketing is a vital part of the renovation program; a renovated house, compared with one of new construction, often offers a superior product for the dollar investment with more space, more volume, and more structural character than found in new houses; purchasers of properties requiring extensive rehabilitation are generally a special breed of homebuyer and tend to be young professionals with reasonably substantial incomes and a willingness to invest "sweat" equity into their rehabilitation efforts.[14]

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[14]Ibid., p. 24.

St. Louis

St. Louis is another city where a significant amount of inner-city housing rehabilitation is taking place. The majority of the activity is occurring in the Skinker-DeBaliviere and Shaw neighborhoods. The housing stock in the Skinker-DeBaliviere area is around 70 years of age. The area was originally pasture for the 1904 St. Louis Exposition, but shortly afterwards, large expanses of the pasture were purchased by contractors who subdivided the property and sold lots for houses.[15] The area was, and remained until the early 1960's, nearly 100 percent owner-occupied. During the 1960's, there was a major population exodus from the city with many homeowners moving to the suburbs. At one time, as many as 50 percent of the houses in the neighborhood were vacant.

Fortunately, there are young professionals and skilled craftsmen who are beginning to move back into the area today and are rehabilitating the homes. Liveable but unrestored houses may be purchased for approximately $20,000; rehabilitated houses may be purchased for approximately $40,000. At the price of housing in 1980, this is an economically feasible project.[16]

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[15] W. Paul O'Mara, "Fannie Mae Experience in St. Louis, Urban Land, June 1977, p. 18.

[16] Ibid.

The rehabilitation of inner-city housing stock in St. Louis is encouraged by two unique features that are not present in other cities. The first of these features is a state law, Public Law 353, which permits a city the size of St. Louis to perform what is, in effect, private urban renewal. The city can approve plans of a private developer, contract with the developer under those plans, and give the developer the power of eminent domain, as well as police power in the designated area. An organization of inner-city builder-developers, the Panthem Corporation, is currently working under Public Law 353 in the Skinker-DeBaliviere neighborhood. Panthem is rehabilitating apartments in the area and developing them into condominiums, six to a building. In 1977, these units were priced from $28,000 to $32,000.[17]

The 353 program also encourages rehabilitation through a 25-year tax abatement program. Any properties in the area that are rehabilitated under the 353 program will be assessed at the prerehabilitation value for 10 years. For the next 15 years, the improvements will be assessed at only half of the rehabilitation value. This offers the private rehabilitators quite an incentive through a substantial tax reduction. As a result of this tax reduction, absentee landlords can rehabilitate rental properties without

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[17]Nathaniel H. Rogg, Urban Housing Rehabilitation in The United States (Washington, D.C.: United States League of Savings Associations, 1977), p. 55.

greatly increasing rents to amortize the additional investment.

As a further indication of the commitment of the city government to the inner-city housing rehabilitation program, the St. Louis Community Development Administration operates a Neighborhood Marketing Service. The Neighborhood Marketing Service acts as a clearing house for older homes in the St. Louis area. The service maintains lists of available houses and the neighborhood organizations for the areas where inner-city housing rehabilitation is occurring. The service also advertises these houses in the local newspapers and tries to orient newcomers in the St. Louis area to the availability of older housing in the city.[18]

The second unique feature of the private market inner-city housing rehabilitation programs in St. Louis is the presence of a pilot project sponsored by the Federal National Mortgage Association designed to encourage lenders to make loans for the acquisition and rehabilitation of inner-city housing stock. The program was initiated in 1976, after St. Louis had been selected for the program. The FNMA had five basic criteria that were used in the selection process: a housing stock with significant rehabilitation potential; active citizen involvement; active government; a

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[18]Ibid., p. 56.

healthy local economy; and the presence of a large number of potential rehabilitation neighborhoods.

Although the FNMA does not lend directly to homeowners, it has made mortgage funds available in the rehabilitation neighborhoods in St. Louis by purchasing mortgage loans originated by local lenders. As a result, FNMA's traditional conventional mortgage program has been augmented by a number of alternative programs for second mortgages or home improvement loans designed to enable home buyers to obtain mortgages and payment plans suited to meet their needs and circumstances.

The St. Louis housing rehabilitation program, with the commitment from FNMA and the encouragement extended to rehabilitation by State Law 353, has one of the best financial arrangements possible for encouraging inner-city housing rehabilitation. State Law 353's section that provides a 25-year tax abatement program is of particular note. Because of this program, an absentee landlord can now rehabilitate a structure, extending its useful life, without an increase in taxes. This effort also indirectly decreases the incidence of displacement of renters as a result of rents not being raised to cover tax increases.

The St. Louis program has also shown that even with the best possible financial environment, certain neighborhoods are not attractive to rehabilitators. There are 15 target neighborhoods designated by FNMA for the pilot lending

program. Only five of these have experienced any significant increase in rehabilitation activity as a result of the FNMA project and the 353 program. This had led FNMA and other officials to the conclusion that although availability of financing for inner-city rehabilitation in both the acquisition and the rehabilitation phases is of great importance in the success of any rehabilitation effort, the knowledge of who is doing the rehabilitation, and why, may be as important. FNMA has conducted two surveys in the pilot program areas to obtain information regarding six major subject areas: socioeconomic characteristics of rehabilitators; characteristics of houses; availability of mortgage financing in the program areas; awareness of FNMA's housing programs; reasons for moving into the area; and evaluation of public facilities in the program area.[19]

Characteristics of Inner-City Rehabilitators and Rehabilitation Areas

Using the St. Louis data collected by FNMA and similar information from the Dallas and Atlanta rehabilitation areas, along with that of the previously cited study performed by the Urban Land Institute, it is possible to draw some broad generalizations as to who will perform private market inner-city housing rehabilitation, which areas of a city

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[19]Joseph Hu, "Who's Moving In and Who's Moving Out and Why?" FNMA Seller/Service, May-June 1977, pp. 19-29.

will be attractive to them, and what problems are likely to occur in these areas.

The individuals who are acquiring and rehabilitating houses in the center-city often choose to seek out and purchase unrestored housing. Through arrangements made on their own with private sector lending institutions, they rehabilitate the houses to their particular tastes and needs instead of following a speculative builder or developer into a suburban neighborhood. These individuals frequently make improvements, sell at a profit, and move further into the traditional areas.[20] These rehabilitators have certain characteristics when examined on a national level. They are for the most part:

1. Overwhelmingly middle-class and white;
2. Generally somewhat well-to-do; a high percentage have two wage earners in the household and a total income of more than $20,000;
3. Well educated; studies in St. Louis, St. Paul, Atlanta, Dallas, and San Francisco indicate that 80 percent of the heads of households had at least a college degree;
4. Most are in the 20-35 age group;
5. Most hold professional or managerial positions;
6. Singles and childless couples were most frequent with only a small percentage having more than two children;
7. Affluent enough to handle the financial manipulation required in rehabilitation;

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[20]Urban Land Institute, New Opportunities for Residential Development in Central Cities (Washington, D.C.: Urban Land Institute, 1977), p. 15.

8. Highly motivated and concerned about improving their neighborhood, likely to be involved in social and political activities.[21]

There are also certain general characteristics an area or neighborhood must have in order to be attractive to these owner-occupant, private market rehabilitators. Rehabilitation occurs in a very selective manner and people who elect to rehabilitate houses are often less interested in living in the inner-city per se than living in a specific neighborhood. These neighborhoods usually have some distinctive or special features which draw the rehabilitators to the area. The neighborhood characteristics cannot be underestimated as an influence in the rehabilitation efforts, for without them, people would not be willing to assume the risks inherent in pioneering inner-city housing rehabilitation.

The following are general characteristics of an area that has been found to be attractive for private market housing rehabilitation:

1. A neighborhood or area that has clearly defined boundaries, unusual topography, or other qualities set it apart from other parts of the city;
2. A housing stock with special characteristics or amenities which make it unusual or particularly desirable;
3. An area of special interest or historical importance, particularly when the location has been officially recognized as a historic district;

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[21]Black, Private Market Housing Renovation in Older Urban Areas, p. 3.

4. A favorable location, in many cases close to the central business district;
5. An expectation that a significant amount of rehabilitation will take place, including the belief that other middle-income families will move into the area, changing the composition of the area;
6. A sense of momentum and change generated by the enthusiasm of a group of homeowners and developers dedicated to improving the area;
7. Strong, active, and influential neighborhood and community organizations;
8. An expectation that education and public services can be improved.[22]

A neighborhood can have all eight of the characteristics needed to make an area attractive to rehabilitators, but this does not guarantee that rehabilitation will occur. Inner-city housing rehabilitation takes place within the context of financial, political, economic, and social difficulties of the inner-city and consequently, there are certain problems which seem to inhibit the progress of inner-city housing rehabilitation, no matter where it occurs. The FNMA survey in the St. Louis pilot project found that inner-city housing rehabilitation often occurs in an uneven fashion.[23] The following reasons are cited as causes for the dispersed occurrence:

1. Rehabilitation is a complicated construction process requiring close supervision and flexibility. In many respects, it is more complicated than new construction. It requires skilled craftsmen and unforeseen problems and cost over-runs are common.

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[22]Ibid., p. 4.

[23]Hu, p. 37.

2. Financing is mentioned as a continuing problem in most cities. Many lenders have not been interested in inner-city lending or lending on older structures in need of rehabilitation. Many are unfamiliar with the rehabilitation process and avoid lending on rehabilitated structures. Interim financing is usually not available. Those interested in buying buildings and rehabilitating them must have a considerable amount of cash or must be able to raise money from sources other than mortgage loans. Considering the scarcity of financing, it is surprising that so much rehabilitation has taken place in our center cities.
3. Acquiring property at prices that make rehabilitation feasible can be a problem. It can be particularly difficult to improve an entire block because some deteriorated properties may not be for sale, or they may be over priced. As the neighborhood improves, prices may rise to a point where acquisition and rehabilitation are no longer affordable.
4. Displacement of occupants to allow rehabilitation can create problems for the new property owner and obviously for the people being displaced. The owner may have trouble securing possession, and the former tenants may have trouble finding other housing. In addition, such displacement may cause social tension in an area.
5. City support and improvement of city services, important incentives to rehabilitators, may be difficult to obtain.
6. People will invest their time and effort only if they expect that the area will improve and that housing values can be made to rise. Establishing a reasonable basis for such expectation is an important ingredient of success and is extremely difficult to achieve. Without such a sense of opportunity, an area cannot be upgraded.[24]

It becomes clear that a portion of the middle- and upper-income housing demand is shifting into older, inner-city areas. The shift presents unique problems to both the public

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[24]Black, Private Market Housing Renovation in Older Urban Areas, p. 5.

policymakers and the private real estate sector. Effective public and private sector responses to these problems and the opportunities that their solutions present require an understanding of the forces at work and the ways they are interacting.

CHAPTER IV

METHODOLOGY

Study Area Site Selection Process

This study examined the occurrence of private market nonsubsidized inner-city housing rehabilitation in Knoxville, Tennessee. In August 1976, there were 20,575 dwelling units located in the 15 census tracts that have been designated as rehabilitation census tracts by Knoxville's Metropolitan Planning Commission.[1] A survey population of this size presented a problem because of the limited resources available for conducting the research. With this in mind, it was felt that a study of three of the 15 rehabilitation census tracts most likely to experience inner-city housing rehabilitation would provide an adequate sample of the rehabilitation activity occurring within Knoxville's inner-city.

The validity of the three-census-tract sample was the main obstacle of the research. Because inner-city housing rehabilitation often occurs in a random fashion, a set of criteria were formulated for the selection of the

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[1] Knoxville-Knox County Metropolitan Planning Commission, Knoxville's Neighborhood Revitalization Program: A Strategy for the Selection of Areas for Community Development Activities (Knoxville: Office of the Mayor, 1976), p. 17.

three-census-tract study area. Previous studies (Black's Urban Land Institute research and Hu's FNMA research) have revealed that inner-city neighborhoods which have attracted private market housing rehabilitators usually have several of the following characteristics: located near the Central Business District (CBD); a housing stock that has unique architectural or historical significance; clearly defined boundaries, unusual topography or other qualities which set it off from other parts of the city; an expectation that a significant amount of rehabilitation will occur, creating rising property values.[2] These criteria were used as a basis for the selection of a study area from the 15 potential census tracts that would provide a representative sample of inner-city housing rehabilitation in Knoxville. The use of three census tracts represented 20 percent of the rehabilitation designated areas in Knoxville.

For the purpose of selection of a study area, it was felt that a census tract should be within 2.5 miles of the geographical center of the CBD. The geographical center of the CBD, for the purpose of this research, was determined to be the intersection of Clinch Avenue and Walnut Street. Any problems posed by the transportation system of Knoxville that could cause poor access to the CBD also eliminated the

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[2]J. Thomas Black, "Private Market Housing Renovation in Central Cities: A ULI Survey," Urban Land, November 1975, p. 4.

impacted census tract from consideration. Census tracts 29, 32, 37, and 43 were found to be outside of the 2.5 mile radius from the geographical center of the CBD. Census tract 8 was also eliminated due to the problems in crossing the Gay and Henley Street Bridges at peak traffic periods. This process eliminated five of the potential 15 rehabilitation designated census tracts.

The unique architectural or historical significance of the housing stock in the remaining census tracts was considered in the site selection process. Although there are neighborhoods in Knoxville that have historical significance, Fort Sanders being an example, there is no formally designated historical district present in Knoxville at this time. This fact created a problem in arriving at some system for rating the architectural significance of the housing stock in the 10 remaining census tracts. Age of the structures was determined to be the best criteria for determining architectural significance of the housing stock in each of the census tracts still being considered as potential study areas. The U.S. Census of Population and Housing: 1970 emerged as the best reference source for determining the age of structures present in each of the census tracts. Homes constructed 40 years* ago that were considered average homes at that time are now considered

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*U.S. Census 1970 Data

unusual for a variety of reasons. The size of the houses, architectural style, materials used, and individual craftsmanship in construction are several of the reasons these homes are considered unique in the 1979 housing market.

The 10 designated rehabilitation census tracts, when considered as a whole, contain 6,127 housing units that were 40 years of age or older, based on 1970 Census data.[3] This figure is deceptive because, when averaged among the 10 census tracts, each tract should contain approximately 600 housing units that are 40 years of age. In fact, the number ranged from 351 housing units in census tract 27 to 1,035 housing units in census tract 5. The three census tracts that emerged as having the largest number of housing units, 40 years or older in age, were census tracts 3, 5, and 19. These census tracts contained 872, 1,035, and 825 housing units, respectively.[4] Because this research dealt solely with owner-occupied single-family housing units, the number of owner-occupied units also had to be considered. The Census and data contained in Knoxville's Neighborhood Revitalization Program were used to obtain this statistic. It was found that census tracts 3, 5, and 19 contained 406,

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[3]U.S. Bureau of the Census, Census of Population and Housing: 1970. Census Tracts, Final Report PHC (1)-101 Knoxville, Tennessee SMSA (Washington: U.S. Government Printing Office, 1972), H-3.

[4]Ibid.

649, and 530 owner-occupied units, respectively.[5] This was above the average number of owner-occupied units present in the other designated rehabilitation census tracts, when examined in relation to the presence of structures 40 years of age or older.

The presence of clearly defined boundaries or unusual topographical features was also used as a criterion in the selection process. Each of the 10 remaining rehabilitation designated census tracts were examined using this criterion. Census tracts 3, 5, and 19 emerged as the areas most likely to attract inner-city rehabilitators. Census tract 3 has clearly defined boundaries, and is located in the area of Knoxville that has many homes located on higher ground which provide a view of the city. Census tracts 5 and 19 are contiguous and located on fairly level ground. They are also located in close proximity to the Knoxville Zoo and Chilhowee Park.

Each of these census tracts—3, 5, and 19—also possessed rather well-defined boundaries and most residents, when questioned about the location of their residences, gave commonly used names for their neighborhood. Census tract 3 was referred to as the Old North Knoxville area of the city; census tracts 5 and 19 were usually referred to as the Park City area because of their close proximity to Chilhowee

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[5]Ibid.

Park.[6] Previous studies have shown that this is important because inner-city housing rehabilitators are often more interested in living in a particular neighborhood than in the "inner-city" as a whole.[7]

The final criterion used in the selection of the study area was the median price of the housing units in the 10 rehabilitation census tracts. This was done because rehabilitators must feel that the property values in the neighborhood are such that housing, when rehabilitated, will appreciate in value and that other rehabilitators are likely to move into the area. Census tracts 3, 5, and 19 were found to have the highest median housing price in the 10 rehabilitation designated census tracts. The census tracts were found to have a median asking price for houses within the respective tracts of $8,800, $8,500, and $12,200. These were all higher than the average median price for housing in the rehabilitation census tracts, which was $8,410.[8]

The three rehabilitation census tracts which were selected as the study area for this research were census tracts 3, 5, and 19. These tracts were selected because they

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[6]Conversations with respondents during interviews conducted by the author in August, September, and October 1979, in the study areas.

[7]Joseph Hu, "Demographics of Urban Upgrading," FNMA Seller/Service, November-December 1977, p. 37.

[8]U.S. Census, 1970, p. H-3.

consistently emerged throughout the site selection process as the neighborhoods most likely to experience inner-city housing rehabilitation using the four factors which have been shown to attract rehabilitators to inner-city neighborhoods in other cities in the United States.

Study Area Description

Census tract 3, also known as the Old North Knoxville neighborhood, is bordered by I-40, Broadway, Woodland Avenue, Alexander Avenue, and Gill Avenue (see Figure 2). The neighborhood is predominantly residential with 68 percent of the total land area of 233 acres in residential use. There are 554 single-family housing units in the Old North Knoxville neighborhood.[9] A total of 406 of these units are occupied, representing 73 percent of the single-family units in the census tract.[10]

The Old North Knoxville neighborhood is made up of homes that have architectural styles and scales of construction that make it appealing to potential inner-city rehabilitators. Unfortunately, many of these fine older homes have been divided into multi-family rental properties. This trend has been slowed in recent years with the arrival

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[9]Knoxville-Knox County Metropolitan Planning Commission, p. 42.

[10]U.S. Census, 1970, p. H-3.

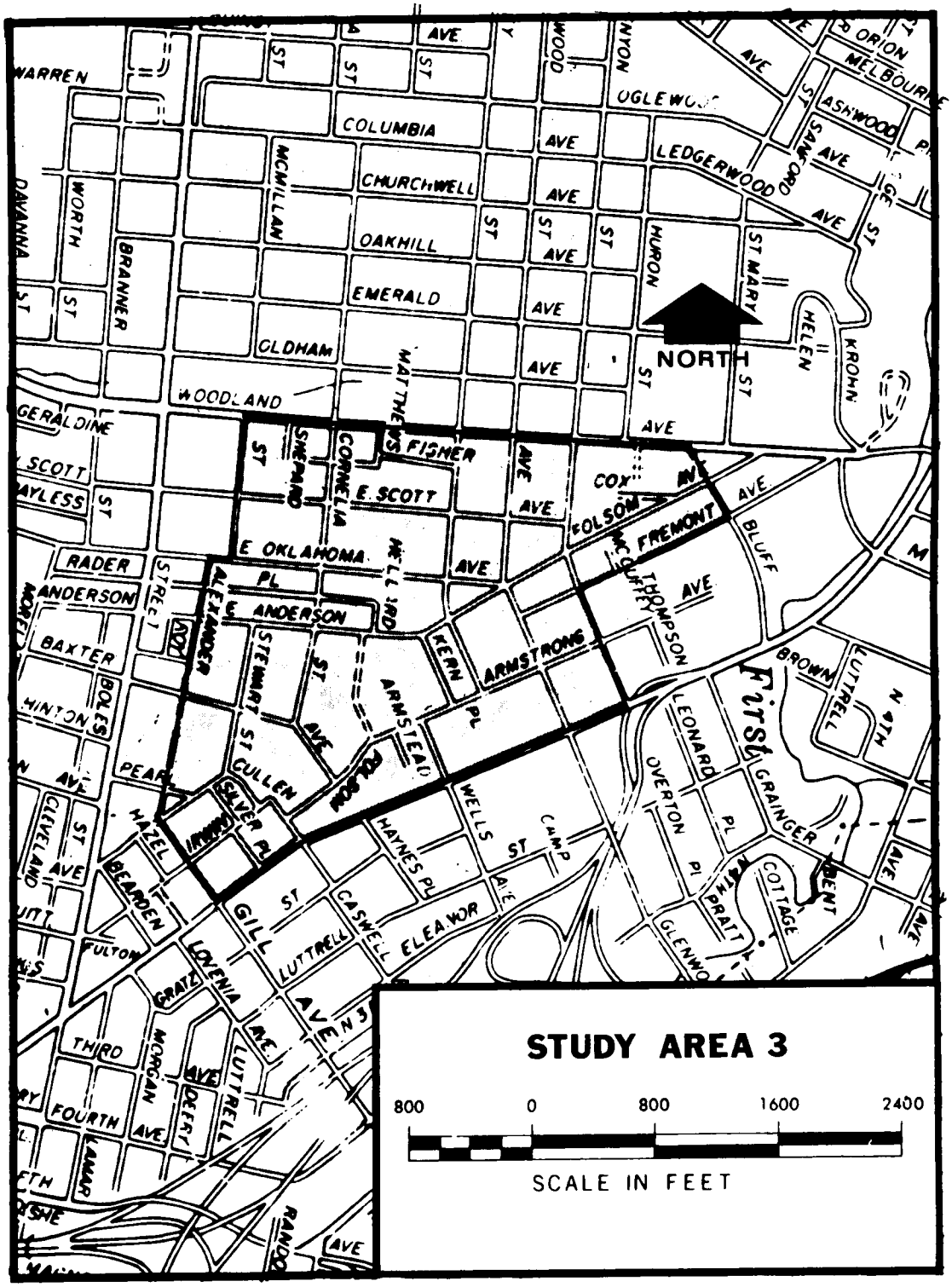

Figure 2. Study Area 3.

of inner-city rehabilitators into the area. The rehabilitators are purchasing the homes and converting them back into single-family residences or moving into them and renting out only the upstairs portions of the houses. The area also has a strong neighborhood organization that actively promotes the neighborhood and is currently trying to stop pending plans for upgrading of certain streets in the neighborhood, which could destroy the area by splitting the neighborhood.

Census tract 5, locally known as Park City, is bounded by I-40, Cherry Street, Magnolia Avenue and Bertrand Street (see Figure 3). The Park City neighborhood is predominantly residential, with 71 percent of the total land area of 332 acres in residential land use. There are 1,309 single-family housing units in the Park City neighborhood.[11] A total of 657 of these housing units are owner-occupied, representing 50 percent of the single-family housing units in the census tract.[12] A portion of the Park City neighborhood has been selected as the site of Knoxville's Neighborhood Housing Services (NHS) program. The selection was made in 1978 but, due to the time required to set up and staff the NHS program, the designation had no impact on the responses

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[11]Knoxville-Knox County Metropolitan Planning Commission, p. 42.

[12]U.S. Census, 1970, p. H-3.

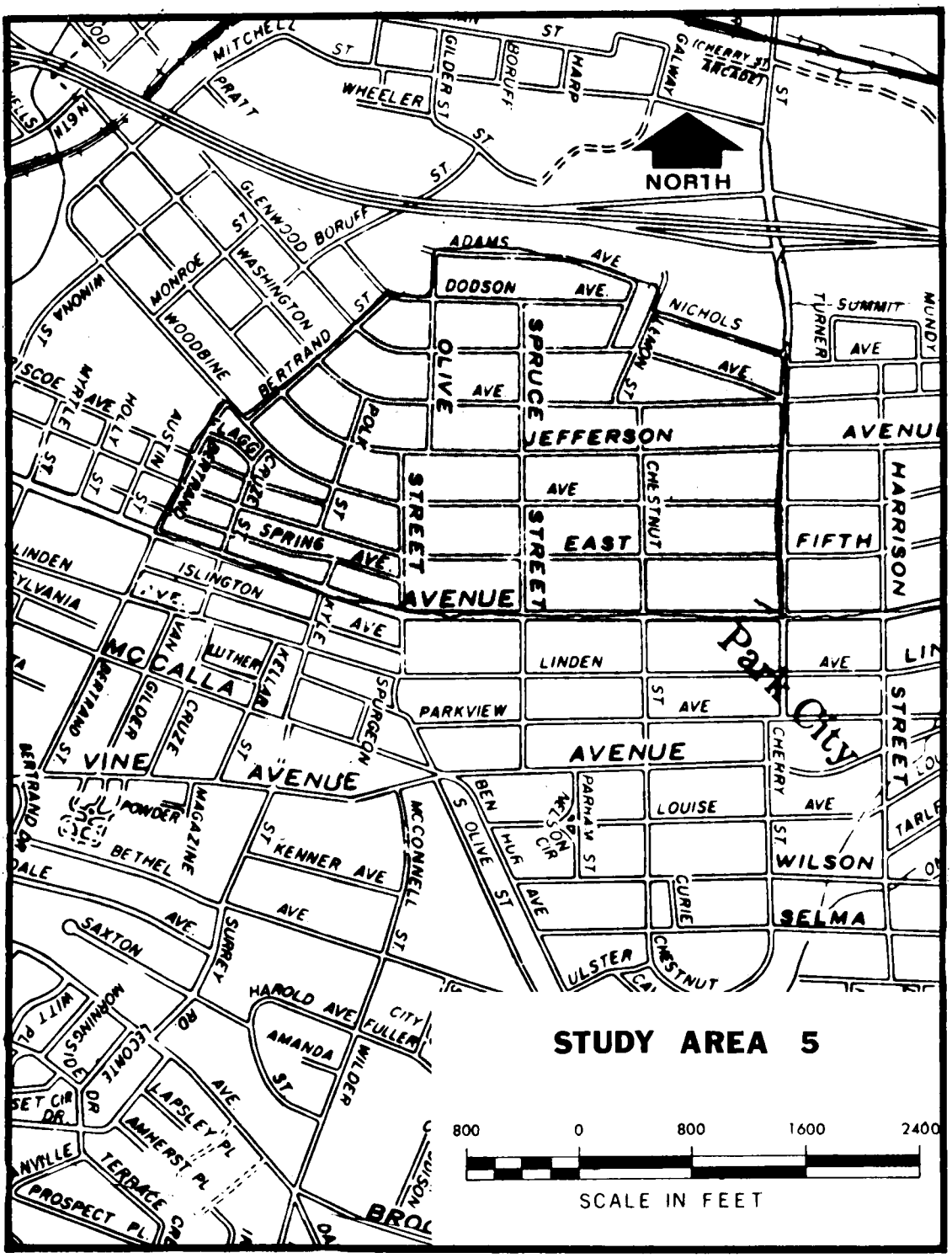

Figure 3. Study Area 5.

recorded in this area from inner-city housing rehabilitators. This area has also had several homes rehabilitated by Knoxville's Community Development Corporation. Several of these homes were discovered during the interview process but their responses were not tabulated and the interviews were terminated when the homes were identified as having received public assistance in their rehabilitation.

Census tract 19, also locally known as Park City or East Park City, is bounded by Magnolia Avenue, Prosser Road, I-40, and Cherry Street (see Figure 4). The East Park City neighborhood has 42 percent of the total land area of 562 acres in residential use. There are 1,106 housing units in the East Park City neighborhood.[13] A total of 530 of these housing units are owner-occupied, representing 47 percent of the single-family units in the census tract.[14] The East Park City neighborhood has a lower percentage of residential land use than the other tracts selected in the study area. This is because Chilhowee Park takes up 23 percent of the land area in the census tract.

It should be noted at this point that the boundaries given are not actually the census tract boundaries, but the boundaries of the study areas. The preliminary interviews revealed that the area to the east of Broadway in census

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[13] Ibid., p. H-5.

[14] Ibid.

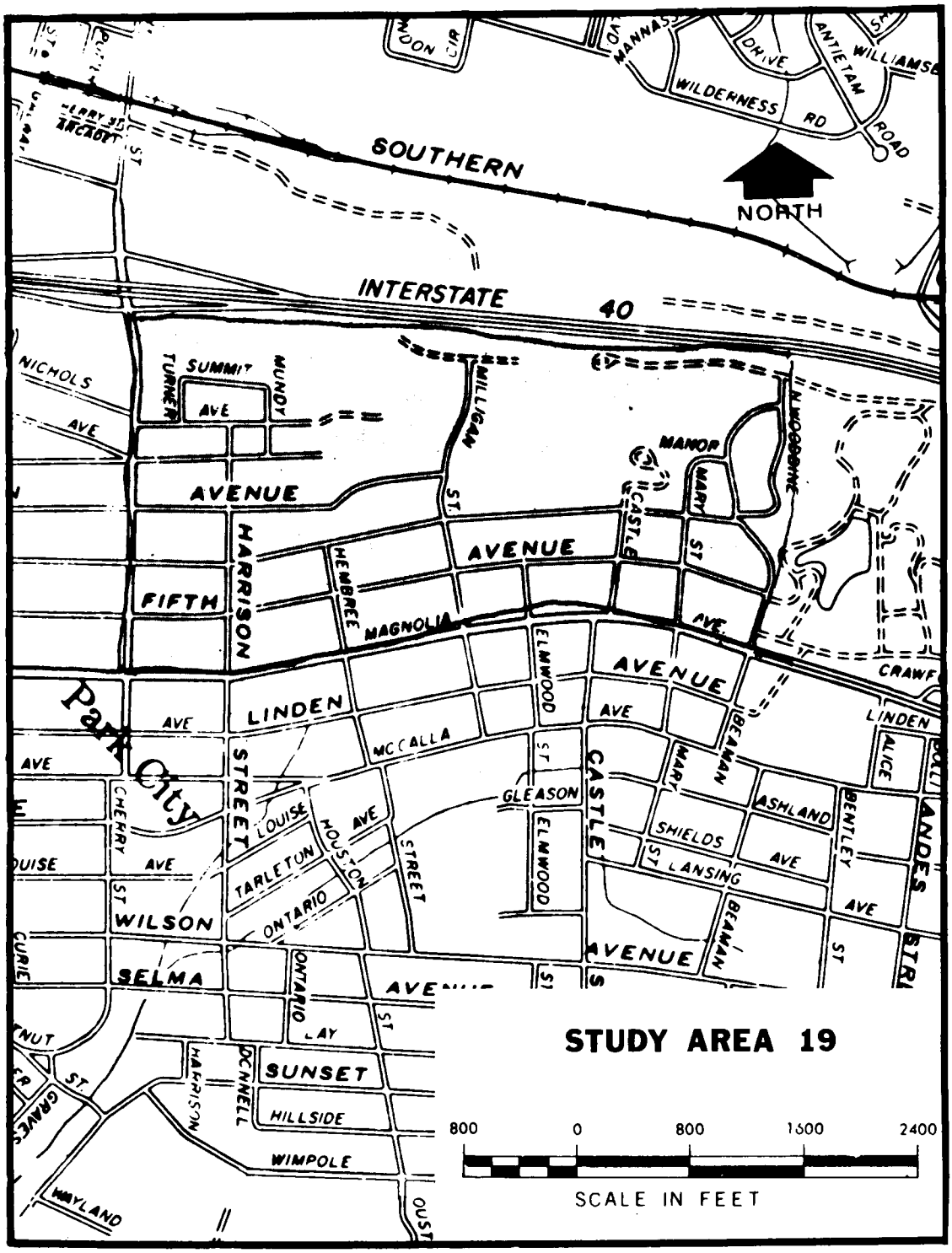

Figure 4. Study Area 19.

tract 3 was predominantly multi-family or renter-occupied with very few owner-occupied structures in the area. The areas of census tracts 5 and 19 to the southeast of Magnolia Avenue were also found to lack a high degree of occurrence of inner-city housing rehabilitation. These findings were made during preliminary survey efforts by the Research Methods I class of the Graduate School of Planning, Summer Quarter 1979, during the week of August 8, 1979.

The portions of the census tracts dropped from the study areas were also separated from the remainder of the tracts by major arterials which divided the census tracts. In the case of census tract 3, Broadway separates Old North Knoxville from the portion of the census tract not included in the study area. Magnolia Avenue separates the portions of census tracts 5 and 19 that are not included in the study area portions of these census tracts. The areas commonly known as Park City and East Park City are between Magnolia Avenue and I-40. This is significant because the separation of the census tract caused by the arterials created areas that were not easily identified by the residents and therefore not attractive to inner-city rehabilitators.

Structure of the Survey Instrument

As previously stated, this study was aimed at obtaining information concerning the individuals who are or have performed private market housing rehabilitation. Due to the

nature of the research, it was felt that the personal interview technique was the most appropriate method for this study. The questionnaire was formulated to cover five major areas. These areas were: socioeconomic characteristics of the rehabilitators; rehabilitation completed or proposed on houses; adequacy of public services; availability of financing for rehabilitation or acquisition of houses; and, reasons for moving into the study area.

The preparation of the survey instrument was performed within the constraints posed by several potential problem areas. The first of these areas was the length of the survey instrument itself. It was felt that any questionnaire that required more than 30 minutes of the respondent's time would not be well received. This could precipitate a high rejection rate, even with the interview method of survey being employed. With this in mind, several attempts were made to prepare a questionnaire that met this criteria before a successful tentative format was formulated. The tentative format required from 20 to 25 minutes to administer.

The wording of the questions had to be such that they were easily comprehended. This created an oversimplification of the questions and in some cases several questions in the place of one. The final question in the questionnaire uses a modified Likert scaling for the responses to the question. This question, although it was designed to gather a large amount of data, was included in the questionnaire with some

skepticism, due to special problems presented to the interviewer in properly presenting the question. This problem was solved by providing a sample questionnaire to each respondent so that he or she was able to follow the progress of the questionnaire through the interview process.

Another problem was the construction of the survey instrument in such a way that questions that were directed at the same type of data, but in open-ended versus closed-ended answer formats, were in the proper sequence so that they did not bias answers from the respondents. Several rewrites and pretests were required before the problem of sequencing was solved.

A final problem was the use of open versus closed answer format throughout the questionnaire. Due to the sensitive nature of several of the questions concerning financial matters, the closed response was chosen, but at a sacrifice of more exact data. It should be noted that the response rates of completed questionnaires was probably raised by this format. The closed response questions also facilitated computer coding of the data collected in the survey.

Identification of Interview Subjects

Perhaps the most difficult task involved in the research was the identification of the interview subjects. Although the selection of the study area, census tracts 3, 5, and 19,

from the 15 designated rehabilitation census tracts was not an easy task, it was accomplished through the use of data that were readily available and quantified in a manner that facilitated the selection process. Unfortunately, this was not the case with the identification of structures rehabilitated within the study area.

The problem of how to identify houses within the study area that had been rehabilitated was addressed in three stages. A windshield survey of the study area was performed to identify rehabilitated homes that could qualify as potential interview sites. Using a rather liberal criteria for identification, the windshield survey resulted in approximately 160 structures that could have been rehabilitated since the early 1970's. In an effort to further identify rehabilitated units in the study area, the city building code inspector's office was contacted and the building permits issued within the study area from December 1972 to July 1979 were recorded. The results of these two surveys were cross-tabulated and 65 units appeared in both. A list of 161 structures was compiled from these surveys.

Although these surveys provided a good analysis of the structures that had been rehabilitated in the study area, there was still no absolute way of determining if the structures were single-family owner-occupied units until the interview process was actually initiated. A preliminary interview population was formulated from the 161 potential

interview sites. The preliminary population was composed of 48 addresses from the 161 potential sites. These 48 addresses were contacted August 11 and 18, 1979. Nine interviews were obtained from the 48 potential sites, for an average response rate of 19 percent. This was well below the 80 percent response rate that should be accomplished through the use of the interview method of survey.[15]

The nine interviews obtained in the preliminary survey were located in portions of the census tracts that were retained in the study area. The portions of the census tracts that contained the 39 interview sites that produced negative responses were dropped from the study area. This created a universe of 122 housing units that were thought to have been rehabilitated within the study area. An additional result of this rather disappointing development was the indication that some form of additional research was required in the study area to insure the validity of the interview population.

Even though it was time-consuming, a walking survey of the study area was determined to be the best method of formulating an interview population that would provide the desired return rate of 80 percent. The walking survey performed in the study areas provided an opportunity to

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[15]Earl R. Babbie, Survey Research Methods (Belmont, Calif.: Wadsworth Publishing Co. Inc., 1973), p. 171.

discuss housing rehabilitation that was occurring within the areas with individuals who were working in their yards or on their houses. If no one was in sight, an address from the list of 122 potential interview sites was contacted and if the home was a single-family owner-occupied unit, an interview was conducted. At the close of the interview, the respondent was asked about any other potential houses in the area that might qualify for an interview. The walking survey revealed an additional 35 housing units in the universe were not single-family owner-occupied units. Also as a result of the walking survey, 4 housing units were added to the list of potential interview sites, for a net loss of 31 addresses from the universe.[16] The result was a final universe of 91 structures in the study areas which were single-family owner-occupied rehabilitated housing units. A response rate of 80 percent of the interviews administered provided a total of 73 interviews.[17]

Administration of Survey

As the first two stages of the formulation of the interview schedule were being completed, the members of the

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[16]Author's walking survey of the study area conducted September 3-5, 1979.

[17]The 91 structures in the final survey universe were evenly distributed within the three-census-tract study area to ensure equal sampling within the survey population.

Summer Quarter 1979 Research Methods I class at the Graduate School of Planning were being trained in interviewing techniques. The class, four in number, was being trained to administer the preliminary interview schedules. The course instructor, Professor George E. Bowen, had been approached during the Spring Quarter regarding the possibility of using this research as the field work required as part of the research methods course. The purpose of the research and the reasons for each question and its sequence in the survey instrument were discussed in the four class periods that were devoted to the interview training sessions. The questionnaire was examined in detail. As final preparation before the interview process began, members of the class assumed the roles of interviewers and respondents. The session was video-taped and played back so the prospective interviewers could see how they were presenting themselves to the respondents. At the completion of these sessions, the students were each given 12 addresses within the study area and instructed to obtain as many completed questionnaires as possible. As previously stated, the preliminary interviews produced only 9 completed questionnaires. Each of these interviews was located in portions of the census tracts that were retained in the study area. Ultimately, the final interview schedule resulted in a universe of 91 rehabilitated structures, with a requirement of 73 interviews needed to provide the desired 80 percent response rate. An additional

64 completed questionnaires were obtained by the author to fulfill this requirement. These interviews were accomplished during the months of August, September, and October 1979.

An examination of the sample survey form in the Appendix shows that each interview began with the introduction of the interviewer to the respondent, identifying the researcher as a student at the Graduate School of Planning. An explanation was given describing the objectives of the research. The fact that participation in the interview was to be totally voluntary was stressed in the introduction. The interviewer then made note of the race and sex of the respondent in the appropriate area of the questionnaire, followed by the completion of the questionnaire itself. It should be noted here that only one potential respondent refused to participate in the interview.

A problem that emerged from the interview process that was not anticipated during the questionnaire formulation was that, although the questionnaire could be administered in 20 to 25 minutes, respondents usually wanted to discuss and exhibit the rehabilitation that had been performed on their homes. Consequently, interviews took from 45 minutes to an hour to administer. This allowed for a maximum of nine interviews performed per day with an average number of six accomplished per day.

CHAPTER V

RESULTS OF THE SURVEY

This research was conducted to obtain current information about inner-city housing rehabilitation in Knoxville, Tennessee. The specific areas that were dealt with in the survey questionnaire were: (1) socioeconomic characteristics of the inner-city housing rehabilitators; (2) the amount of rehabilitation that had been performed on each home; (3) the financing of the acquisition and rehabilitation of the homes; (4) the reasons for moving into the study area; and (5) the adequacy of public services in the study area.

Socioeconomic Characteristics of the Rehabilitators

The socioeconomic characteristics of the rehabilitators included in the survey were: race, marital status, household size, number of children in each household, age of head of household, occupation of head of household and spouse, annual household income, length of tenure at present residence, and location of previous residence. As shown in Table I, the survey revealed that 85 percent of the respondents in the study area were white, with the remaining 15 percent being black. No other minority groups were represented among the respondents.

TABLE I

SOCIOECONOMIC CHARACTERISTICS OF REHABILITATORS

Characteristics	Number	Percent
Race:		
White	62	85
Black	11	15
Marital Status:		
Married	47	64
Single	14	19
Divorced	7	9
Widowed	5	8
Size of Household:		
1	15	21
2	19	26
3	21	28
4	14	19
5 or more	4	6
Age of Children:		
Preschool	15	39
Elementary School	10	26
High School	13	35
Age of Head of Household:		
20-25	2	2
26-30	19	26
31-35	17	23
36-40	12	17
41-50	12	17
Over 50	11	15
Occupation of Head of Household:		
Professional	31	42
Small Business	3	4

TABLE I (continued)

Characteristics	Number	Percent
Occupation of Head of Household (continued)		
Sales	4	5
Clerical	1	2
Skilled	23	31
Unskilled	1	2
Student	4	6
Retired	6	8
Annual Household Income:		
Less than $10,000	8	11
$10,001 to $15,000	23	31
$15,001 to $20,000	19	26
Greater than $20,000	23	32
Length of Residence (Years):		
1	17	23
2	10	14
3	9	12
4	7	10
5	7	8
6	4	6
7	9	12
8	-	-
9	4	5
10	4	5
Location of Previous Residence:		
North Knoxville	13	18
South Knoxville	16	21
East Knoxville	12	17
West Knoxville	10	14
Inner-City Knoxville	8	11
Another City or County	14	19

In examining the marital status of the respondents, it was found that 19 percent of the rehabilitators were single, 64 percent were married, 9 percent were divorced, and 8 percent were widowed. The large number of single, divorced, or widowed was expected, based on the previous survey results.[1] Hu's research with the Federal National Mortgage Association showed that 38 percent of the rehabilitators in the St. Louis rehabilitation area were single, divorced, or widowed. The fact that 36 percent of respondents in the study area were in one of these three categories of marital status suggests that this may be the approximate marital status breakdown in other inner-city rehabilitation areas.

Unlike marital status, no particular household size was found to be dominant in the study area. The survey revealed that the size of the households in the study area varied from one to seven members. The average household size within the study area was found to be two to six members.

The presence of children in the respondent households and their ages was closely related to household size. The survey showed that 52 percent of the respondent households included children. Their specific ages were not considered important, rather the designation of preschool, elementary, junior high and high school age was used in the survey. This

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[1]Joseph Hu, "Who's Moving In and Who's Moving Out and Why?" FNMA Seller/Service, May-June 1978, p. 22, Table II.

52 percent suggests that a commonly held view that families with children do not choose to live in inner-city neighborhoods does not seem to be the case among the respondents. The fairly even distribution of the children's ages is also interesting to note, and may have positive implications for inner-city school enrollments.

As shown in Table I, the ages of the heads of the respondent households varied greatly. Sixty-six percent of the respondent heads of household were in the 26-40 age group. This age group was found in approximately 60 percent of the heads of rehabilitation households in Atlanta, Dallas, and St. Louis. These results suggest that the 26-40 age group is the predominant age group of heads of rehabilitation households in other inner-city rehabilitation areas.

Previous research on the socioeconomic characteristics of inner-city housing rehabilitators, Joseph Hu's FNMA research and J. Thomas Black's research with the Urban Land Institute, has shown that most of the rehabilitators are employed in professional or skilled occupations. The responses from the study area revealed the same trends, with 73 percent of the respondents being employed in professional and skilled occupations.[2] This, along with the fact that

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[2]The rehabilitators were asked the occupations of head of household and spouse, if applicable. The responses were placed in the appropriate category. If there were any question about the correct category, the category selection was discussed with the respondent.

72 percent of the respondents gave some degree of importance to distance to work in their decision to move into the study area, could indicate the availability of skilled and professional jobs in Knoxville's center city.

The annual household income for the respondents was an important element of the survey because of the difficulty in obtaining financing for the acquisition and rehabilitation within the study area. Due to the sensitive nature of income-related questions, specific amounts were not asked in the survey. Respondents were presented four categories to indicate their income. Based on the findings as shown in Table 1, the median annual income of the respondent household was between $16,000 and $18,000.

The length of residence each respondent household had at their present address was included in the research questionnaire to insure that the majority had moved into the study area within the designated time frame, since 1970. It was felt that the rehabilitators who had moved into the study area in the 70's would have the same general reasons for participating in inner-city housing rehabilitation. It was found that all of the respondents had moved into the study area since 1970, with 77 percent of them having moved to their present address within the past five years.

Knowing where the respondents had lived prior to moving into the study area was important in understanding the respondents' motivation for moving into the inner-city. The

survey findings indicate that most of the rehabilitators had moved into the study area from other areas of Knoxville or another city or county. Only 11 percent of the respondents had lived in the study area prior to purchasing their present home. This fact seems to substantiate the selection of the study areas as neighborhoods within Knoxville that could be attractive to inner-city rehabilitation.

The example of Atlanta's Inman Park and its success was given by three respondents as reason for purchasing and rehabilitating an older home in the study area.

An analysis of the findings regarding socioeconomic characteristics make it possible to draw some general conclusions about the rehabilitators in the study areas. A composite socioeconomic profile would include: the rehabilitators are predominantly white, married and have an average household size of 2.6 members; the head of the household is 26 to 40 years of age, employed in a professional or skilled occupation and has a median annual household income between $16,000 and $18,000. Most of the rehabilitators had moved into the study area within the past five years, many specifically to participate in inner-city housing rehabilitation.

Rehabilitation Performed

The survey respondents were questioned about the amount of rehabilitation that had been performed on their homes and

whether the improvements had been performed by themselves or by professionals. Information concerning previous construction experience of the members of the responding households and the problems encountered in the rehabilitation process was also included in the survey.

Each respondent was presented with the list of the improvements shown in Table II and asked if these improvements had been performed or if they were planned for completion within the next 12 months. As shown in Table II, all of the improvements listed were performed by over half of the rehabilitation households surveyed, with the exception of improvements to the foundations of the homes, repair of exterior walls, and installation or replacement of windows. The percentage of these repairs being performed by the rehabilitators was found to be high. Except the previously cited improvements, there was no improvement not performed by at least 68 percent of the rehabilitators. Table II also provides a breakdown of the percentages of each of the improvements that were performed by the homeowner/ rehabilitator and those performed by professional contractors.

Some degree of construction experience was found among 60 percent of the rehabilitators. Table III provides a breakdown of the correlation between construction experience and the improvements performed by the rehabilitators. Table III shows that the rehabilitators having no previous construction experience or limited experience performed at

TABLE II

IMPROVEMENTS COMPLETED OR PLANNED WITHIN THE NEXT 12 MONTHS

Improvements	Total	%*	Performed by Owner	%	Contractor	%
Painting and Wallpapering	50	81	44	88	6	12
Install or Replace Windows	29	47	24	83	5	17
Storm Windows	39	63	27	69	12	31
Floor Coverings	48	77	28	58	20	42
Additional Insulation	38	61	27	71	11	29
New Plumbing—Kitchen	37	60	25	68	12	32
New Plumbing—Bathroom	38	62	28	74	10	26
Foundation Repair	23	37	17	74	6	26
Interior Wall Repair	32	52	27	84	5	16
Exterior Wall Repair	30	48	24	80	6	20
Replace or Repair Roof	40	64	21	53	19	47
Exterior Painting	45	73	35	78	10	22
Electrical Improvements	41	66	24	58	17	42

*The percent of the total column refers to the percentage of the 62 homes that were rehabilitated by the owners after they were purchased. Eleven of the homeowners surveyed purchased their homes after they had been rehabilitated.

TABLE III

IMPROVEMENTS PERFORMED AND PREVIOUS CONSTRUCTION EXPERIENCE

Improvements	Total	Previous Construction Experience					
		Significant*		Limited		None	
		No.	%	No.	%	No.	%
Painting and Wallpaper	44	14	32	9	20	21	48
Window Repair	24	12	50	7	29	5	21
Storm Windows	27	8	30	9	33	10	37
Floor Coverings	28	11	39	7	25	10	36
Insulation	27	10	37	9	33	8	30
New Plumbing—Kitchen	25	12	48	7	48	6	24
New Plumbing—Bathroom	28	11	39	10	36	7	25
Foundation Repair	17	7	41	7	41	3	18
Interior Wall Repair	27	6	22	9	33	12	45
Exterior Wall Repair	24	9	37.5	9	37.5	6	24
Replace or Repair Roof	21	8	38	6	29	7	33
Exterior Painting	35	13	37	11	31	12	32
Electrical Improvements	24	11	46	9	38	4	16

*Significant construction experience is defined for the purposes of this table as being employed for one year or more in a full-time construction-related job. Limited experience is defined as any amount of experience less than one year of full-time employment.

least half of the total number of improvements. In many of the improvement categories that did not require technical knowledge (painting, wall repair, and installation of storm windows), the rehabilitators possessing limited or no previous construction experience performed between 60 and 70 percent of the total improvements. It would appear that rehabilitators with limited or no previous construction experience are performing all but the most technical tasks associated with the rehabilitation of their homes.

The rehabilitation of an older home can present a number of problems to the rehabilitator, regardless of the level of previous construction experience. The respondents in this research were asked to specify the problems they had encountered in their rehabilitation efforts. Table IV provides a list of problems mentioned by the respondents and the incidence of occurrence. Structural problems, substandard electrical systems, and shortages of original materials, and the difficulty in accurately estimating the time and expense involved in rehabilitating a home were the problems cited most often.

The examination of the rehabilitation tasks performed within the study area reveals two important points. The rehabilitators are performing many of the improvements on their homes themselves. It would appear that previous construction experience had no bearing on the performance of nontechnical improvements by the rehabilitators themselves.

TABLE IV

PROBLEMS CITED BY REHABILITATORS

Problems	Times Cited
Structure Being Out of "Square"	16
Time and Expense Involved in Rehabilitation	13
Substandard Electrical System	12
Shortage of Original Materials	11
Substandard Plumbing	9
Inexperienced at Rehabilitation	7
Lack of Knowledge or Dependability of Professional Contractors	6
City Code Requirements if Rehabilitating for Resale	5
Apartmentalization of Structure	4
General Deterioration of Structure	3

The survey also revealed that only the most technical tasks were performed by professionals on a consistent basis, with roof repair and electrical improvements being most often performed by contractors.

Financing of Acquisition and Rehabilitation

An attempt was made to determine the availability of financing for the acquisition and subsequent rehabilitation of homes in the study area. Inquiries were made concerning the amount of the mortgages on the homes; the percentage of the purchase price covered by the mortgage; the amount spent on the rehabilitation effort; and the method of financing the rehabilitation.

Table V provides an overview of the mortgage amounts obtained by the respondent households and the percentage of the purchase price covered by the mortgage. Table V shows that only 36 percent of the rehabilitators were able to obtain mortgages that exceeded 80 percent of the purchase price. Mortgages which finance less than 80 percent of the purchase price usually create an additional economic hardship on the buyer of the home. The buyer is often forced to acquire a second mortgage at a substantially higher rate of interest. There is some evidence that local lending institutions are beginning to make mortgage loans that are 80 percent of the purchase price within the study area, but these loans

TABLE V

FINANCING OF ACQUISITION

Mortgage Amount	Total	Percent of Purchase Price Covered by Mortgage				
		<60%	60-69%	70-79%	80-89%	90%>
Total	73	15	22	9	15	12
$15,000 or Less	23	11	10	2	-	-
$15,001-$20,000	25	4	9	5	7	-
$20,001-$25,000	10	-	2	-	3	5
$25,001-$30,000	11	-	1	2	4	4
Greater than $30,000	4	-	-	-	1	3

require that the structure meet rigid code requirements before the loan is granted.

The survey revealed that the average amount spent on the rehabilitation of a home in the study area was approximately $7,000.[3] Because of the level of improvements performed on the respondent homes, this expenditure seems to reinforce the fact that many of the respondents are performing the rehabilitation tasks themselves.

The availability of financing for any investment is crucial to the success of the venture. The rehabilitation of inner-city housing units is no different. With this fact in mind, the respondents were asked how they were financing their rehabilitation efforts. Table VI provides a breakdown of the sources of financing and the term of the loan where applicable.

In summarizing the financing of acquisition and rehabilitation of homes within the study area, several trends seem to emerge. Twenty-six percent of the rehabilitators are financing the rehabilitation of their homes. The remaining 74 percent of the respondents are using personal savings to rehabilitate their homes. The median percent of

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[3]This figure was computed using the midpoint of the various ranges of response available in question 14. Greater than $15,000 was computed as $17,500. There were no responses in the less than $1,000 category.

TABLE VI

SOURCE AND TERM OF FINANCING FOR REHABILITATION

Length of Loan	Total	Source			
		Personal Savings	Bank	Savings and Loan Assoc.	Private Lender*
Total	62	47	8	4	4
1 Year	2	N/A	2	-	N/A
18 Months	1	N/A	1	-	N/A
2 Years	1	N/A	-	1	N/A
5 Years	3	N/A	3	-	N/A
7 Years	5	N/A	2	3	N/A

*Private lenders in these cases were relatives of the respondents. Loan terms were not specified.

mortgage financing in the study area was between 70 and 79 percent of the purchase price of the homes.

Reasons for Moving Into Study Area

In order for planners and other public officials to learn what must be done to encourage the continuation of inner-city housing rehabilitation, they must understand why the rehabilitators have chosen to purchase a home in the inner-city. An analysis of the data collected from the survey should give insights into this question.

During the course of each interview, the respondents were shown a list of variables that could have played a part in the decision to purchase their present home. These variables were set up in a Likert Scale format, which allowed the respondents to rank the variables by degree of importance each contributed to their purchase decision. The scale included four degrees of importance: great importance, considerable importance, somewhat important, and no importance.

Each of the four degrees of importance has been assigned a weighted value: great importance was given a value of three; considerable importance, two; somewhat important, one; and no importance, zero. When the individual responses to each variable in Table VII were tabulated using these values, each response had a cumulative score that was then divided by 73 to produce an average score. These scores ranged from

TABLE VII

REASONS FOR PURCHASING A HOME IN THE STUDY AREA

Reasons	Great Importance (3)		Considerable Importance (2)		Somewhat Important (1)		No Importance (0)		Average Score
	No.	%	No.	%	No.	%	No.	%	
Price of Housing	53	73	11	15	4	6	5	6	2.53
Appearance of Home	46	63	12	17	9	12	6	8	2.34
Potential for Rehabilitation	43	59	17	24	7	9	6	8	2.33
Quality of Construction	40	55	20	28	8	11	5	6	2.30
Floor Plan	29	40	21	29	18	25	5	6	2.01
Need Larger Rooms	28	38	23	32	10	13	12	17	1.92
Distance to Work	29	40	14	17	18	25	12	18	1.82
Possibility of Immediate Occupancy	26	36	16	22	18	25	13	17	1.75
Near Public Transit	18	25	27	37	12	17	16	21	1.64
Appearance of Neighborhood	16	22	29	40	11	15	17	23	1.60
Yard Size	20	28	18	25	19	25	16	22	1.58
Need Larger Home	25	35	14	19	11	14	23	31	1.56
Near Shopping	15	21	23	31	20	27	15	21	1.52
Cost/Shortage of Gas	12	17	26	35	12	17	23	31	1.37
Nearby Friends or Relatives	13	18	6	8	18	25	36	49	.95
Near Churches	16	22	7	9	4	6	46	63	.90
Near Parks and Recreation Areas	8	11	7	9	18	25	40	55	.77
Quality of Schools	8	11	7	10	9	12	49	67	.64

a high of 2.53 for the price of housing to a low of .64 for quality of schools. The reasons for purchasing a home in the study area presented in Table VII are in a ranked order that reflects these average scores.

An examination of the average scores as presented in Table VII reveals that there are several levels of importance in this ranking. The reasons given the highest average scores and, therefore, the greatest importance, are associated entirely with the characteristics of the home. This grouping is composed of the price of housing, appearance of the home, the potential of the home for rehabilitation, and the quality of construction of the home as perceived by the respondents.

The reasons for moving into the study area that were felt to be of considerable importance based on their average scores were the need for larger rooms, floor plan, distance to work, and possibility of immediate occupancy. Accessibility to public transit, size of yard, need for a larger home, appearance of neighborhood, convenience to shopping areas, and cost and shortage of gas were considered somewhat important, based on their average scores. Those reasons in the lowest grouping were location of nearby friends or relatives, churches, parks and recreation areas, and quality of schools.

The average scores and the ranking of the reasons for moving into the study area into levels of importance based on these scores seems to indicate that the main concern in

the respondent's decision to purchase a home in the study area was related to the home itself. The fact that distance to work was considered a somewhat important factor seems to reinforce the hypothesis that many of the rehabilitators are employed in the central business district of Knoxville.

The fact that access to public transit, cost/shortage of gas, and appearance of neighborhood had average scores that placed these variables in the somewhat important grouping was surprising. Previous research in other inner-city areas had shown these variables to be of greater importance in the decision to purchase a home in the inner-city than they received in the responses to this study. One explanation for this could be the fact that the respondents are locating in an area so close to their place of work that the variables of access to public transit and cost/shortage of gas are not important. The appearance of the neighborhood, although considered somewhat important in the averaged scores, is the third variable in the average score column that does not relate specifically to some characteristic of the home.

It is interesting to note that quality of schools received the lowest ranking of the variables. This fact would seem to reinforce the findings in other studies that the inner-city rehabilitators are predominantly single, divorced, widowed, or childless couples. However, this study shows that this is not the case in the Knoxville study area. Approximately 32 percent of the rehabilitators surveyed in

Knoxville had school-age children. An additional 20 percent had preschool-age children. This would suggest that the Knoxville rehabilitators wish to have their children grow up in a homogenous environment just as they have selected to reside in such an environment, as indicated by the purchase of a home in the inner-city.

Although the analysis of the averaged scores of the reasons for moving into the study area was informative, an examination of the reasons receiving the highest rate of response under each category of importance may also provide some insight into understanding the respondent's motivation for moving into the study area. The price of housing, appearance of the home, potential of the home for rehabilitation, quality of construction, floor plan, and distance to work were the variables receiving the highest rate of response in the great importance column of Table VII. (Floor plan and distance to work received the same number of responses, creating a tie for fifth place.) The implication of these responses is that although inner-city rehabilitators are more apt to settle in a particular neighborhood, the home itself is the main attraction of the respondents in this study.

Appearance of the neighborhood, the availability of mass transit, the rising cost and shortage of gas, the need for larger rooms, and convenience to shopping were the responses given most frequently as considerably important in the

decision to purchase a home in the study area. The fact that appearance of the neighborhood received the highest response at this level shows that although the home itself is the most important criterion, the neighborhood is also an important aspect in the decision to purchase a home in the study area. This also seems to reinforce the assumption that certain neighborhoods, because of the homes within them and the uniqueness of the neighborhood for whatever reason, are the most determinant reasons for locating where private-market inner-city housing rehabilitation will occur.

Convenience to shopping was given the highest response rate at the somewhat important level of the decision-making process associated with the purchase of a home in the study area. There were six other variables that received the same level of response—25 percent. These variables dealt with convenience associated with inner-city housing and, once again, the home had a significant impact in the decision to move into the study area.

Based on the analysis of the findings shown in Table VII, it would appear that there are two major categories that dominate the respondent's decision to purchase a home in the study area. The most important category is related to the characteristics of the home: architectural style, size, quality of construction, floor plan, and price of housing. The second category was related to the convenience of location

variables associated with distance to work, access to public transit, and shopping.

It would seem from examining these findings and the criteria used in selecting the study area discussed in Chapter IV, it may be possible to anticipate or project specific neighborhoods that will experience private market inner-city housing rehabilitation. Once identified, local governments can take action to encourage activity in these neighborhoods by upgrading the public services there.

Adequacy of Public Services

The rehabilitators' perceptions of the adequacy of public services available in the study area was another question addressed by the survey. Respondents were offered a list of public services and asked if an improvement in any of the services would influence their decision regarding their planned length of residence in the study area. The public services and the responses obtained from the respondents are shown in Table VIII.

The survey shows that improvement in any of the public services listed in Table VIII would influence a minimum of 48 percent of the respondents to increase the length of time they planned to reside at their current address. The public services cited most frequently by the respondents were improvements in police and fire protection and the creation of or upgrading of parks and recreational facilities.

TABLE VIII

IMPROVED PUBLIC SERVICES TO INCREASE LENGTH OF RESIDENCE

Improvements	Increase Length of Residence			
	Yes	%	No	%
Streets and Sidewalks	39	54	34	46
Street Lighting	35	48	38	52
Construction or Upgrading	42	57	31	43
Creation or Upgrading of Parks and Recreation Areas	45	61	28	39
Garbage Pick-Up and Street Cleaning	37	51	36	49
Police and Fire Protection	47	65	26	35

An examination of the responses presented in Table VII (page 98) reveals that the distance from parks and recreation facilities was considered not important in their decision to move into the study area by 55 percent of the respondents. The quality of schools was rated as not important by 67 percent of the respondents. On the other hand, Table VIII shows that construction or upgrading of schools and the creation or upgrading of parks and recreation areas ranked as the public services that would have the second and third greatest impact on increasing their length of residence at their present address.

It could be assumed, based on the discussion of the reasons for moving into the study area, that the rehabilitator's main reason for moving into the study area was an attraction to the homes themselves. Quality of construction, overall appearance of the home, potential of the home for rehabilitation, floor plan, and price of housing were given some degree of importance by over 90 percent of the respondents as influencing their decision to move into the study area. It was only after living in the study area for a period of time that they became aware of the inadequacies of these public services. This awareness could explain the disparity in the responses concerning quality of schools and convenience to parks and recreation facilities as shown in Tables VII and VIII.

Summary of the Results of the Survey

One of the goals of this study was to determine exactly who is performing this type of rehabilitation in the study areas. Based on the survey results, it was found that the individuals performing the rehabilitation are predominantly white, married, and each household averages 2.6 members. The heads of the rehabilitation households range in age from 26 to 40 years of age, and the households have a median annual household income between $16,000 and $18,000. Fifty-two percent of the respondent families have children. Most of the rehabilitators had moved into the study area from residences away from the inner-city and in some cases, from other cities or states. The rehabilitators have jobs that are categorized as professional or skilled occupations.

The amount of rehabilitation being performed on the homes and the amount that had been performed by the owners themselves was another area this study examined. It was found that the rehabilitation tasks being performed on the homes in the study areas are extensive. In every case, the respondents were performing at least 50 percent of these tasks. It was also found that previous construction experience had no bearing on the performance of nontechnical improvements by the rehabilitators themselves.

Financing of acquisition and rehabilitation on the homes in the study area was found to be somewhat difficult.

Mortgages on homes in the study area averaged 74 percent of the purchase price. The average amount spent on rehabilitation of a home in the study area was approximately $7,000. The most surprising statistic discovered in this section was the fact that 74 percent of the rehabilitators were using personal funds to pay for the rehabilitation of their homes.

The most important reasons given by the respondents for purchasing a home in the study area were the characteristics of the home, locational advantages of living in the inner-city, and the appearance of the neighborhood. These findings show that in order for an area to be attractive to inner-city rehabilitators, it should possess three characteristics: a supply of older homes that are in need of repair that can be purchased at a reasonable price; located near the central business district; and a certain appeal generated by the neighborhood, a uniqueness in the form of topographic configuration or a landmark.

The impact that the improvement in public services would have on encouraging private market inner-city housing rehabilitation was also addressed in this study. It was found that any improvement in public services would cause the rehabilitators surveyed to increase the length of time they plan to live at their present address. The improvements requested most often were police and fire protection, creation or upgrading of parks and recreation areas, and the construction or upgrading of schools.

It is hoped that the information obtained as a result of this study may be used in the future to locate neighborhoods that will be attractive to private market inner-city rehabilitators in Knoxville and other cities in the United States. This study could also be used to educate lending institutions and influence increased availability of financing for private market inner-city housing rehabilitation.

CHAPTER VI

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary

The comparison of the public sector housing rehabilitation programs in Great Britain, France, and the United States revealed that each of these programs face similar problems. These problems are: displacement as a result of rehabilitation of housing stock; increased rents as a result of rehabilitation; and the need for improving technology associated with the rehabilitation process.

Although the problems faced by these countries are similar, the methods that each have used in attempting to solve these problems vary considerably. The European countries have established some form of rent control in an effort to minimize the displacement of residents as a result of the rehabilitation of a structure. The United States does not have a formal system of rent control. If a rent control system were adopted, it would probably be preferable to adopt one similar to the French system which, in effect, subsidizes the tenants for the amount of rent increased as a result of the rehabilitation.

Another difference in the rehabilitation programs of these countries is that the European countries consider their

housing rehabilitation programs an integral part of their national economies. The United States considers the new home industry important to the national economy, but has overlooked the significance of the rehabilitation program on their economy. Because the Europeans regard their housing rehabilitation programs in such a light, their programs are technically superior to the United States program. The British system of data collection pertaining to the condition of the housing stock is superior to the United States system. The French rehabilitation program has developed a method of accurately estimating the cost of rehabilitating a structure. A system of this type would be of great help to single-family private market rehabilitators in the United States. The difficulty of accurately assessing the expense associated with housing rehabilitation was cited as a problem by 20 percent of the respondents surveyed in this research.

The British housing rehabilitation programs have a requirement that rehabilitated structures have a remaining useful life of 15 to 30 years. This requirement insures that the rehabilitation performed under these programs is not cosmetic, but a thorough effort which will provide housing for a minimum of 15 to 30 years without additional major expenditures. This also allows for funding that is proportionate to the length of the remaining life expected to be derived from rehabilitation.

The examination of private market inner-city housing rehabilitation activity in Atlanta, Dallas, and St. Louis made it possible to formulate some broad generalizations concerning the socioeconomic characteristics of the households that are performing inner-city housing rehabilitation, what makes an area attractive to housing rehabilitators, and the problems associated with rehabilitation that are most likely to occur. These generalizations will be compared to the data collected in the study of Knoxville's inner-city housing rehabilitation activity.

Conclusions

When the generalizations produced by the three-city overview of rehabilitation activity were compared to the results of the Knoxville study, several similarities and differences were revealed:

1. Socioeconomic characteristics—the rehabilitators are predominantly white and, while no percentages are available on a national level, the Knoxville study showed that 85 percent of the rehabilitators are white; rehabilitation households in the Knoxville study area had annual incomes that were slightly lower than the national average; the rehabilitators in the Knoxville study areas are approximately five years older than those in the national overview; the majority of the rehabilitators held professional or skilled jobs in the national overview and the Knoxville

study areas; the size of the rehabilitation households were similar in both.

2. Amount of rehabilitation performed: the rehabilitation of the homes in Knoxville was more extensive than the rehabilitation in the three other cities; the same basic improvements are being performed but a slightly higher percentage of the homes in the Knoxville study areas are experiencing these improvements.

3. Financing: the review of cities experiencing inner-city housing rehabilitation activity revealed that financial assistance from a single bank or savings and loan association, a coalition of lending institutions or the Federal National Mortgage Association supported the rehabilitation efforts in these cities; in contrast, the Knoxville study indicates that 75 percent of the rehabilitators surveyed financed their rehabilitation efforts with personal savings and that 63 percent had mortgages for 80 percent or less of the purchase price of their homes.

4. Reasons for moving: the reasons for moving into the areas experiencing inner-city housing rehabilitation activity in the national overview cities and in the Knoxville study areas were similar; those cited most frequently were the quality of construction, appearance of home, the potential of the home for rehabilitation, price of housing, and the proximity to place of work.

5. Public services: both the cities reviewed and the Knoxville study areas expressed a desire for improvement in public services in the rehabilitation areas; 45 percent of the respondents in the Knoxville survey indicated that improved public services would increase their length of residence at their current address.

Recommendations

The financing of acquisition and rehabilitation, the shortage of original or replacement materials, and the difficulty involved in accurately estimating the time and expense required for the rehabilitation effort are the major problems related to the rehabilitation process, according to the rehabilitators in the Knoxville study areas. A potential solution to the problem of obtaining financing for acquisition and rehabilitation of inner-city housing in Knoxville would be the extension of the Neighborhood Housing Service loan system. The financial establishments of Knoxville initiated the Neighborhood Housing Service program in the Summer of 1978.[1] With this in mind, the local lending institutions should consider forming a loan program that would encourage inner-city housing rehabilitation in the neighborhoods examined in this study.

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[1]Susana Antogonelli et al., Park City Neighborhood Housing Services: Initial Strategies (Knoxville: The University of Tennessee, 1978), p. 3.

Problems related to city building codes were mentioned by five of the survey respondents. The difficulty involved in obtaining loans for the acquisition of property to be rehabilitated and enforcement of building codes are interrelated. Many of Knoxville's lending institutions sell their mortgages on the secondary market to the Federal National Mortgage Association (FNMA). FNMA requires that all inner-city property they purchase mortgages on have passed a city code inspection. The FNMA does not set any standards for the inspection, accepting whatever code enforcement the individual cities impose.[2] Knoxville has only one code which is enforced for both new housing and rehabilitated housing. Consequently, any inner-city housing on which the mortgage is to be sold to FNMA must pass a strict code inspection. Local banks are making some 95 percent loans on recently rehabilitated housing, but only if the mortgage will be bought by FNMA. Savings and loan associations do not sell their mortgages on the secondary market, and currently will not make loans for more than 80 percent of the appraised value on housing that has been rehabilitated.[3] A solution to this problem would be the implementation of a sensitive

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[2]Telephone conversation with Mr. Nitin J. Dave, FNMA, on February 5, 1980.

[3]Conversation with Mr. Walter M. Meador, Vice-President, Home Federal Savings and Loan Association, on September 25, 1979.

code enforcement program in designated rehabilitation areas. Related to the implementation of a sensitive code enforcement program is the need for the development of a positive attitude about inner-city neighborhoods among potential home buyers and the public in general. The formation of an organization that would promote the advantages of inner-city living and attempt to erase the myths that currently exist in the minds of many of the residents of suburbs would be a step in this direction. A list of homes for sale with the acquisition price and estimated cost of rehabilitation could be provided by the organization. The information would be available to people interested in moving into the inner-city neighborhoods. The organization could also hold seminars on housing rehabilitation which would seek to help solve problems the rehabilitators were encountering. The organization could also maintain a directory of firms which could provide the type materials necessary to restore these older homes to their original condition. The organization could also promote the formation of neighborhood associations in the rehabilitation designated census tracts that do not currently have neighborhood associations, and assist these associations in meeting the needs of their neighborhood residents.

The organization could take two forms. It could be the consolidation of all the neighborhood associations now active in Knoxville, as well as the new ones started by the organization. Each neighborhood association would provide

the organization with information concerning its area. This proposal has merit because of the grass-roots input into its efforts. However, there are financial limitations. The organization would require some full- or part-time staffing to keep records on the homes for sale, meet the public, and coordinate the activities of the neighborhood associations. The financing of this form of the organization could be a problem.

Another form of the organization could be as an arm of the Knoxville Community Development Corporation (KCDC). The neighborhood associations would still be responsible for compiling a list of homes for sale in their area and providing an estimate of the rehabilitation cost involved. KCDC would then organize the lists and become a one-stop information center for homes in the inner-city. The staff of KCDC could also provide answers to specific questions the rehabilitators might have about the homes they are considering purchasing for rehabilitation. Operating through KCDC could also create a direct communication link between the rehabilitators to the city government of Knoxville, providing an improved opportunity for the solution of problems identified within the rehabilitation areas. The organization could work through the offices of KCDC to coordinate the upgrading of public services in the rehabilitation areas as the needs arise.

It should be pointed out that an organization of this nature would not attempt to take the place of the function of Knoxville's real estate firms. If anything, it should help realtors in their efforts to understand the intricacies of inner-city housing rehabilitation. The organization of neighborhood associations would only provide information about the availability of homes for sale and would not act as the middle-man role of the real estate agent.

The inner-city housing rehabilitation movement can play a major role in providing housing opportunities for Knoxville's citizenry in the years to come. The trends identified in this study which are making inner-city housing rehabilitation attractive will continue to influence the movement in the 1980's. The impact that the housing rehabilitation movement will have in the future will depend on the responses of the public and private sectors in meeting the challenge of the problems associated with private market housing rehabilitation efforts identified in Knoxville.

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APPENDIX

APPENDIX

QUESTIONNAIRE

Census Tract #____

Good Morning/Afternoon. My name is_____. I am a student at The University of Tennessee's Graduate School of Planning. We are interviewing homeowners in your neighborhood who have recently rehabilitated their homes. We are also interested in homeowners who have purchased rehabilitated homes in your neighborhood. Your answers along with others from within your neighborhood will help provide information on who is performing the rehabilitation, why, availability of financing, and problems you have encountered during the rehabilitation process. Participation in this interview is voluntary and the interview may be terminated at any time while it is in progress at your request.

The information that you provide will be strictly confidential and no names or addresses will be revealed.

This interview should require approximately 25 minutes.

To be completed by interviewer—Respondent is Black___White___Other___
——Male___Female___

1. Are you the owner of this residence? yes___no___
   //If the answer is no, thank the respondent and explain that we are only interviewing homeowners. Then go to next assignment.//

2. How long have you lived at this address? Yrs.____Months____

3. Did you buy your home before___or after___it has been rehabilitated?
   //Surveyor if bought after rehabilitation has been performed, skip questions 8-11 and 14-16//

4. What was the location of your previous residence? If Knoxville/Knox County, what section? N___S___E___W___C.C.___Another city or county___

5. How many rooms are in your home, excluding bathrooms?___How many of these rooms are bedrooms?___How many bathrooms does your home have?___

6. Could you tell me why you purchased this particular home?_____
   _____
   _____
   _____
   _____

7. Was there any particular reason why you chose to purchase a home in this neighborhood?_____

_____

_____

_____

_____

//Surveyor if home has been purchased after rehabilitation has been performed, skip questions 8-11 and 14-16//

8. Which of the following improvements have been completely or are proposed for your home within the next 12 months? And were they done by yourself (O) or by a contractor (C)?

	OWNER	CONTRACTOR
A. Interior painting or wallpapering.....	_____	_____
B. Install or replace windows.....	_____	_____
C. Install or replace storm windows.....	_____	_____
D. Install or replace floor coverings, carpeting, or resurface wooden floors.....	_____	_____
E. Install additional insulation.....	_____	_____
F. Install new plumbing in kitchen.....	_____	_____
G. Install new plumbing in bathroom.....	_____	_____
H. Foundation repair.....	_____	_____
I. Interior wall repair (sheetrock or plaster patching).....	_____	_____
J. Exterior wall repair (frame or masonry).....	_____	_____
K. Replacement or repair of roof.....	_____	_____
L. Exterior painting.....	_____	_____
M. Electrical improvements.....	_____	_____
N. Landscaping.....	_____	_____
O. Other_____	_____	_____

IF CONTRACTOR PERFORMED ANY OF THE ABOVE, GET NAME OF CONTRACTOR

_____

ASK FOLLOWING QUESTIONS (9-11) IF OWNER PERFORMED ANY OF THE RENOVATIONS LISTED IN QUESTION 8

9. Did any member of this household have any previous construction experience? yes___no___. If yes, briefly describe previous experience.

_____

10. What, if any, problems were encountered while renovating your home?

_____

_____

_____

11. What, if anything, helped in the renovation of your home?

_____

_____

_____

12. How long do you intend to live at this address? Less than 1 yr.___ 1-3 yrs.___ 3-5 yrs.___ More than 5 yrs.___

13. Would the improvement or upgrading of any of the following public services cause you to change your mind about the length of time you intend to live at this address?

	YES	NO
Improvement in the condition of streets and sidewalks..	____	____
Improved street lighting.....	____	____
Construction or upgrading of schools.....	____	____
Creation and/or upgrading of parks and recreational facilities.....	____	____
Improvements in garbage pick-up and street cleaning....	____	____
Improvements in police and fire protection.....	____	____
Other_____.....	____	____

//Skip questions 14-16 if home has been purchased after rehabilitation has been performed//

14. Approximately how much money has been spent on the rehabilitation of your home up to this point? Less than $1,000___ $1,001-$2,000___ $2,001-$5,000___ $5,001-$10,000___ $10,001-$15,000___ Over $15,000___ EXACT AMOUNT IF GIVEN $_____

15. How were these improvements financed? Personal savings___ Federally subsidized loan___ Bank___ Savings and Loan Association___ Private Lender___

16. What is the length of the rehabilitation loan?_____

17. What percentage of the purchase price of your home was financed through the mortgage? 90% or more___ 89-80%___ 79-70%___ 69-60%___ Less than 60%___

18. Into which of the following categories would the mortgage amount on your home fall? Less than $15,000___ $15,001-$20,000___ $20,001-$25,000___ $25,001-$30,000___ Over $30,000___

19. From your experience, how easy or difficult do you think it is to obtain funding for purchasing a home in your neighborhood?_____

_____

20. From your experience, how easy or difficult do you think it is to obtain funding for rehabilitation of a home in your neighborhood?

_____

21. What is your marital status? Single___Married___Divorced___ Widowed___

22. How many members are in your household? 1__2__3__4__5 or more__

23. Do you have any children? yes__no__ If yes, are they pre-school__ elementary school__ Jr. High or High School__ Out of School__

24. What is the age of the head of this household?_____

25. What is the occupation of the head of your household (H) // and spouse (S) if applicable?//

Professional and Technical....____ (H)_____
Small Business.....____
Sales.....____ (S)_____
Clerical.....____
Skilled.....____
Unskilled.....____
Homemaker.....____
Student.....____
Retired.....____
Other.....____

26. Into which of the following categories would your approximate annual household income fall? Less than $10,000___$10,001-$15,000___ $15,001-$20,000___More than $20,000___

27. What degree of importance did each of the following variables have in your decision to purchase your present home?
Column 4 = Great Importance
Column 3 = Considerable Importance
Column 2 = Somewhat Important
Column 1 = Not Important

	4	3	2	1
A. Nearby friends or relatives.....	____	____	____	____
B. Quality of public schools.....	____	____	____	____
C. Quality of private schools.....	____	____	____	____
D. Need for a larger home.....	____	____	____	____
E. Nearby churches.....	____	____	____	____
F. Yard size.....	____	____	____	____
G. Desire for larger rooms.....	____	____	____	____
H. Quality of construction.....	____	____	____	____
I. Overall appearance of home.....	____	____	____	____
J. Potential of home for rehabilitation	___	____	____	____
K. Floor plan of home.....	____	____	____	____
L. Price of housing.....	____	____	____	____
M. Possibility of immediate occupancy..	____	____	____	____
N. Distance from shopping areas.....	____	____	____	____
O. Distance from parks and rec. facilities.....	____	____	____	____

P. Availability of public transit.....	____	____	____	____
Q. Rising cost/shortage of gas.....	____	____	____	____
R. Distance to work.....	____	____	____	____
S. Appearance of neighborhood.....	____	____	____	____
T. People living in the neighborhood..	____	____	____	____
U. Other_____.....	____	____	____	____
_____.....	____	____	____	____
_____.....	____	____	____	____

VITA

Bennett Wesley Adams, Jr., was born in Macon, Georgia, on May 20, 1950. He attended the first two grades of elementary school in that city. He completed his primary and secondary education in Columbus, Georgia, graduating from Columbus High School in 1968. The following year he entered Columbus College. After completing two years of college, he joined the United States Navy, and served a four-year tour of duty. Upon discharge from the Navy, he reentered Columbus College, and received a Bachelor of Science degree in Community Planning and Development in August 1977.

The following September, he entered the Graduate School of The University of Tennessee, Knoxville. He received a Master of Science in Planning degree in August 1980.

He is married to the former Patricia Ruth Moore and has one child, Mary Lacy.