

Neighborhood Housing

Services

— A Public/Private Partnership at Work in the Marketplace

by Brent Glass

Last December, 18 Winston-Salem homeowners visited a residential area near downtown Durham, the Old North Durham section. For two days, the visitors from Winston-Salem's Greenway area reviewed home rehabilitation projects, learned about revolving loan funds, met local bankers, city officials, and neighborhood residents.

"I'm really impressed with what they have done here," said Curtis Canty, president of the Greenway Neighborhood Association. As Canty and the others walked among the 550 housing units in this racially-mixed, low- and middle-income neighborhood, they heard how a success story might begin.

"We had thought off and on about moving for 10 years," Eleanor Elliott, a lifelong Old North Durham resident, told the Greenway group. "But after this program got started, we decided to stay. We put \$6,000 into a new furnace, new roof and all. All through private financing."

Mrs. Elliott and scores of other residents have formed a locally-controlled, non-profit corporation, the Durham Neighborhood Housing Services (NHS). Similar groups are at work in some 180 neighborhoods and 130 cities across the country, linked together in an umbrella network called Neighborhood Reinvestment Corporation, a federally chartered, non-profit organization. The Corporation helps launch new NHS programs and offers training and support for existing ones. One of the Reinvestment Corporation's main efforts is to help those groups just getting started to learn from existing NHS programs nearby, to



Photo by the Winston-Salem Sentinel

Eleanor Elliott (second from right), an Old North Durham block captain, guides visitors from the Greenway neighborhood in Winston-Salem on a tour of her neighborhood in December 1981.

bring a Curtis Canty and an Eleanor Elliott together. Such efforts seem to make a difference. "I'm encouraged that Greenway will respond to the program as well as Old North Durham has," Canty said after the Durham visit last December.

Six months later, the Winston-Salem NHS had begun to function. In securing funding commitments from local banks and the city, and by gaining the participation of the Greenway residents, the Winston-Salem NHS organizers have set into motion the fourth such program in North Carolina, joining those in Durham, Charlotte, and Wilmington.

Unlike many government housing programs and various non-profit efforts in the housing field, the NHS model of neighborhood assistance usually succeeds. By relying primarily on local, private-sector financing and by targeting services to the particular needs of a local area, NHS programs

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Marketing the neighborhood improvement program builds confidence and changing attitudes about inner-city housing.

have helped to stabilize deteriorating neighborhoods through "reinvestment without displacement" — by upgrading people's homes without pushing the residents out.

Using the strengths of a particular neighborhood, NHS helps restore confidence — the key ingredient to their success. "I had gotten where I never enjoyed walking around the neighborhood any more," remembers Mrs. Elliott. "But then all the rehabilitation started. Now my neighborhood is coming back."

In the late 1970s, the inner city areas around downtown Durham were following the pattern of many urban neighborhoods — an increasing percentage of absentee ownership, more relaxed enforcement of building codes, less homeowner investment as financing costs increased, and a general loss of neighborhood cohesiveness and pride. Durham city officials, aware of NHS programs in other cities, invited the Reinvestment Corporation to develop a partnership among local lenders, city officials, and neighborhood residents, helping these groups to identify a common interest in preserving the area. In 1980, the Durham NHS marked its formal beginning with a series of "rehab" Saturdays in its new office, a 60-year-old frame house in disrepair on East Trinity Avenue.

By 1981, Durham NHS had acquired the basic components of most NHS programs around the country — a resident-controlled board of directors and a small staff helping the neighborhood to help itself. The board includes six Old North Durham

residents, a "resident-at-large" from any Durham neighborhood, three Durham lending officials, and the Durham assistant city manager for development. Because the board represents diverse community interests, its monthly meetings become a forum for community problem solving and decision making. The staff consists of an executive director, a rehabilitation specialist, and an office manager. The operating budget — around \$70,000 per year — comes primarily from private contributions, the city of Durham, foundation grants, and the Reinvestment Corporation. A neighborhood church donated office space in a house next door to its sanctuary; renovating the office became an opportunity for volunteers to work directly in a revitalization effort.

The staff works with the nitty-gritty of home improvement, from the dilapidated bathroom in the NHS office to a crumbling foundation on a nearby home, from traditional financing to low-interest loans. The rehabilitation specialist, for example, examines homes with city inspectors and then works with the owner to decide how to finance the repairs. The program emphasizes conventional loans, encouraging homeowners to spend their own money on their houses. The NHS believes such financing methods stimulate more of a psychological investment than do government housing subsidies. In its first two years of operation, Durham NHS worked with 95 projects using private funding worth more than \$400,000.

For those low-income homeowners who cannot qualify for conventional loans, the Durham NHS established a revolving loan fund, varying its rates and terms according to the borrower's ability to pay. Grants from the Reinvestment Corporation and the city of Durham provided the seed money for the fund. Repayment of the loans made in the Old North Durham neighborhood replenish the fund, which is then used to make more loans in the area. Thus far, the revolving fund has made 18 low-interest loans to Old North residents totaling \$178,000. The conventional and low-interest loans have covered everything from new roofs and paint jobs to energy conservation projects and kitchen remodeling.

NHS helps to keep the cost of all the rehabilitation reasonable by arranging contractor bids, providing technical advice, monitoring the construction in progress, inspecting the quality of the work, and recruiting local fraternity groups and other volunteers for jobs involving heavy labor (like an outside paint job). And the program emphasizes self-help, for the work as well as the financing.

Like NHS groups throughout the country, the Durham program also plays an active role as a

public educator. As Bill Whiteside, the executive director of Neighborhood Reinvestment, puts it, "NHS is government as teacher." The Durham program, for example, publishes a newsletter using residents' stories, offers workshops on subjects like energy conservation, financing, and crime prevention, maintains a directory of qualified contractors, and has a "good neighbor" bulletin board.

Flexibility and local control, the underlying tenets of all these activities, have resulted in NHS auxiliary projects for specific local needs — home ownership promotion, apartment improvement, owner-built housing, energy conservation, and commercial revitalization. In some cases, the spinoff activity has required an entirely new organization with its own board of directors. The Neighborhood Reinvestment Corporation has supported 35 such projects with planning grants. Successful projects have become models for other cities just as the original NHS concept has spread from one Pittsburgh neighborhood to over 130 cities in just 14 years.

In 1968, the NHS model emerged from a transitional but not yet blighted Pittsburgh neighborhood. As absentee ownership in the area increased and the housing stock deteriorated, homeowners and landlords deferred maintenance of their property, setting into motion the "disinvestment" process. Lending institutions and insurance companies, losing confidence in the area, withdrew their services and the city cut back housing inspections, public safety, sanitation, and capital improvements. To try to halt this pattern,

local residents convinced city officials, local savings and loan associations, and the Carnegie-Mellon Foundation to co-sponsor a non-profit organization. The effort succeeded in turning around the Pittsburgh neighborhood.

The Federal Home Loan Bank Board (FHLBB), the regulatory agency for the savings and loan industry, recognized the success of the NHS program and in the early 1970s adopted it as its pilot urban program, replicating the Pittsburgh experience in five other cities. In 1974, the FHLBB formed the Urban Reinvestment Task Force with four financial regulatory agencies* and the Department of Housing and Urban Development (HUD) to accelerate the development of NHS programs throughout the country. In 1978, Congress voted to convert the task force into a public corporation with an appropriation of \$10 million. The agencies that directed the task force continue to serve as the board of directors for the Reinvestment Corporation.

The Reinvestment Corporation initiates NHS programs through a carefully conceived developmental process. A city or neighborhood interested in starting an NHS program contracts with Neighborhood Reinvestment to help create the non-profit organization. Over a year's time, five workshops build the commitments necessary to create a lasting partnership among the various local actors — bankers, residents, city officials, and others. A development committee formed from the first workshop participants selects a target neighbor-

* Federal Reserve Board, Federal Deposit Insurance Corporation, Comptroller of the Currency, and the National Credit Union Administration.



Workshops sponsored by Durham NHS focus attention on specific projects and involve area residents. In the fall of 1981, John Hargette, rehabilitation specialist for NHS, directed students from Durham Technical Institute and from the North Carolina School of Math and Science in the installation of a solar greenspace at the NHS office.

hood that meets several criteria established by Neighborhood Reinvestment.

First, a core of homeowners, preferably more than 50 percent of any area, must want to improve their homes and neighborhood. Second, the average income of residents in the neighborhood should be at least 80 percent of the city median and the housing should be in need of, but not beyond, repair. Finally, to increase the impact of the rehabilitation program, the target neighborhood should be highly visible. Once the neighborhood has been selected, the workshops concentrate on incorporation, selection of a board of directors, fundraising, and hiring an executive director. This process often breaks down initial barriers between some of the different groups.

"The most important thing is opening up channels of communication," said Richard Furr, a vice president of Central Carolina Bank and a member of the Durham NHS board. "When we started out, Neighborhood Reinvestment probably thought I was a cold-blooded conservative, and I know I thought they were wild-eyed liberals," Furr recalls, chuckling. "Now we're making good loans in even worse neighborhoods than Old North Durham. The key is to get the community behind the program, and convince the lenders that the neighborhood is changing for the better."

Nationwide, the NHS reinvestment efforts are impressive. Every dollar of public funds spent in an NHS target area has generated at least ten private dollars. Programs more than five years old average \$2.5 million of reinvestment in their target neighborhoods. Twenty-four programs have expanded their service areas into thirty-four

Property improvement activity in Old North Durham includes the full range of renovations, from roof repairs and exterior painting to energy conservation.



additional neighborhoods. By the end of 1981, over one million people lived in NHS neighborhoods.

A bipartisan and powerful group of policy-makers support this success story, from David Stockman, director of the Office of Management and Budget and the chief budget cutter in the Reagan administration, to U.S. Sen. William Proxmire (D-Wisconsin), known for his careful scrutiny of cost efficiency in government. Federal funding for the Neighborhood Reinvestment Corporation has grown from \$10 to \$14 million since 1977 and the Reagan administration has recommended a 12 percent increase for federal fiscal year 1983.

Despite their adoption by the federal government, the NHS programs work very hard at retaining flexibility and local orientation, the characteristics which account for their success and distinguish them from other government-supported housing programs. "Government wants to treat everybody alike, so they demand uniformity," says Bill Whiteside, who has led the NHS programs at the national level for a decade. "NHS doesn't have regulations. Our people are encouraged to use their own judgment, to adapt, to take risks."

Despite having built a successful track record, NHS has also fallen short in some areas. Advocates of low-income groups, for example, criticize NHS for concentrating on neighborhoods with a substantial number of persons with moderate incomes. Similarly, most NHS programs emphasize services for homeowners, not for renters. And even in targeted areas, which must have a moderate-income mix, successful programs have sometimes escalated the value and cost of housing so that low- and even moderate-income residents can no longer afford the rents and property taxes necessary to remain in their neighborhood.

NHS programs do not hope to develop housing exclusively for low-income people, but rather to improve the housing stock for low- and moderate-income people in a particular neighborhood. Having income levels high enough within a neighborhood to support conventional financing forms a fundamental part of the NHS model. And requiring that residents control the NHS boards offers some insurance against the displacement of existing residents.

Another problem for NHS is sustaining financial support from the private sector for operations. At a time of reduced government support for housing programs in general, this is an extremely important issue. The Neighborhood Reinvestment Corporation, in launching an NHS program, usually calls for three-year funding commitments by lending institutions, local businesses, and city

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governments. After this initial period, most programs are still providing services in the target area, but private funding often drops substantially. Most programs survive by broadening the base of the original partnership to include support from housing-related industries like real estate, insurance, utilities, building supply, and construction. Some programs enter into for-profit housing ventures, often with private developers. Even so, as a program grows older, a greater share of its budget is likely to come from public sources, and the proportion from lenders and local businesses dwindles.

The relatively modest amount of private funding in most NHS programs in North Carolina has been of particular concern to the Neighborhood Reinvestment Corporation. The Wilmington program receives very little financial support from the lending community and appears to have become little more than an extension of city government. In Charlotte, public funds provided 25 percent of the operating budget during its first three years, but the program has now managed to raise its full budget from private sources. Durham has thus far raised more than 60 percent of its operating budget from private sources but reliance on public support is likely to increase in the near future. Only the Winston-Salem NHS, which began in the summer of 1982, has depended from the outset exclusively on private support.

State legislative initiatives have helped to address the funding problem. California and Florida have established NHS foundations that make matching grants to local programs. Florida, Missouri, Colorado, and others offer tax credits for contributions to NHS-type organizations. In Florida, for example, businesses may take a 50 percent tax credit up to \$200,000 per year for contributions and up to \$50,000 per year on ad valorem taxes for expanding or locating in distressed urban areas. The state set an annual limit

of \$3,000,000 in credits for all businesses.

Although NHS was born and developed in large metropolitan areas of the northeast and midwest, small and medium-sized cities in North Carolina are applying the concept with great success. The ability of NHS to influence the housing marketplace is based upon the belief that the private market is a natural force that can be manipulated. To restore confidence in the quality of urban life, NHS builds upon a market psychology. Durham NHS, for example, does not claim to have single-handedly turned the neighborhood around, but it has created the atmosphere that has led to the improvement of housing in Old North Durham and to a greater appreciation of living in the neighborhood.

Within the last decade, non-profit corporations have provided a necessary bridge between the private and public sectors in stabilizing and improving the quality of housing in urban communities. The NHS model has emerged from the various non-profit structures as a valuable way to address housing problems. A small-scale orientation, an emphasis on private financing, and a commitment to self-help distinguish NHS from most federally funded programs. As government funding for all social programs tightens, the NHS model — which generates about 10 private-sector dollars with a single public dollar — could serve as an important model for neighborhood groups, non-profit organizations, and government officials. Although financial underpinning for non-profits has weakened in recent years, the role of such organizations will have to expand as an instrument of future public policy in the field of housing.

“Greenway neighborhood had just started out the door and Reaganomics pushed us back in the house,” lamented the Rev. Rhodford Anderson of Winston-Salem during his visit to Durham last December. “Neighborhood Housing Services is giving us another chance.” □