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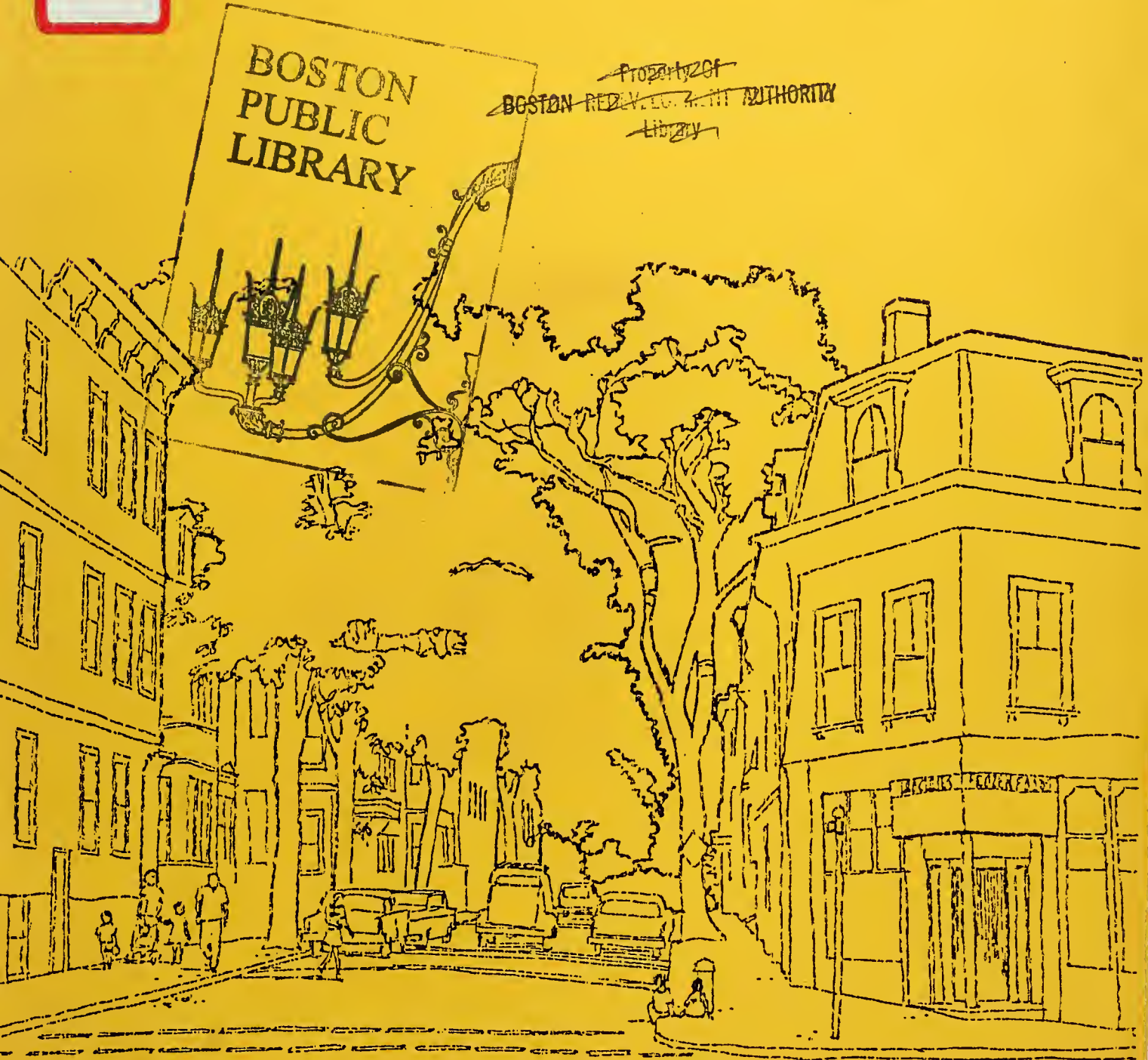
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# Housing Policy Considerations

for a Central City in a Metropolitan Context; Boston, Mass.

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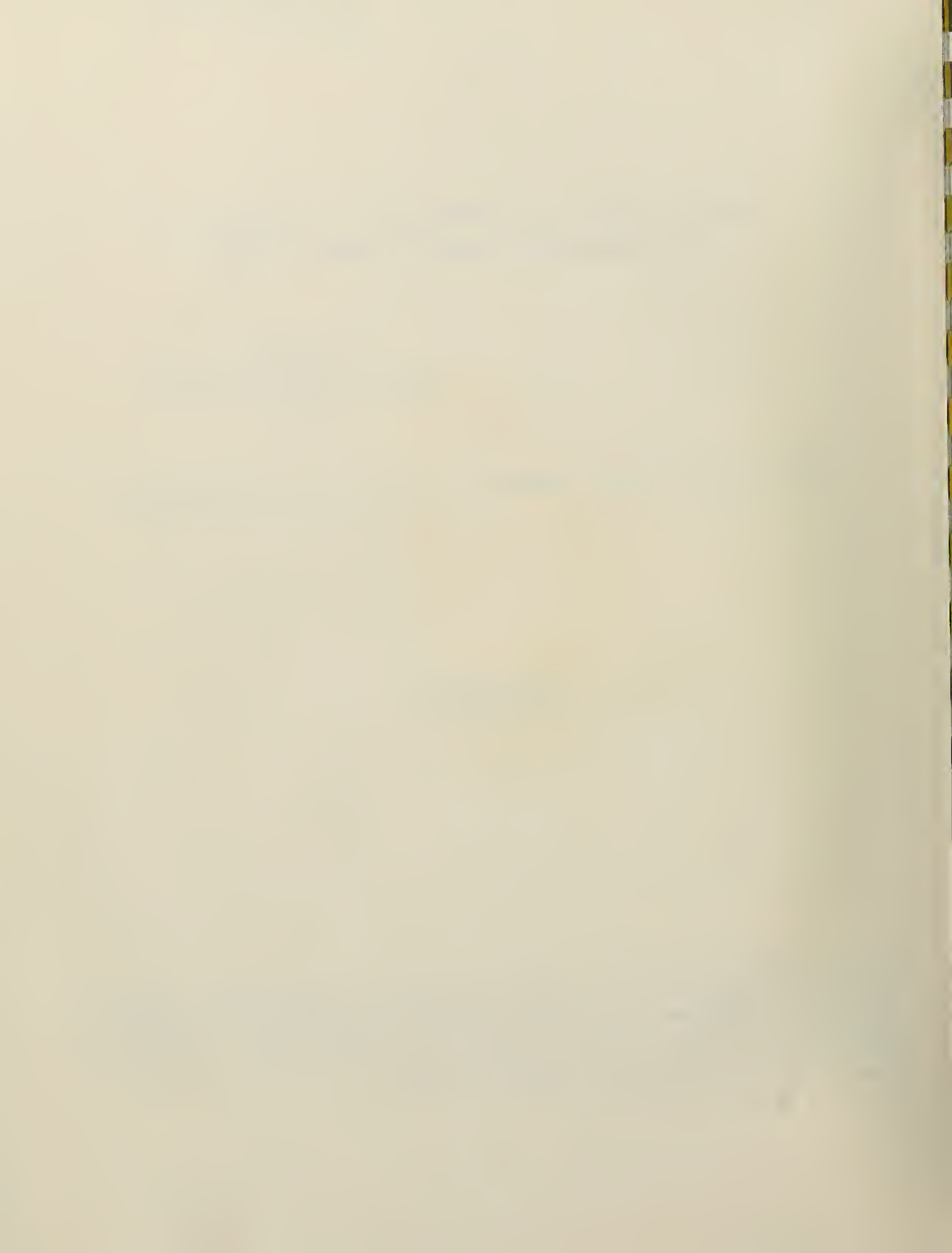
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IN A METROPOLITAN CONTEXT; BOSTON, MASS.

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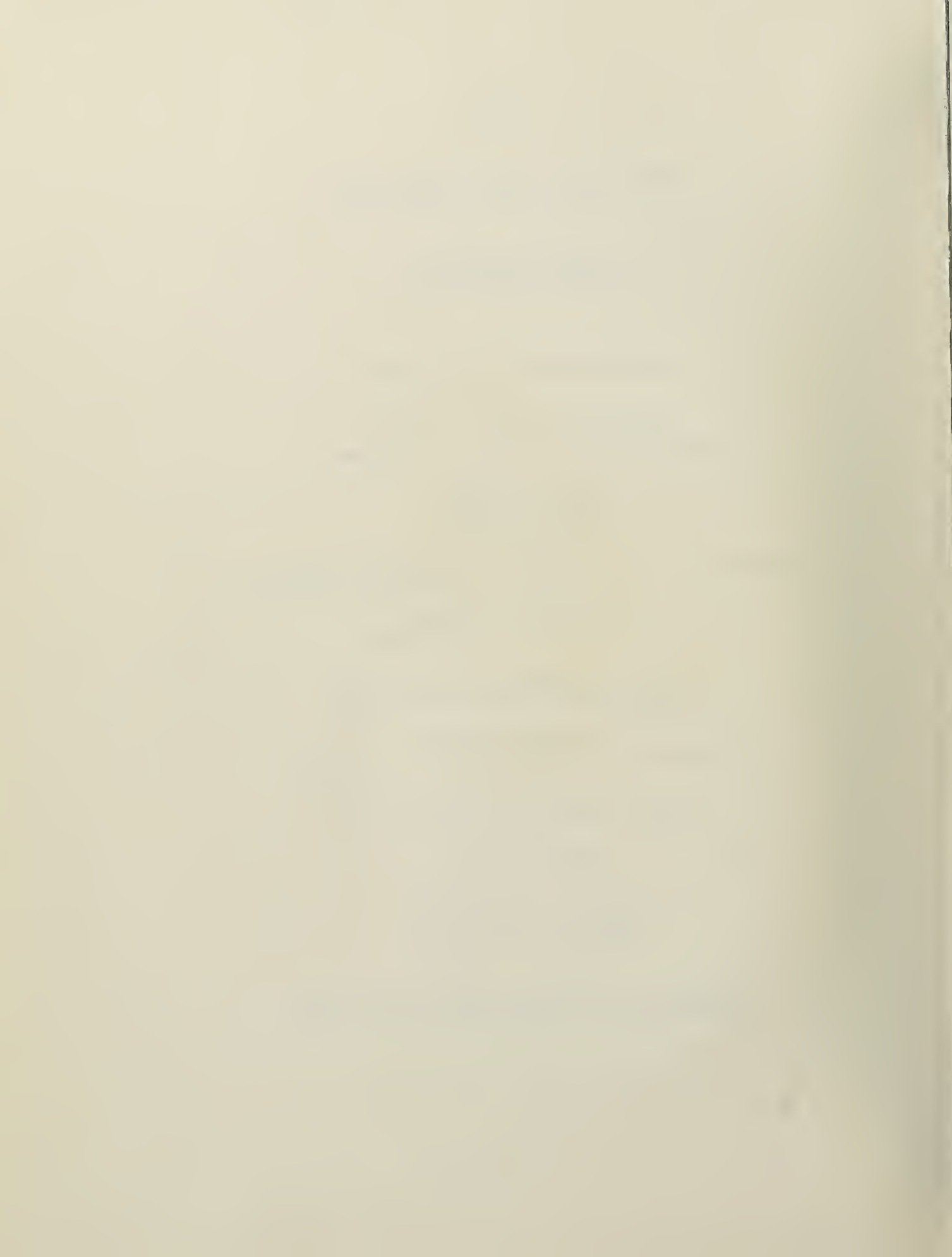
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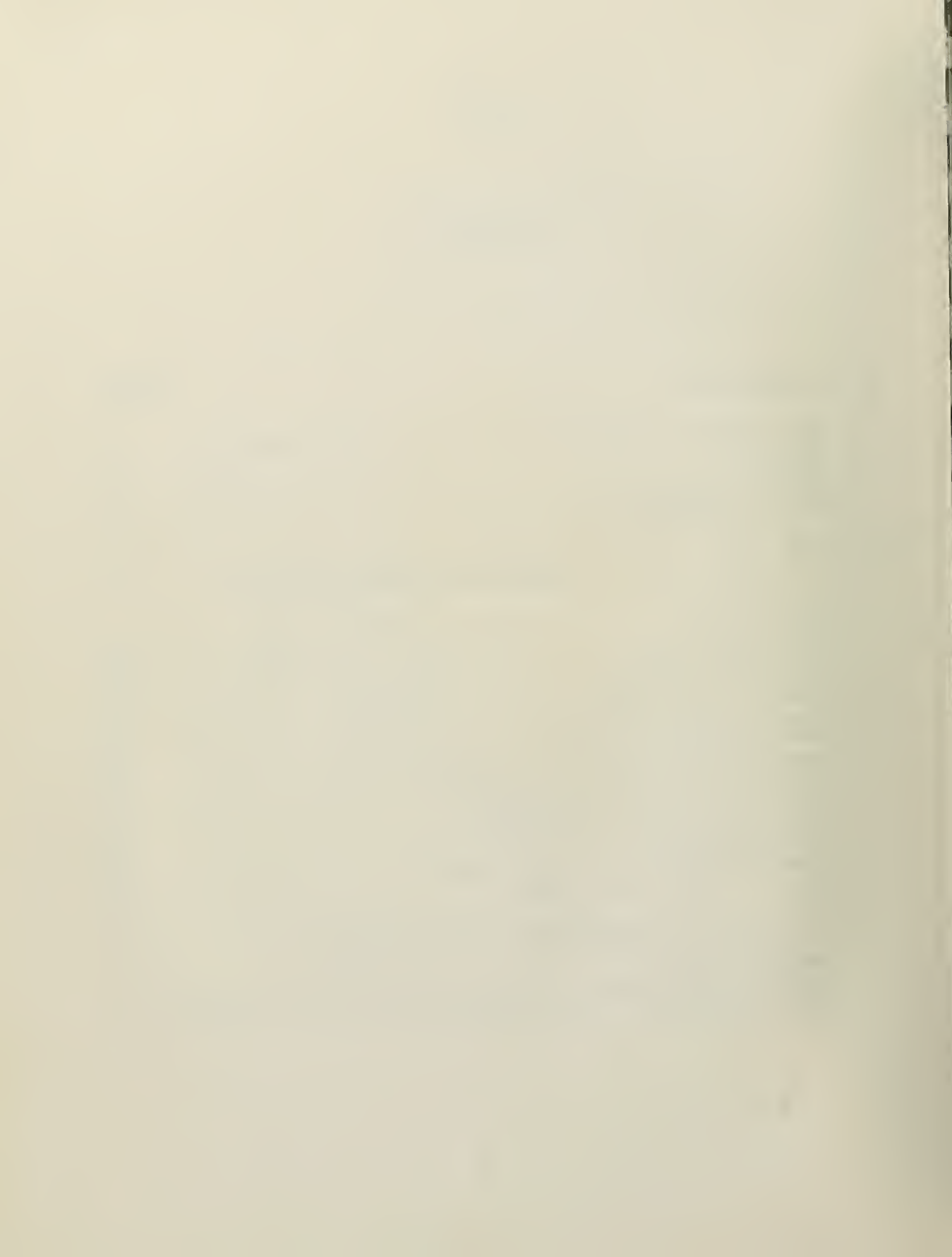
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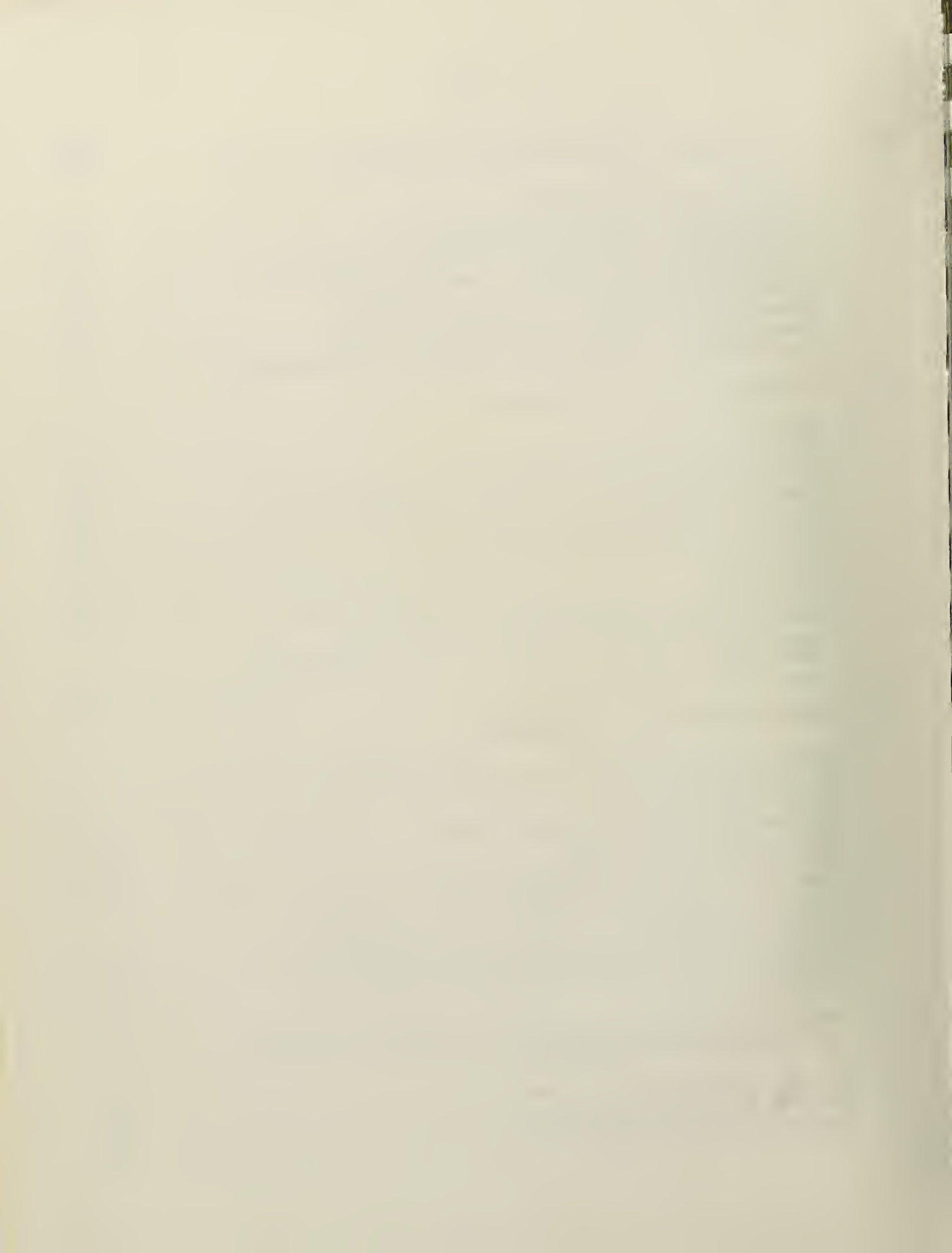
CONTENTS

	<u>Page</u>
I. INTRODUCTION.....	1
Key Issues: Housing Quality and Housing Balance....	4
Quality.....	5
Balance.....	7
Adverse Development.....	8
Chapter Themes.....	14
II. THE PEOPLE AND THEIR HOUSING IN BOSTON: KEY INDICATORS FOR THE FORMULATION OF HOUSING POLICY...	17
Implications of Major Trends in Population and Housing Stock.....	18
Population Trends and Projections: An Overview.....	24
Trends in Household Size and Composition.....	27
Trends in Age Groups.....	30
Trends in Racial and Ethnic Composition.....	34
Racial Migration Trends.....	38
Composition of the Housing Stock.....	42
Changes and Additions to the Housing Stock.....	44
Condition of the Housing Stock.....	49
Ownership Patterns and Trends.....	52
Housing Turnover.....	58
Housing Vacancies and Abandonment.....	61
Value of the Housing Stock.....	63
Rents.....	66
The Impact of Population and Housing Stock Trends on Housing Markets in Differential Neighborhoods.....	67
Appendix III-1 Summary of Methodology Used to Estimate 1980 Population, City of Boston.....	73





	<u>Page</u>
III. NEIGHBORHOOD REVITALIZATION STRATEGIES FOR BOSTON.....	75
Private Costs of Fix-up.....	79
Neighborhood Market Dynamics.....	84
Neighborhood Analytical Framework.....	93
Housing Market Typology: Detailed Description.....	98
Neighborhood Housing Programs for Boston.....	107
Remedial Strategies for Stable Markets.....	112
Remedial Strategies for Rising Markets.....	122
Remedial Strategies for Declining Areas.....	125
Cost Summary of Special Neighborhood Strategies.....	137
IV. CITYWIDE HOUSING STRATEGIES.....	143
Housing Credit.....	144
Problematic Lending Practices.....	145
Types of Lenders and Emerging Lending Patterns.....	149
Remedial Strategies to Improve Lending.....	160
Property Taxes.....	166
Excessive Property Tax Burden.....	169
Inconsistency and Uncertainty.....	174
Inequities.....	175
Recommendations Regarding the Property Tax.....	180
Reorientation and Reorganization of City Departments for the Delivery of Housing-Related Services.....	185
Conclusion.....	193
V. REDUCING HOUSING IMBALANCES.....	194
Housing-linked Disparities in the Metropolitan Area.....	197
Fiscal Disparities.....	197
School Disparities.....	200
Residential Mortgage Credit Erosion.....	202
Employment Disparities.....	203
How Imbalanced is Boston?.....	205
Individual Choice and Housing Opportunities.....	210
Past Experiences with Statewide Strategies to Reduce Imbalances.....	218
Strategies for Reducing Housing Disparities.....	226
Strategies for Achieving Greater Neighborhood Heterogeneity.....	236
VI. SUMMARY AND CONCLUDING INSIGHTS INTO THE RELEVANCE OF THIS STUDY FOR BOSTON.....	246
Housing Conditions and Trends.....	248
Housing Policies and Roles.....	251
Summary of Conclusions.....	259



TABLES AND FIGURES

	<u>Page</u>
FIGURE IV-1 PERCENT OF ALL UNITS REQUIRING GUT REHAB. OR DEMOLITION.....	80
FIGURE IV-2 HOUSING CONDITION: AVERAGE PER UNIT FIX-UP COST.....	83
FIGURE IV-3 NEIGHBORHOOD CLASSIFICATION BY MARKET DYNAMICS AND CONDITION.....	94
FIGURE IV-4 CONCEPTUAL FRAMEWORK FOR NEIGHBORHOOD CLASSIFICATION.....	96
FIGURE IV-5 NEIGHBORHOOD CHARACTERISTICS ASSOCIATED WITH HOUSING MARKET/CONDITION CLASSIFICATIONS <u>MARKET PERCEPTION</u> .....	100
FIGURE IV-6 DWELLING UNITS AND PERCENTAGE OF STOCK IN VARIOUS HOUSING MARKET/CONDITION CLASSES <u>MARKET PERCEPTION</u> .....	101
FIGURE IV-7 ASSISTANCE STRATEGIES FOR NEIGHBORHOOD HOUSING REVITALIZATION <u>MARKET PERCEPTION</u> .....	113
FIGURE IV-8 ESTIMATED PUBLIC EXPENDITURES ASSOCIATED WITH NEIGHBORHOOD ASSISTANCE STRATEGIES, 1975-1985.....	121
FIGURE V-1 RELATIVE SIZE OF MORTGAGE HOLDINGS OF MAJOR TYPES OF THRIFT INSTITUTIONS IN BOSTON AS OF OCTOBER 31, 1972.....	150

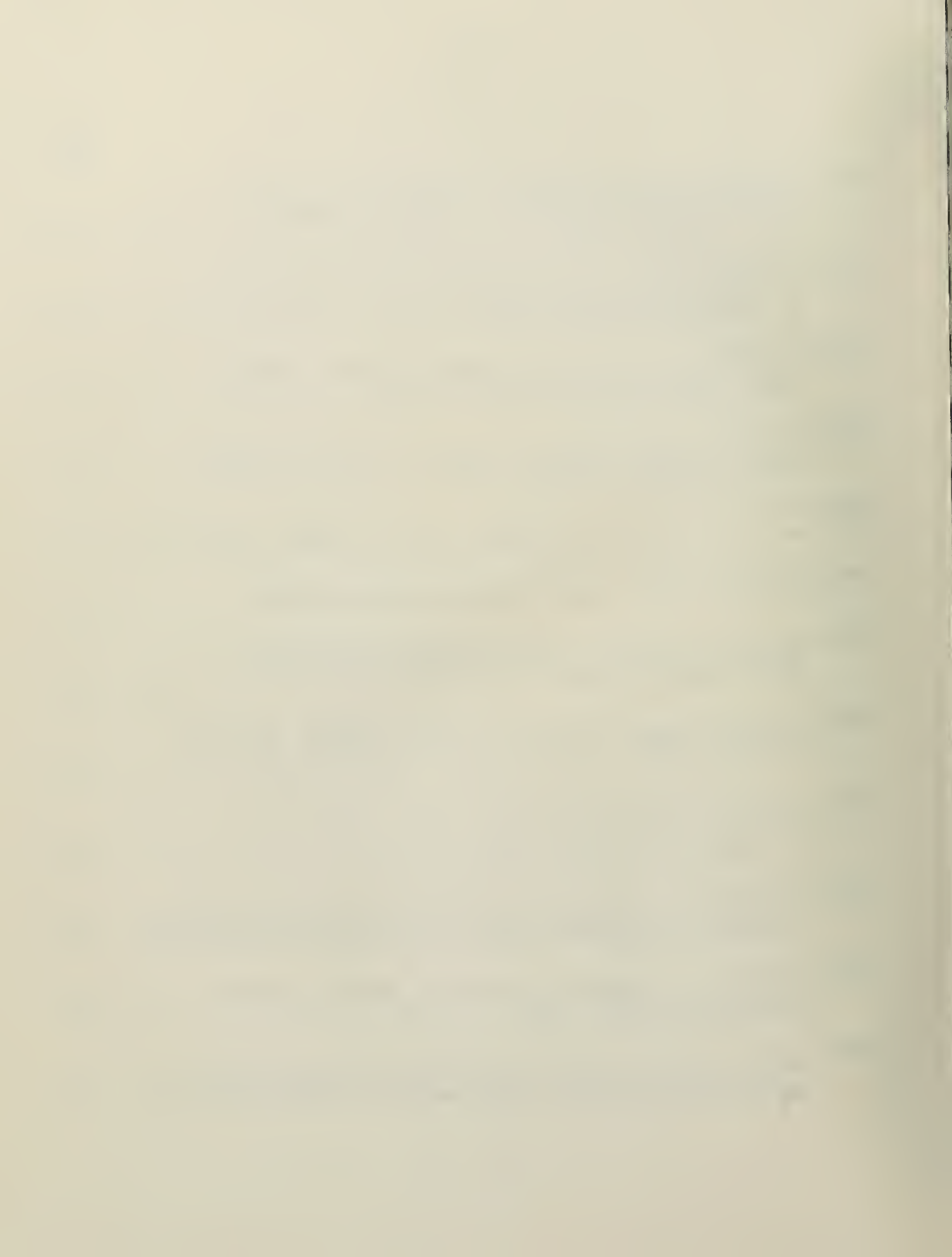




FIGURE V-2	
RELATIVE SIZE OF ASSETS OF SAVINGS BANKS LOCATED IN BOSTON AS OF OCTOBER 31, 1971.....	152
FIGURE V-3	
RELATIONSHIP BETWEEN ASSETS OF ALL BOSTON-BASED CO-OPERATIVE BANKS AND ASSETS OF EACH INDIVIDUAL BANK AS OF OCTOBER 31, 1972.....	153
TABLE III-1	
POPULATION, CITY OF BOSTON, 1950-70.....	25
TABLE III-2	
ESTIMATED POPULATION, CITY OF BOSTON, 1980.....	28
TABLE III-3	
COMPARISON OF POPULATIONS, CITY OF BOSTON AND BOSTON SMSA, 1960-80.....	29
TABLE III-4	
PERCENTAGE DISTRIBUTION OF POPULATION BY AGE GROUPS, CITY OF BOSTON, BOSTON SMSA, AND NATION, 1970.....	31
TABLE III-5	
POPULATION FOR THE CITY OF BOSTON BY AGE GROUPS, 1970.....	32
TABLE III-6	
NONWHITE POPULATION BY PLANNING DISTRICT, CITY OF BOSTON, 1950, 1960 and 1970.....	36
TABLE III-7	
PERCENTAGE DISTRIBUTION OF POPULATION BY RACE AND PLANNING DISTRICT, CITY OF BOSTON, 1970.....	37
TABLE III-8	
DISTRIBUTION OF POPULATION BY INCOME FOR 1970, CITY OF BOSTON AND SUBURBS.....	41
TABLE III-9	
HOUSING UNITS BY OCCUPANCY STATUS AND PLANNING DISTRICT, CITY OF BOSTON, 1970.....	53



	<u>Page</u>
TABLE III-10 HOUSING TURNOVER IN CITY OF BOSTON AND BOSTON SMSA, 1960 and 1970.....	59
TABLE III-11 HOUSING VACANCY RATES FOR APRIL, 1973, IN CITY OF BOSTON AND BOSTON AREA.....	62
TABLE III-12 DISTRIBUTION OF VALUE OF OWNER-OCCUPIED SINGLE- FAMILY HOMES, CITY OF BOSTON, 1970.....	63
TABLE III-13 MONTHLY CONTRACT RENT FOR OCCUPIED RENTAL HOUSING UNITS IN CITY OF BOSTON, 1970.....	68
TABLE IV-1 HOUSING UNITS BY CONDITIONS, CITY OF BOSTON, 1973.....	78
TABLE IV-2 ESTIMATED TOTAL FIX-UP COST BY PRIVATE MEANS.....	82
TABLE V-1 BOSTON'S MUNICIPAL REVENUE YIELD BY SOURCE AND YEAR (GENERAL REVENUES ONLY).....	170
TABLE V-2 PROPERTY TAXES AS PERCENT OF TOTAL GENERAL REVENUES 20 LARGEST U.S. CITIES, 1971-72 (in thousands).....	172
TABLE VI-1 POPULATION DISTRIBUTIONS BY INCOME, BOSTON AND THE METROPOLITAN AREA, 1970.....	207
TABLE VI-2 POPULATION REDISTRIBUTIONS NEEDED TO EQUALIZE CLASS DISTRIBUTIONS BETWEEN BOSTON AND THE METROPOLITAN AREA...	207
TABLE VI-3 POPULATION DISTRIBUTIONS BY RACE, BOSTON AND THE METROPOLITAN AREA, 1970.....	209
TABLE VI-4 POPULATION REDISTRIBUTIONS NEEDED TO EQUALIZE RACE DISTRIBUTIONS BETWEEN BOSTON AND THE METROPOLITAN AREA...	209

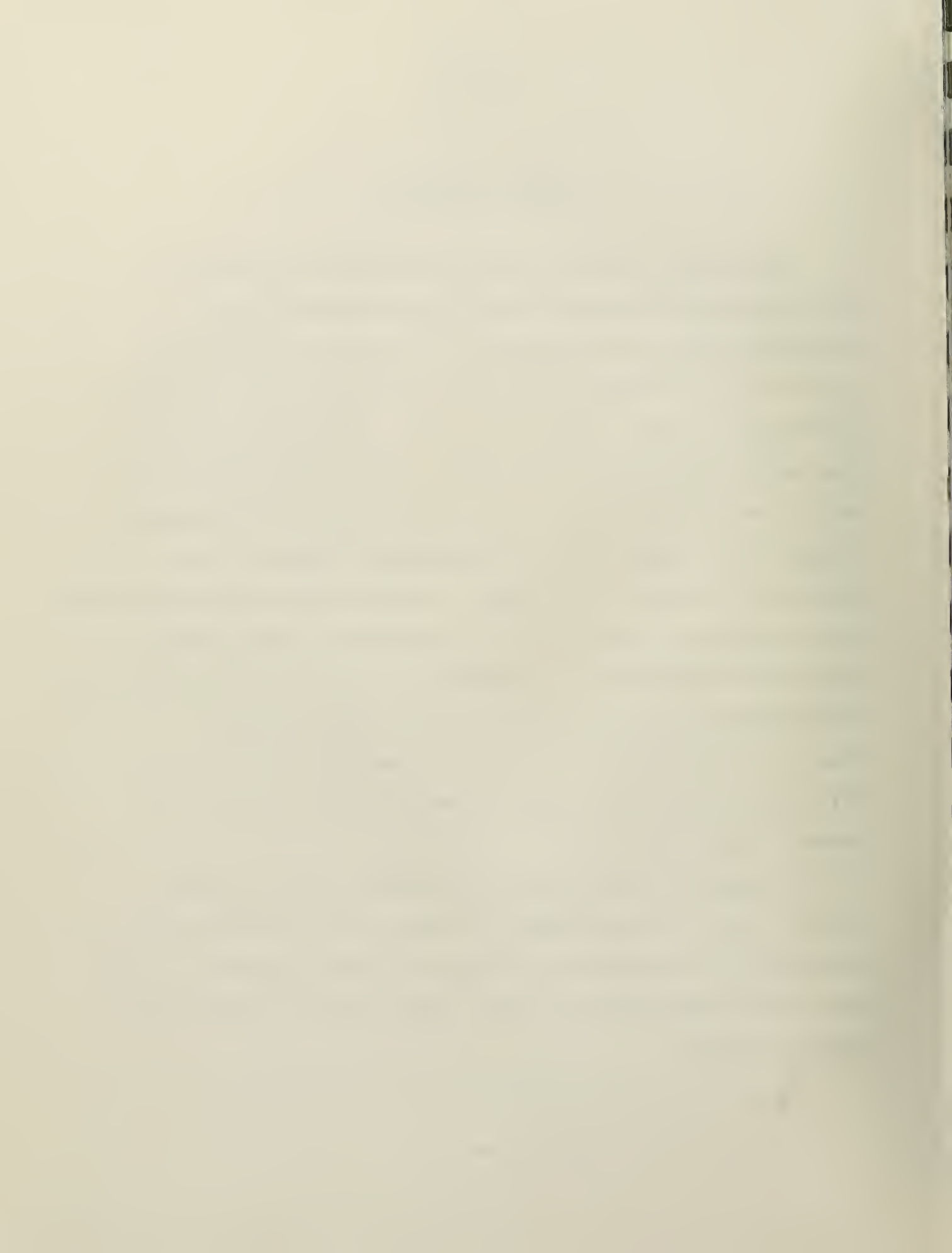


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Conceptualization of the study represented the joint effort of Dr. William Grigsby, Professor of Economics at the University of Pennsylvania, Joseph S. Slavet, Director of the Boston Urban Observatory, and Dr. Kent Colton along with the project director.

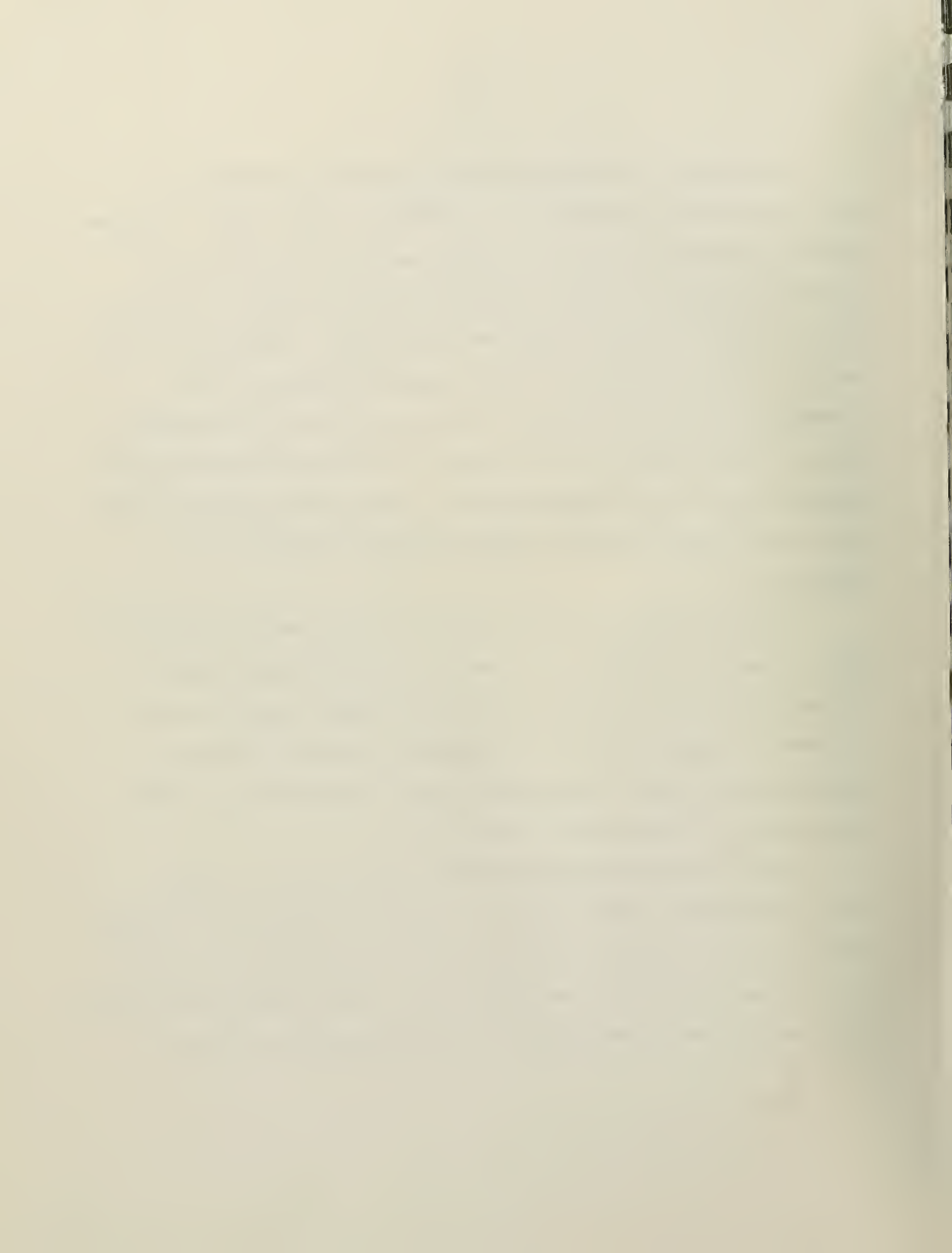




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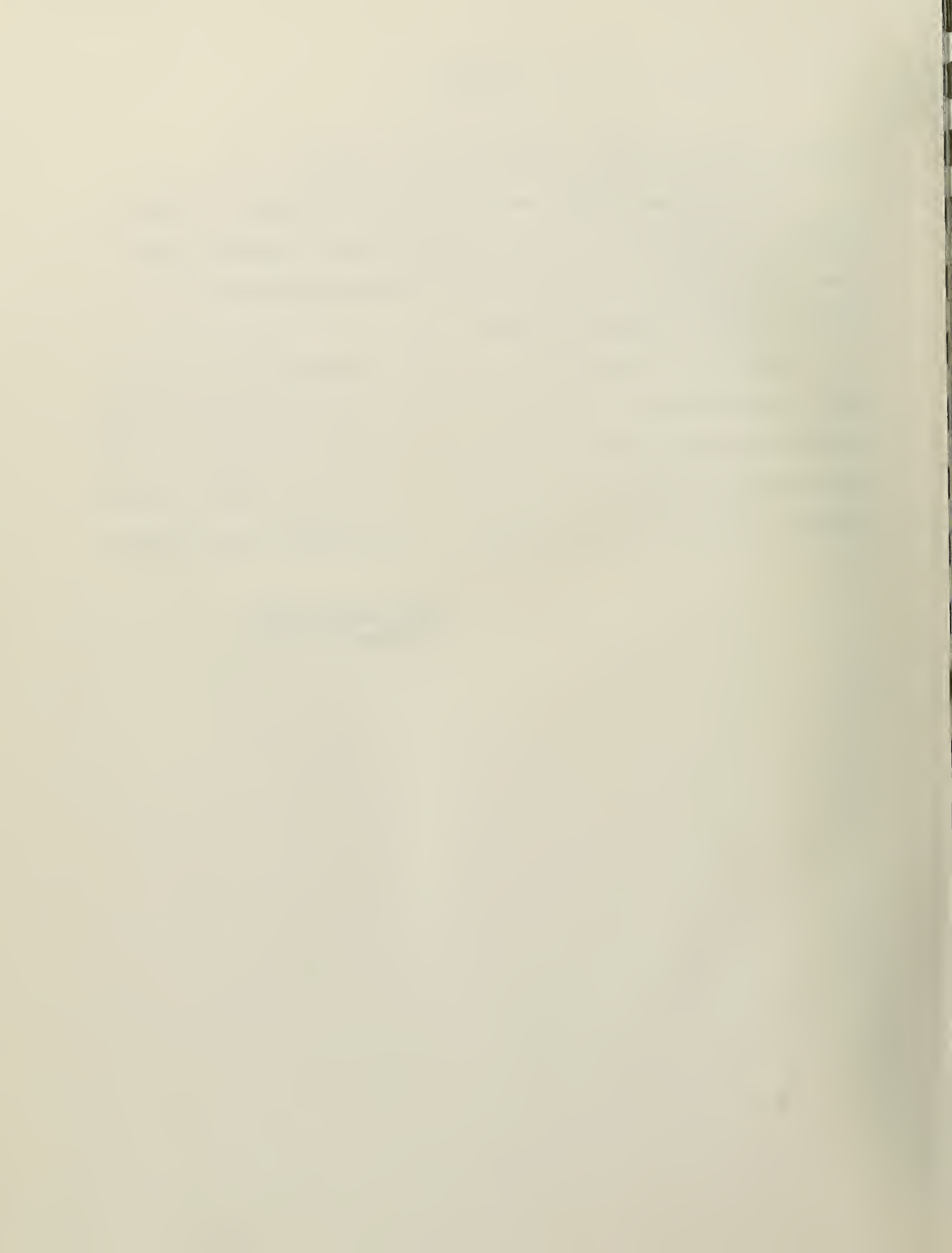


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Dr. Rolf Goetze  
Project Director





## I. INTRODUCTION

This study is part of a cooperative analytical effort being undertaken by urban observatories in five large cities of the nation - Atlanta, Boston, Denver, Kansas City and Milwaukee. The study emerged from the recognition that, though there was much progress, policy and strategy had not yet succeeded in meeting the national goal of "a decent home and suitable environment for every American family." Urban policy makers in Boston supported the launching of a cooperative enterprise in housing policy research not because of a distinct groundswell of public opinion demanding greater visible evidence of housing improvements,<sup>1</sup> but because the concern over housing goals and priorities in the Boston community and throughout the country reflects questions and issues which are quite different from those raised in the recent past.

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1. A 1970 study of citizen attitudes in Boston, for example, concluded: "Boston residents are not about to take to the streets with demands for governmental action on housing. Our reading of the data is that there is widespread basic satisfaction with housing in the city." Other attitudes of survey respondents, however, indicated considerable public support for action in housing--80 percent thought that local government should be responsible for having more low and moderate income housing built and virtually the same majority was willing to "accept" low-rent housing to be built in their own neighborhood. Moreover, 69 percent of the survey sample wanted local government to spend more money on "building low-rent housing," Life with Boston: A Citizen's Assessment of Services, (June, 1972), p. 77, Boston Urban Observatory. See particularly Chapter V.

The current questions of housing policy move beyond concerns over national and local progress in meeting urban needs for standard shelter in a "livable" neighborhood within ability to pay. They focus rather on newer issues: freer housing choice; greater income and racial mix; flexible, market-oriented, region-wide, cost-effective housing policies; consumer-oriented housing subsidies; internal-incentive housing delivery systems.

Four decades of accumulated experience with a wide variety of national housing policies and local program responses to such policies have shown the limitations of symptom-oriented solutions. There is general agreement that housing production programs have left in their wake a plethora of unresolved related problems involving income, race, jobs, neighborhood, and the future of the central city. Four decades of past experience with housing programs have sharpened thinking about what housing policies cannot do for the poor and near-poor if they are less than clear in charting new directions for housing policy. New and rehabilitated housing, for example, can hardly rescue families from poverty since improved shelter does nothing about the basic needs of the poor for income, employment

training and educational opportunities. The evidence is also strong that families with housing needs place greater weight on neighborhood quality and services than on better shelter per se and that the purported beneficiaries of production-oriented housing subsidies are not noticeably aware of the dimension and value of such indirect housing assistance.<sup>2</sup>

In Boston there is mounting evidence of greater municipal attention being given to sorting out the theoretical framework, data requirements, political ramifications and value dimensions of housing policies. This is demonstrated by the expanding problem-solving and policy-formulation activities of staff in the Mayor's Office, the Boston Redevelopment Authority's Research and Planning Departments, the Office of Public Service's Management Analysis Division, the Housing Inspection Department, and the Rent Control Administration. Part of this growing in-house effort has included joint research by the Boston Urban Observatory (BUO) and the Boston Redevelopment Authority in critical housing areas such as a study of federally-subsidized multi-family rental housing, an examination of the future of

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2. See William G. Grigsby et al., Housing and Poverty (April, 1971, Institute for Environmental Studies, University of Pennsylvania and Urban Studies Institute, Morgan State University), one of the earliest studies to point out the relative importance which inner-city residents gave to the neighborhood environment, particularly the non-physical aspects thereof. Also see William Lilley III, "Toward A Rational Housing Policy", presented to Policy Committee Seminar on Community Development, 1973 Congress of Cities, San Juan, Puerto Rico, December 3, 1973.



three-deckers and an earlier BUO inquiry into housing inspectional services. It should be noted, however, that these and other studies of separate components of the housing problem reflect the typical scattered, fragmented nature of inquiry into local housing policies and programs.

Thus the objective of this study is to assist officials of the City of Boston in achieving a primary goal of comprehensive development of local housing policies and strategies and to accomplish several other related goals: (1) to improve the understanding among public officials and key persons concerned with housing policy of housing issues and alternative approaches for coping with them; (2) to link housing issues and proposed solutions with broader policies of community development at the neighborhood, city-wide and metropolitan levels by raising public awareness of the short and long-term consequences and ramifications of housing problems and policies; (3) to clarify how the private housing market really operates; (4) to identify impediments to the implementation of housing policies and programs.

Key Issues: Housing Quality and Housing Balance

The following housing issues have been identified as of paramount interest to political leaders of central cities and their constituencies: (1) the quality of housing for present

residents, and (2) the mix of housing for varying income groups within and between the central city and other communities of the metropolitan area.

Quality: For Boston the quality of housing for all residents of the city has become an issue of prime concern. Since 1974, a decade of highly visible, large-scale construction, mainly publicly-subsidized and carried out for the most part within the framework of urban renewal, has replaced a considerable amount of substandard, overcrowded housing with over 20,000 new and rehabilitated dwellings for all income groups and has discernably improved the general level of housing quality in several areas of the city. Over the three decades prior to 1960, the city had added almost 14,000 units of conventional public housing to its stock under a variety of federal and state subsidy programs. Moreover, the Boston Housing Authority, leasing agent for private housing under a separate subsidy program authorized by the Congress in 1965, had some 2700 leased units under its jurisdiction by the end of 1973. In addition, federal and state rent supplement programs accounted for some 2500 units and the Massachusetts Housing Finance Agency had authorized over 2100 housing units serving families of mixed income in Boston.

Housing quality has become a major issue in Boston partly

because of mounting resident complaints about conditions in federally-subsidized new and rehabilitated housing and their surrounding neighborhoods,<sup>3</sup> and even more because of the continuing deterioration of a large segment of the city's private housing and changes in the quality of neighborhoods located outside of designated urban renewal areas, neighborhoods largely untouched by federal policies and subsidies.

Factors significantly affecting the quality of residential neighborhoods include housing abandonment, neighborhood segregation by income and race, the "red-lining" of selected neighborhoods by financial institutions and the exacerbation of landlord-tenant relations in multi-family rental housing.

The problem of inadequate housing quality encompasses neighborhoods containing both low and moderate income households, but is most critical in neighborhoods where low income, particularly black and Spanish-speaking residents, predominate. Since the central city will for a long time in the future continue to perform its historical role as a primary houser of the poor and near-poor, particularly by serving as a way-station for many

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3. See report of Boston Redevelopment Authority and Boston Urban Observatory, Subsidized Multi-Family Rental Housing in the Boston Metropolitan Area: Analysis and Prognosis (October, 1973).

of the newest immigrants to the metropolitan area, it cannot avoid responsibility for facilitating access of this population to quality housing.

Balance: Related to the issue of housing quality, however, is the collateral question of how responsibility within the metropolitan area for housing the poor and near-poor should be shared among the various political jurisdictions. Should the central city and a few contiguous working class suburbs, for example, continue to be the primary places of settlement for population groups which depend on publicly-subsidized income maintenance and related social services? Or as Anthony Downs, Paul Davidoff and others have argued, should the central city and its suburbs attempt to achieve a better socio-economic balance and a job/housing balance during the next two decades?

The goal of better "balance" is being identified increasingly as a primary objective of housing and related public policies, particularly in land use control. In New Jersey, for instance, a balanced community has recently been accepted by the courts as a standard of the constitutionality of zoning ordinances.<sup>4</sup> A major difficulty with the concept of

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4. Oakwood at Madison, Inc. v. Township of Madison, 117 N.J. Super. 11 (1971). The New Jersey Superior Court held the entire zoning ordinance of Madison Township invalid because "it failed to promote reasonably a balanced community in accordance with the general welfare." See Jerome G. Rose, "The Courts and the Balanced Community: Recent Trends in New Jersey Zoning Law", 39 Journal of the American Institute of Planners 265 (1973).



balanced community, however, is that it can mean different things in different times and places. It may be defined to include economic balance, racial balance, fiscal balance, ecological balance, regional balance, spatial balance, and temporal balance. A focus of this report is on issues of imbalance as they relate to income and race, since these are considered to be crucial aspects of Boston's current housing problem.

#### Adverse Development Climate

Housing policy formulation must give appropriate weight to a public mood which no longer acquiesces to proposals for more physical development and particularly more housing. The prevailing attitude seems to be one of growing skepticism about development proposals, an attitude which has its origins in discontent and concern over the unpredictable consequences of new residential construction on the environment and on taxes. Discontent and concern are entwined with growing resident preferences for putting curbs on physical growth and for conserving existing neighborhood assets and values.

This prevailing negative mood against development and housing is being reinforced by shifts during the past few years in economic and housing policies, both nationally and locally. The trends are clear that new housing development in

Boston may slow down. Over the past decade, the volume of Boston's privately-financed housing construction has declined steadily, while an increasing proportion of its new housing starts have been constructed with interest-reduction subsidies and rent supplements provided by the federal and state governments. During the period 1967-73, some 15,800 housing units were completed in Boston, of which almost 59 percent were publicly-subsidized. By contrast, during the prior seven-year period, only 14 percent of over 12,200 completed housing units were constructed with government assistance. With HUD production subsidies drying up, the effect on Boston has been a reduction of over 6000 subsidized housing unit commitments during the 1971-73 period, as compared with the 1968-70 period. With the phasing-out of such federal support and with the erosion of credit for construction and mortgage financing in the private housing market, it is unlikely that private residential non-subsidized development will emerge in sufficient volume to offset reductions of government-subsidized construction. Sharply rising development costs, exacerbated by climbing interest rates and tighter funds for construction and permanent financing, may continue to deter private construction of even middle-income housing throughout the nation.

The rising mood against development is best illustrated by the organized efforts during the middle sixties and early

seventies in many neighborhoods of Boston against urban renewal, particularly against high-rise residential construction and renewal activities benefiting upper-income groups new to the neighborhood, as in the South End and the Fenway area. Although the mood against development does not appear in widespread opposition toward applications for zoning variances, there have been significant eruptions of residents against housing proposals, including organized efforts at hearings of the Zoning Board of Appeals, which have had the ultimate effects of scuttling such developments. Noteworthy examples are "infill housing", numbering over 1000 units and designated for neighborhoods outside Roxbury and the South End during 1968-70; a 250-unit turnkey public housing project in Brighton; and a proposed condominium in the golf course area of Hyde Park.

The trend in community development during recent years has been toward giving residents and neighborhood organizations greater participation in community development/housing activities in their areas. HUD has encouraged this movement, for example, by requiring elected project advisory committees in urban renewal areas. The result of this new reality of officially recognized organized citizen participation is that development proposals almost anywhere in the city, even those designed to provide shelter for the elderly, must go through a much longer



and more tortuous process of local review than formerly.<sup>5</sup> If a goal of expanded citizen participation in the development process was to increase the scope of resident support for housing or renewal proposals, this was achieved in some cases, although not through unanimous community consent. In other cases, however, organized citizen involvement has brought an unanticipated opposite result, increasing the number of persons intent on barring or drastically changing the nature and neighborhood impact of development proposals.<sup>6</sup>

Among the specific City policies which may be contributing

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5. See housing case studies in Morton Rubin, Organized Citizen Participation (October, 1971), prepared for Boston Urban Observatory, Part III, pp. 114-159.

6. This is illustrated by recent efforts to develop the Cabot estate in Boston. A developer had purchased the site in 1969 for the purpose of constructing two high-rise apartment towers containing 2000 dwelling units. Community organizations strenuously opposed such high-density development and were particularly opposed to companion plans for intensive development of the park area contiguous to the residential site. Over a three-year period these organized efforts succeeded in thwarting the developer's application to the Zoning Board of Appeals for zoning variances. During this interval negotiations were conducted among representatives of the developer, community organizations and several City agencies, including the Boston Redevelopment Authority, the Mayor's Office and the Office of Public Service. By the fall of 1973, these negotiations resulted in a drastic scaling-down of the proposed development to 165 clustered condominium units.

The point of the above example is that the "rules of the game" for getting development proposals approved had changed considerably since the sixties when the standard format for gaining City approval was an exciting proposal designed by a reputable architect.

to the adverse climate for housing development are rent control and property tax assessments. Although rent control legislation exempts structures constructed after January 1, 1969, there is the continuing fear that legislative amendments may move the exemption date ahead, the consequence being to delay and/or deny rent increase petitions, thereby jeopardizing anticipated investment returns. As for tax assessment practices, although property tax policies in Boston for new residential construction establish assessments far below levels based on fair market value, there is growing apprehension of an eventual court-ordered equalization of property tax assessments to eliminate the current pattern of inequities between and within categories of real estate. The conclusion of a recent study of the impact on assessments of a 100 percent revaluation is that total assessed valuations for residential property would increase by an average of 20 percent.<sup>7</sup> Uncertainties about the tax consequences of revaluation and about the rental impacts of rent control, if the date of rent control exemption were moved forward, tend to exacerbate developers' perceptions of financial risk and to curb development initiatives.

Finally, recently-enacted national and state environment

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7. Daniel M. Holland and Oliver Oldman, Estimating the Impact of 100% Property Tax Assessments of Boston Real Estate (August, 1974, prepared for the Boston Urban Observatory), p.3.

impact statutes at least complicate if not dampen proposals for new housing development.<sup>8</sup> These laws require that the implementation of any new development proposal which is dependent upon public funds or upon public agency permits or certifications incorporate within its documentary justifications environmental impact statements providing details on how the development will impact upon the environment. Environmental impact statements required by the federal government include five major components:

1. The environmental impact of the proposed action.
2. Any adverse environment effects which cannot be avoided should the proposal be implemented.
3. Alternatives to the proposed action.
4. The relationship between short-term uses of man's environment and the maintenance and enhancement of long-term productivity.
5. Any irreversible and irretrievable commitments of resources which would be involved in the<sup>9</sup> proposed action should it be implemented.

It should be noted that the scope of impact under federal law includes "man-made" as well as natural environment.

While the new environmental control laws are not inherently biased against development, their interpretation as to alleged harmful environmental impacts can be and has been used to block publicly-assisted housing, high-rise residential construction

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8. See National Environmental Policy Act of 1969, 42 U.S.C., Section 4331 et seq (1970), and Sections 61 and 62, C.30, Massachusetts General Laws.

9. James A. Roberts, "Just What Is An Environmental Impact Statement?" Urban Land (May, 1973), p.11.



and urban redevelopment. Not only can environmental control laws be used by affluent suburban communities to deter low and middle income housing developments with densities higher than surrounding residential areas, but environmental impact issues can pit relatively affluent conservation-oriented groups with secure assets and incomes against blue-collar construction workers primarily concerned with jobs and wages.<sup>10</sup>

### Chapter Themes

The several chapters of this report concentrate upon the two selected issues of housing quality and housing balance.

Chapter II provides the essential data base for the entire study. It takes a close look at the city's people, the neighborhoods they live in, and the shelter they occupy. It cites trends and patterns which have particular implications for housing needs, demands and policies, analyzing factors of strength and weakness and identifying portents of concern and difficulty suggested by the data. It gives special attention to indicators of income and racial disparities of population in the central city and the metropolitan area.

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10. Concern that the Massachusetts Environmental Policy Act of 1973 would stifle private development led to amendments of the law in 1974, Chapter 257, to ease perceived and actual burdens of the scope of the legislation and of its reporting procedures and requirements. Among the amendments were provisions exempting environmental impact reports for private projects from approval by the state secretary of environmental affairs, although the latter can submit comments on such reports to public agencies granting permit determinations, orders or other actions authorizing the projects.



Chapter III is an effort to probe and raise the understanding of neighborhood housing markets and the dynamics affecting housing quality in Boston. It assigns neighborhoods to different categories based on existing housing conditions and market strengths and weaknesses. Using this typology as a frame of reference, the chapter proposes housing/neighborhood maintenance and revitalization strategies for the city's existing housing stock which are tailored to the above housing condition/market classifications.

Chapter IV proposes citywide housing and residential improvement strategies, focusing on the need to review lending practices, reform the property tax system and restructure the municipal housing regulatory systems, if the goal of improved housing quality is to be attained.

Chapter V deals with the much more controversial issue: institutionalized inequities that relate to income and race within the Boston metropolitan area and within the central city. After describing prevailing patterns of disparity within metropolitan Boston--municipal tax service disparities, school disparities, private housing investment and lending disparities--Chapter V discusses a scheme of expanded housing opportunities which combines new construction and rehabilitation based on the realities of housing conditions and markets. This proposal takes into account the several forces contributing to

existing disparities and sets forth the type and extent of changes required to reduce these inequities. It also suggests counterpart housing/neighborhood strategies to reduce disparities among neighborhoods within the City of Boston without sacrificing the priority needs of existing residents.

The final chapter of this report attempts to relate the considerations raised by the goals of improving quality and reducing disparities to the actual situation, in effect summarizing and evaluating where to go from here. The chapter identifies the significant shifts in the federal, state and local responsibilities that are occurring as well as what the public sector can actually do. The policy considerations generated throughout the body of this report are summarized and restated here as tempered by these realities.

## II. THE PEOPLE AND THEIR HOUSING IN BOSTON: KEY INDICATORS FOR THE FORMULATION OF HOUSING POLICY

Policy initiatives in housing and community development appear to be shifting from Washington to state capitols and city halls. The roles of the City in determining such policies will become increasingly important. If City Hall in Boston is to take full advantage of this imminent opportunity to make and shape housing policy, its officials require useful data on residents, their existing shelter and future housing needs. According to the analysis of population and housing in this chapter, Boston can best be described as a city in a state of delicate balance; a city which faces a number of basic decisions for the future. The housing environment has undergone significant changes over the last several decades, and there are both new forces at work as well as continuing conflicts and difficulties. Change and intervention require careful consideration and time to proceed. "Economic and social forces in urban areas are not self-balancing."<sup>1</sup> If decisions are not made consciously, then choices will occur by default.

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1. Daniel P. Moynihan, essay entitled, "Toward a National Urban Policy", The Public Interest, No. 17 (Fall, 1969), pp. 9-10.

This chapter provides detailed background on the city's housing picture. Emphasis throughout the discussion is on the fact that housing in the city is part of a changing and dynamic market. Moreover, Boston is a community with a wide range of neighborhoods. Only as housing strategies are designed and applied specifically to those separate neighborhoods can there be a real hope for success. The several dimensions of neighborhood housing dynamics and the impact they have on the choice of appropriate housing strategies are presented in the following chapter.

#### Implications of Major Trends in Population and Housing Stock<sup>2</sup>

The following demographic trends will shape current and future demands for housing in Boston and the metropolitan area:

- (1) stabilization of the city's population level after two decades of decline;
- (2) projection to 1980 of a modest growth in population;
- (3) an anticipated population increase within the 25-34 age group, a significant proportion of whom are expected to be in professional/technical, higher-wage employment;
- (4) the city's continuing role as houser for the bulk of racial minorities living in the metropolitan area, thereby exacerbating the social imbalance as between the central

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2. Francine Price, formerly of the Research Department of the Boston Redevelopment Authority, was responsible for most of this section of the report.



city and its suburbs;

(5) the relatively large concentration of low income households currently residing in the central city, a concentration reinforced by aggressive city implementation of housing subsidy and urban renewal opportunities over more than three decades and by failure to achieve any significant opening of housing opportunities for low income families in the more affluent suburbs;

(6) the significant and worsening gap in median family income within the central city between whites and minority black and Puerto Ricans; and within the metropolitan area between the population of the central city as compared with that of most of the suburbs in the SMSA:

(7) the growing differences between the central city labor force and the labor force of the metropolitan area in job skills, educational levels and accessibility to employment which reflect the relative difficulties of young adults and adults in the central city, particularly those of racial minorities, to compete successfully for jobs both within the central city and throughout the labor market area.

As for available housing resources, including their market dynamics, condition, cost and accessibility, the following trends

and patterns have important implications for the formulation of new housing policy:

(1) The housing stock in the central city consists mainly of old structures containing six or fewer dwelling units. Most of them are over fifty years old and of wood frame construction, factors which create major and continuing needs for maintenance and upgrading.

(2) Analysis of housing conditions in Boston suggests that the bulk of the city's housing stock is basically sound. However, there are discernible signs of varying physical deterioration in the remainder of the existing stock. Housing maintenance and upgrading needs are greatest in the black ghettos and the older ethnic neighborhoods of the city.

(3) A majority of Boston's residential structures are owner-occupied, but owner occupancy in certain neighborhoods is declining steadily, a sign of a weakness in housing demand in some cases and of resident owners being priced out of the market in other situations.

(4) Housing ownership patterns are highly skewed: (a) the percentage of black home ownership is far below their relative numbers within the city's population, and (b) relatively large proportions of home owners are elderly who

occupy dwelling units in excess of their shelter requirements.

(5) There is a relatively large number of rooms per dwelling unit for the average household reflecting the steady decline in the average household size in the city.

(6) Boston has a higher rate of housing vacancies and abandonment than in the SMSA as a whole, a trend partially due to an aging housing stock, some of it obsolescent; housing abandonment is on the rise in certain neighborhoods; a significant proportion of such abandonment was financed through the mortgage risk pool known as the Boston Banks Urban Renewal Group (BBURG).

(7) Both property values and rents in Boston are lower than in the SMSA as a whole and their increases in Boston during the sixties lagged behind those for the SMSA; despite these comparisons, many of the city's households are spending a high proportion of their current resources for housing, due to the relatively low average incomes in many neighborhoods.

(8) A major factor in housing cost in Boston is a level of property taxes far in excess of the national average.

(9) The average rate of housing construction has remained



relatively unchanged over the last fourteen years--some 2000 units per year; but a dramatic shift has taken place in recent years away from privately financed residential construction (the housing start pattern of the sixties) to publicly-subsidized housing during the early seventies, located mainly in inner city urban renewal areas. The non-subsidized residential construction was largely restricted during the early seventies to the close-in, more affluent neighborhoods as contrasted with the bulk of housing development in the outlying areas for more moderate income families during the two prior decades. This trend is partially explained by the drying-up of available land for new housing, except in scattered urban renewal sites.

The preceding summary of population and housing trends and patterns does not portend an insurmountable housing supply problem for residents of the city of Boston, even for those at the lower end of the income spectrum still living in substandard housing. Instead, the foregoing analysis suggests that critical housing issues with which future housing policy must deal are housing conditions, ownership, exclusion and cost for certain segments of the population and for certain neighborhoods. These are central concerns in housing not because their resolution

would simply mean better shelter, but rather because these housing issues are closely bound up with more fundamental human needs: income, jobs, education and municipal services, needs which can be significantly alleviated through new approaches to housing policy.

Analysis of the city's population and housing trends also indicates that the existing stock of housing within the city itself holds the greatest promise for meeting the more immediate needs of its residents for improved housing. For the longer term, however, expanding housing opportunities throughout the metropolitan area for low income and minority groups will require full utilization of available housing resources and new construction.

A program of fix-up is a realizable goal in much of the city, but it is imperative to intervene early before fix-up becomes more costly and confidence in the neighborhoods wanes. Once accelerating deterioration sets in, only a massive infusion of public funds can stem the tide. Therefore, one of the principal categories of recommendation in this report is the focus on the upgrading and fix-up of existing housing in the city. It should also be noted that, although during the past decade, Boston emphasized new construction over rehabilitation in deteriorated areas to meet the housing needs of many of its low and moderate income residents, the costs per

unit in doing so were extremely high, and only about 5 percent of the city's households were served by the rehabilitation programs of the 1960's. New construction in any given year or decade accounts for only a small part of the overall housing stock in the city. If the needs of low and moderate income people, the elderly or even those of higher incomes are to be met, a major effort must concentrate on the existing housing in the city.

Population Trends and Projections: An Overview

After two decades of decline, the population of Boston seems to have stabilized at about 645,000. Between 1950, the peak year of the city's population, and 1970, Boston lost approximately 160,000 persons, more than 100,000 during the first decade and over 50,000 during the sixties (See Table II-1).

Boston's drop in population during the past two decades took place within the context of an expanding metropolitan area population although metropolitan growth lagged behind that of the nation as a whole and behind the growth levels of most metropolitan areas. Between 1950 and 1970, the population of the Boston SMSA<sup>3</sup> increased by 16 percent to almost 2,754,000 persons, while Boston's share of the SMSA's total population diminished from 34 percent to 23 percent.

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3. Standard Metropolitan Statistical Area.

TABLE II - 1  
POPULATION, CITY OF BOSTON, 1950-70

<u>Year</u>	<u>Population</u>	<u>Absolute Change</u>	<u>Percentage Change</u>
1950	801,444	-----	
1960	698,081	-103,363	-12.9%
1970	641,071	- 57,010	- 8.2%

Sources: 1950 and 1960 data from U.S. Bureau of the Census. 1970 data from 1970 Census of Population and Housing, First Count Summary Tape.



However, it now appears that Boston's population decline has ended and that a modest increase in population has been occurring since 1970. Recently published estimates of 1972 population by the U.S. Bureau of the Census indicate that Suffolk County, encompassing Boston and three other small municipalities, has reversed its downward trend in population since 1970. The population of Suffolk County-739,500 in 1972-increased three-tenths of one percent during the 1970-72 period. This compares with an increase of eight-tenths of one percent in the population of the four suburban counties surrounding Suffolk (Essex, Middlesex, Norfolk and Plymouth). The recent Census Bureau figures point to a slowdown in population increases in the suburban counties of the Boston metropolitan area to half that of the 1950's and three-fourths that of the 1960's.<sup>4</sup>

Population projections to 1980 indicate that the recent slight rise in the population of the central city will continue during the remainder of the decade. Based on estimates of new construction, abandonments and demolitions between 1970 and 1980, and an estimate of the 1980 population per dwelling unit by districts of the city, the population for Boston in 1980 has been projected at 662,618, an increase of about 22,000 or 3.3

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4. Population estimates for 1972(July 1) from U.S. Bureau of the Census, Current Population Reports, Series P-25, No. 517, May 1974.

percent over 1970. (See Table II-2. For a complete explanation of the projection methodology, refer to Appendix I.)

Although Boston has begun to experience a modest degree of population growth, the population of the SMSA will continue to increase at a much faster rate than that of the city. Projections for the SMSA to 1980 indicate a gain of approximately 250,000 people or 8.3 percent, more than double the city's projected rate of growth. (See Table II-3.)

#### Trends in Household Size and Composition

Despite the 7 percent decline in Boston's population during the sixties, there was only a 3 percent decline (to 217,623) in the number of Boston's households.<sup>5</sup> Many families<sup>6</sup> migrating to the suburbs or leaving the central city were replaced with households containing one or more unrelated individuals.<sup>7</sup> In fact, while the total number of families decreased by 14 percent, unrelated individuals increased by 27 percent, and the average number of persons per household decreased from 2.93 to 2.77. Some of the increased housing demand from the growing number of

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5. A household is defined here as one or more persons living in a single housing unit.

6. A family is defined as two or more persons living in the same household who are related by blood, marriage or adoption.

7. An unrelated individual is a person not living with relatives but living alone, in a household with persons not related to him or in group quarters (e.g. dormitories, nursing homes).

TABLE II - 2  
ESTIMATED POPULATION, CITY OF BOSTON, 1980

District	Est. No. of Dwelling Units to be Demolished/ Abandoned, 1970-80	Net Change in No. of Dwelling Units, 1970-80	Est. No. of Dwelling Units Through New Construction, 1970-80	Est. No. of Dwelling Units, 1980	Est. Population per Dwelling Unit, 1980	Est. Population, 1980
East Boston	1,181	+ 251	1,432	13,964	2.80	39,099
Charlestown	232	+ 960	1,192	6,105	2.95	18,010
South Boston	1,680	+ 2,496	4,176	16,722	2.60	43,477
North End	517	-394	123	3,879	2.25	8,728
South Dorchester	751	+ 752	1,503	23,924	3.20	76,557
Back Bay-Beacon Hill	531	+ 1,389	1,920	18,285	1.70	31,085
Fenway-Kenmore	772	+ 2,587	3,359	16,589	2.50	41,473
Allston-Brighton	324	+ 1,708	2,032	27,052	2.50	67,630
Remaining Central	531	+ 6,606	7,137	10,440	1.83	19,105
South End	1,087	+ 1,104	2,191	11,861	2.30	27,280
Washington Park	7,054	- 5,810	1,244	19,175	2.90	55,608
Jamaica Plain	777	+ 633	1,410	17,191	2.75	47,275
North Dorchester	302	- 302	0	10,325	3.00	30,975
Mattapan	1,581	- 1,417	164	13,431	3.20	42,979
Roslindale	148	+ 102	250	12,303	3.10	38,139
West Roxbury	125	+ 1,985	2,110	12,659	3.10	39,243
Hyde Park	317	+ 121	438	11,236	3.20	35,955
Totals	<u>17,910</u>	<u>+12,771</u>	<u>30,681</u>	<u>245,141</u>	<u>2.70</u>	<u>662,618</u>

(average)

Sources: 1970 data from U.S. Bureau of the Census. See Appendix I for methodology used by Research Department, Boston Redevelopment Authority in deriving 1980 estimates.



TABLE II - 3  
COMPARISON OF POPULATIONS, CITY OF BOSTON  
AND BOSTON SMSA, 1960-80

	<u>Population, City of Boston</u>	<u>Percent Change over Prior Decade</u>	<u>Population, Boston SMSA</u>	<u>Percent Change over Prior Decade</u>
1960	698,081		2,589,301	
1970	641,071	-8.2%	2,753,700	+6.3%
1980	662,618	+3.3%	3,000,000	+8.3%

Sources: 1960 and 1970 data from U.S. Bureau  
of the Census. 1980 estimates by  
Research Department, Boston  
Redevelopment Authority.

non-family groups has been met through conversions and the construction of smaller units. However, the shift in household type means that many larger family units are being occupied by unrelated individuals (often elderly people) or by groups of individuals sharing expenses (usually younger persons).

### Trends in Age Groups

The above changes in household composition reflect very fundamental shifts in the age groups that make up Boston's population.

During the two decades between 1950 and 1970, Boston's age profile has been transformed from one roughly reflecting the national picture<sup>8</sup> to one which shows relatively larger proportions of young adults and elderly, but lower than typical percentages of children and persons of child-rearing age.<sup>3</sup>

Table II-4 shows how Boston's age distribution compares in 1970 with that of the metropolitan area and the nation.

Perhaps the most dramatic development of the sixties was the sharp increase in the 20-24 year old group, which grew by 41 percent over that of the previous decade. This burst of population was not due to the maturation of the postwar babies. It was mainly attributable to the unprecedented expansion of educational facilities, the growth in service employment oppor-

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8. It is interesting to note that while Boston deviated from the national profile in the over-representation of young adults and the over-55 group, this situation also existed at the metropolitan level, although to a lesser degree.

TABLE II - 4  
PERCENTAGE DISTRIBUTION OF POPULATION BY AGE GROUPS,  
CITY OF BOSTON, BOSTON SMSA, AND NATION, 1970

<u>Age Group</u>	<u>Boston</u>	<u>SMSA</u>	<u>Nation</u>
Under 5	7.8%	7.9%	8.4%
5-9	8.1	9.1	9.7
10-14	8.0	9.5	10.2
15-19	9.5	9.1	9.4
20-24	12.0	8.8	8.4
25-34	12.4	12.0	12.3
35-44	9.5	11.1	11.3
45-54	10.2	11.5	11.4
55-59	5.0	5.1	4.9
60-64	4.8	4.6	4.2
65-74	7.7	6.8	6.1
75 and over	5.0	4.6	3.8
Totals	100.0%	100.0%	100.0%

Source: U.S. Bureau of the Census.

TABLE II - 5  
POPULATION FOR THE CITY OF BOSTON BY AGE GROUPS, 1970

Planning District	Total Population	Under																75 & Over
		5	5-9	10-14	15-19	20-24	25-34	35-44	45-54	55-59	60-64	65-74						
East Boston	38,873	3,182	3,264	3,439	3,274	3,283	4,363	4,300	5,023	2,365	1,824	2,661	1,889					
Charlestown	15,353	1,258	1,429	1,581	1,544	1,320	1,686	1,651	1,656	767	756	1,077	624					
South Boston	38,488	3,129	3,439	3,666	3,346	2,968	3,795	3,747	4,642	2,264	2,019	3,140	2,316					
Central	19,334	876	840	803	1,196	2,553	3,039	2,233	2,516	1,299	1,148	1,670	1,141					
Back Bay-Beacon Hill	27,538	520	301	229	3,572	7,944	5,405	2,182	1,875	1,026	1,270	1,954	1,253					
South End	22,680	1,604	1,535	1,379	1,591	2,134	3,315	2,553	2,734	1,186	1,293	2,088	1,251					
Fenway-Kenmore	32,965	573	314	245	8,394	11,396	3,685	1,456	1,536	888	1,122	1,985	1,361					
Allston-Brighton	63,657	3,242	3,183	3,305	5,307	13,134	9,160	4,870	5,421	3,075	3,278	5,994	3,684					
Jamaica Plain-Parker Hill	47,767	3,766	3,997	3,882	4,388	5,642	5,766	4,170	4,529	2,302	2,425	4,047	2,834					
Washington Park-Model City	71,095	8,301	8,495	7,450	6,128	6,010	9,213	7,414	6,766	2,636	2,195	3,682	2,800					
Washington Park	20,081	2,256	2,423	1,934	1,660	1,731	2,806	2,199	1,831	693	564	1,117	814					
Campus High	1,749	150	226	158	135	114	176	150	191	88	88	160	112					
Model City	49,265	5,895	5,846	5,308	4,333	4,165	6,231	5,065	4,744	1,855	1,543	2,405	1,874					
Dorchester	152,529	15,122	15,725	14,980	13,116	12,249	17,978	14,764	15,289	7,532	7,176	11,525	7,043					
Dorchester 1	32,665	3,274	3,544	3,449	2,983	2,609	3,636	3,123	3,362	1,482	1,368	2,254	1,572					
Dorchester 2	74,415	7,056	7,377	7,251	6,480	5,828	8,479	7,495	7,465	3,761	3,741	5,935	3,536					
Mattapan	45,449	4,792	4,804	4,280	3,653	3,812	5,863	4,146	4,462	2,289	2,067	3,336	1,935					
Roslindale	39,558	3,115	3,306	3,631	3,246	3,010	4,379	3,940	4,472	2,245	2,151	3,588	2,465					
West Roxbury	34,989	2,490	2,641	2,999	2,761	2,496	3,584	3,508	4,265	2,366	2,263	3,561	2,055					
Hyde Park	34,977	2,743	3,219	3,443	3,037	2,819	3,842	3,788	4,582	2,032	1,723	2,312	1,437					
Planning District Totals	639,803	49,921	51,688	51,032	60,900	76,958	79,210	60,576	65,306	31,983	30,643	49,284	32,153					
Harbor Islands	1,241	1	14	16	160	145	143	125	151	99	106	157	124					
Crews of Vessels	27			9				18										
City Totals	641,071	49,922	51,702	51,057	61,060	77,103	79,353	60,719	65,457	32,082	30,749	49,441	32,277					

Source: U.S. Census of Population and Housing, First Count Summary Tape.



tunities for younger adults and the generally strong attraction of the central city as a place of residence and work for younger persons. The impact, of course, was an increase in the already strong demand for housing in Boston by young, unrelated individuals, particularly in areas of the city close to university campuses, such as Allston-Brighton and Fenway-Kenmore. With the opening of the new University of Massachusetts campus early in 1974 and the anticipated doubling of its student enrollment (to 10,000) by 1980, additional growth in the number of young resident adults can be expected in the Boston neighborhoods of Dorchester and South Boston. The overall rate of growth in Boston's student population is likely to be tempered considerably, however, by the levelling off of enrollments in private college populations.

The population projections to 1980 assume that the upward trend in the 25-34 year old age bracket, which showed up during the early seventies, will continue. Much of the total population increase of 22,000 is expected to occur within this group, with some slight decreases in the 5-14 (-10,000) and 45-64 year olds (-4,000). The elderly population (over 65) is expected to remain unchanged by 1980 at just over the 80,000 level.<sup>9</sup>

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9. See Table II-5 for a comparison of 1970 population by age group and by planning district.



It is this growth of the 25-34 year old "young professional" in Boston which brings added demands for new development and greater potential for an upgrading of the city's existing housing stock. Exactly who these people are and where they will choose to live are important questions for the future.

#### Trends in Racial and Ethnic Composition

Boston's net decline of 20 percent in population between 1950 and 1970 obscured the significant increase in the city's racial minorities. While the total number of white persons decreased by 29 percent, the non-white population almost tripled, increasing from 43,000 persons or 5 percent of the population in 1950, to 116,000 persons or 18 percent of the population in 1970. This group is composed principally of black persons, whose population of about 105,000 in 1970 accounted for 16 percent of the city's total population. During these two decades, Boston absorbed 85 percent of the increase in the Boston area's black population; by 1970, with 23 percent of the SMSA population, Boston accounted for 82 percent of the area's black

population.<sup>10</sup>

This absorption of so large an increase in black population has been accompanied in many areas by block busting, speculation, an increase in absentee-ownership, and intense racial conflict. Housing policies for the future must be directed at alleviating such problems and actions.

Another significant change in the composition of Boston's population during the sixties was the large increase in Spanish-Americans. In 1970 there were almost 18,000 such persons, comprising 2.8 percent of the city's population. Almost 40 percent of these were persons of Puerto Rican birth or parentage, a group which increased sevenfold during the decade. Boston now houses

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10. During the 1940's and 1950's, Boston's black population was largely confined to an area extending through the South End and Roxbury, each of which housed almost 45% of this group. During the decade of the fifties, the black population expanded numerically and followed a southward path toward Franklin Park. By 1960, the South End had lost black residents while the area that is now the Washington Park-Model Cities area (roughly coinciding with Roxbury) gained almost 22,000 blacks and accounted for 65% of the city's black population. During the sixties, black migration continued into Jamaica Plain and along the eastern side of Franklin Park extending into Mattapan. By 1970, Dorchester and Mattapan were housing 28% of the black population, totalling almost 30,000 persons. Nevertheless, Washington Park-Model Cities continued to be the area with the heaviest concentration of blacks: 75% of its population was black. Forty-one percent of the residents of Mattapan, 10% of Dorchester and 14% of Jamaica Plain were black in 1970. (See Tables II-6 - II-7.)

TABLE II - 6  
NONWHITE POPULATION BY PLANNING DISTRICT,  
CITY OF BOSTON, 1950, 1960 AND 1970

<u>Planning District</u>	<u>1950 Nonwhite Population</u>	<u>1960 Nonwhite Population</u>	<u>Change, 1950-60</u>	<u>1970 Nonwhite Population</u>	<u>Change, 1960-70</u>
East Boston	75	71	- 4	442	+ 371
Charlestown	410	117	- 293	219	+ 102
South Boston	64	122	+ 58	673	+ 551
Central	1,778	2,039	+ 261	1,751	- 288
Back Bay, Beacon Hill	364	548	+ 184	1,067	+ 519
South End	18,486	14,585	- 3,901	11,949	- 2,636
Fenway-Kenmore	1,118	2,999	+ 1,881	2,986	- 13
Allston-Brighton	384	590	+ 206	2,646	+ 2,056
Jamaica Plain - Parker Hill	546	2,680	+ 2,134	7,628	+ 4,948
Washington Park-Model City	18,811	41,448	+22,637	54,128	+12,680
Washington Park	8,823	17,985	+ 9,162	18,576	+ 591
Campus High	5,145	3,063	- 2,082	1,444	- 1,619
Model Cities	4,843	20,400	+15,557	34,108	+13,708
Dorchester	213	1,445	+ 1,232	11,979	+10,534
Dorchester 1	77	1,090	+ 1,013	4,236	+ 3,146
Dorchester 2	136	355	+ 219	7,743	+ 7,388
Roslindale	148	399	+ 251	1,027	+ 628
West Roxbury	14	61	+ 47	229	+ 168
Hyde Park	53	108	+ 55	242	+ 134
Mattapan	165	473	+ 308	19,107	+18,634
Planning District Totals	42,629	67,685	+25,054	116,073	+48,388
Harbor Islands	115	198	+ 83	261	+ 63
Crews of Vessels	-	621	+ 621	-	- 621
City Totals	42,744	68,504	+25,730	116,334	+47,830

Sources: Data for 1950 and 1960 from U.S. Bureau of the Census; data for 1970 from U.S. Census of Population and Housing, First Count Summary Tape.

TABLE II - 7  
 PERCENTAGE DISTRIBUTION OF POPULATION BY RACE  
 AND PLANNING DISTRICT, CITY OF BOSTON, 1970

<u>Planning District</u>	<u>Population</u>	<u>White</u>	<u>Negro</u>	<u>American Indian</u>	<u>Other Specified Races*</u>	<u>Reported Other Races**</u>
East Boston	38,873	98.8%	.8%	-	.1%	.1%
Charlestown	15,353	98.5	.5	.2%	.7	-
South Boston	38,488	98.2	1.0	.1	.4	.2
Central	19,334	90.8	1.4	.1	7.4	.2
Back Bay-Beacon Hill	27,538	96.1	2.2	.1	1.1	.4
South End	22,680	47.2	39.5	.2	12.2	.7
Fenway-Kenmore	32,965	90.9	6.1	.2	2.1	.6
Allston-Brighton	63,657	95.8	1.8	.1	2.0	.2
Jamaica Plain-Parker Hill	47,767	84.0	14.4	.1	.9	.5
Washington Park-Model City	71,095	23.8	74.7	.4	.3	.8
Washington Park	20,081	7.5	91.2	.4	.3	.5
Campus High	1,749	17.4	81.4	.7	-	.5
Model City	49,265	30.7	67.7	.4	.3	.9
Dorchester 1	32,665	87.0	11.8	.3	.3	.6
Dorchester 2	74,415	89.6	9.7	.1	.3	.2
Roslindale	39,558	97.4	1.9	-	.5	.1
West Roxbury	34,989	99.3	.2	-	.3	-
Hyde Park	34,977	99.3	.4	-	.3	-
Mattapan	45,449	57.9	41.0	.2	.4	.4
Planning District Totals	639,803	81.8	16.3	.2	1.3	.3
Harbor Islands	1,241	79.0	20.6	.2	.1	.1
Crews of Vessels	27	100.0	-	-	-	-
City Totals	641,071	81.9%	16.3%	.2%	1.3%	.3%

\* Includes Chinese, Japanese, Filipino, Hawaiian and Korean.

\*\* Includes Asian Indians, Burmese and other Asian nationalities.

Source: U.S. Census of Population and Housing for 1970, First Count Summary Tape.



half of the metropolitan area's Spanish-Americans; 65 percent of these are Puerto Rican. Spanish-Americans are most heavily concentrated in the Model Cities area, Jamaica Plain, the South End and North Dorchester.

### Racial Migration Trends

Black migration to the suburbs of central cities within Massachusetts has been relatively insignificant. Although the state's black population increased by more than 57 percent from 1960 to 1970, more than four-fifths of the state's blacks in 1970 were still living in eight cities (the same pattern as in 1970): Boston, Brockton, Cambridge, Lynn, Medford, New Bedford, Springfield, and Worcester. Furthermore, within these cities, they tend to live in older, ghetto neighborhoods; they are not scattered among more affluent neighborhoods of such cities or in the suburban towns surrounding these cities. Within the Boston metropolitan area, 9 percent of all blacks lived in the older cities, where black settlements have long existed--in Boston, Cambridge, Lynn, Medford and Newton. Three out of every four municipalities in the Boston area have black populations which are less than one percent of the total population.

### Household Income

The real income of Boston's households rose by almost one-fourth during the decade of the sixties.<sup>11</sup> Not only are the

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11. Measured in constant dollars.



incomes of resident Bostonians benefiting from the upgraded job market of the central city economy, but more middle and upper income households are also choosing city over suburban environments.

Despite these gains, however, the income discrepancy between Boston and most of her suburban neighbors, which was evident in 1960, has continued to widen.<sup>12</sup> There is an estimated \$4500 gap between the median family income of the central city (\$9100) and the estimated median family income for the remainder of the SMSA (\$13,500). Moreover, there are significant differences in median family income as between the growing black and Spanish-speaking populations in Boston and its white population. During the sixties this discrepancy worsened.<sup>13</sup> This trend runs contrary to the expectation that

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12. From 1960 to 1970, the median family income for the central city declined from 86% of the median family income for the entire SMSA to 80% of this same figure. While Boston's median family income increased by 22%, the increase for the SMSA as a whole was 30% (measured in constant dollars).

13. The median income of black families in the central city (\$6346 in 1970) declined from 74% of Boston's median family income in 1960 to 69% of Boston's median family income (\$9133) in 1970. The median family income of the city's Spanish-speaking population was even more depressed at 64% of Boston's median family income in 1970.

black incomes would approach the median as the number of black families increased and racial barriers declined.

Moreover, in 1970, some 32,000 households in Boston (covering almost 100,000 persons and accounting for 17 percent of the city's households) were reporting incomes which fell below the poverty level. With about one-fourth of the SMSA's households, Boston made up two-fifths of the area's households below the poverty level. Whereas 40 percent of the households in Boston earned \$8,000 or less, the comparable percentage in the suburbs is only 22 percent. (Table II-8). It should be noted, however, that of the 23,200 unrelated poor persons in Boston between the ages of 14 and 24 in 1970, about 36 percent were college students not living in dormitories.<sup>14</sup>

The problem of poverty in Boston was much more serious among the elderly than the nonelderly population, and particularly among elderly unrelated individuals, 39 percent of whom had incomes below the poverty line. In addition, poverty was

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14. While many of the young adult population, and especially those who are students have incomes below the poverty level, this fact often reflects a life style which has been consciously chosen for a limited period of time. The pooling of resources by this group, although often out of necessity, as much as by choice, provides greater overall purchasing power in the housing market.

TABLE 11-8  
 DISTRIBUTION OF POPULATION BY INCOME FOR 1970,  
 CITY OF BOSTON AND SUBURBS

Income Class	City of Boston		Suburbs (Boston SMSA excluding Boston)		Boston SMSA	
	Population	Percent of Total	Population*	Percent of Total	Population*	Percent of Total
Less than \$ 5,000	139,101	21.7%	213,376	10.2%	352,477	12.9%
5,000 - 7,999	126,922	19.8	268,304	12.9	395,226	14.5
8,000 - 10,999	133,332	20.8	414,075	19.9	547,407	20.1
11,000 - 14,999	125,000	19.5	507,031	24.3	632,031	23.2
15,000 and over	<u>116,666</u>	<u>18.2</u>	<u>682,380</u>	<u>32.7</u>	<u>799,046</u>	<u>29.3</u>
Totals	641,021	100.0%	2,085,166	100.0%	2,726,187	100.0%

\*Population figure under-stated by 27,464, not distributed by income class.

Source: Based on re-calculation of 1970 census data by Research Department,  
 Boston Redevelopment Authority.

more prevalent among certain racial and ethnic minorities. Twenty-eight percent of all black households and 32 percent of all Spanish-American households had incomes which fell below the poverty line.

Because of relatively low income, many of the city's households are spending a high proportion of their current resources on rent but are still unable to afford decent housing in the private market. An estimated 40 percent of all households who rent shelter in the city spent one-fourth or more of their income on rent in 1970.<sup>15</sup> In fact, the relatively high cost of housing in Boston, caused by higher than national average costs for property taxes, heating fuel and housing materials, ranks Boston as the most expensive large city to live within the continental United States.<sup>16</sup>

#### Composition of the Housing Stock

The picture of Boston's housing stock that emerges from the 1970 Census is primarily one of relatively small, old structures. In 1970, there were 232,000 housing units in some

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15. From Table A-2, U.S. Bureau of the Census, Census of Population and Housing: 1970, Census Tracts, Final Report PH (c)(1)-29, Boston, Mass., SMSA.

16. U.S. Department of Labor, Bureau of Labor Statistics, Table 1. "Annual Costs of a Lower Budget for a 4-Person Family" (Autumn, 1973).



81,000 structures. Buildings with six or fewer units comprised 97 percent of all residential structures in the city, and contained two-thirds of all housing units. Over three-fourths of the city's dwellings were more than 30 years old in 1970, and a good proportion of these were built before the turn of the century.<sup>17</sup>

The median number of rooms per dwelling unit in Boston in 1970 was 5.2, which is large when compared with the average household size of 2.9. In many parts of the city-- notably close-in sections like Allston-Brighton, Back Bay-Beacon Hill and Charlestown--the demand for small units has led to conversions, both legally and illegally, of large units to smaller ones.<sup>18</sup> Despite the under-utilization of larger units, often by elderly persons whose families have grown and left home, about 8 percent of Boston's occupied units were classified as overcrowded in 1970.<sup>19</sup> Compared with overcrowding in the Boston SMSA, in central cities as a whole and in the nation as a whole,

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17. As would be expected, the housing stock in Boston is older than that of its neighbors in the SMSA. In 1970, according to the Census, with 26% of the area's units, Boston accounted for 32% of those built before 1940, but only 14% of those built in 1969.

18. The financial advantages of conversions to investors (two small units are more profitable than one large unit) has led, in areas of rising demand by young persons, to the displacement of renting families.

19. An overcrowded unit is defined here as one which houses 1.01 or more persons per room.



Boston's rate of overcrowding (7.6 percent) is not serious.<sup>20</sup>

### Changes and Additions to the Housing Stock

During the decade of the sixties, the city experienced a net decrease of almost 6400 units, or 2.7 percent in its housing stock. This change was the result of new construction amounting to slightly more than 20,000 units entirely offset by the demolition and changed uses for almost 27,000 residential units (over 11 percent of the stock). Most of the demolished housing was located in urban renewal areas.<sup>21</sup> It is estimated that demolition activity in the sixties was split between brick masonry structures and wood-frame buildings, with about two-thirds being wood.

Of the 20,000 housing units built, one-quarter were low and moderate rental units (mainly federally-subsidized), the other three-quarters serving households in the middle-and upper-income price range. As already mentioned, most of this construction was for high density apartments. New housing was built throughout the city, but certain outlying districts--West Roxbury, Hyde Park, Allston-Brighton and South Dorchester, in particular--experienced the greatest growth in private apartment house development and the "inner city" neighborhoods received the largest percentage of subsidized housing. In addition, during the early

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20. For all central cities in the nation, the overcrowding rate in 1970 was 8.5%; the Boston SMSA 1970 overcrowding rate was 5.7%; for all SMSA's in the nation, it was 7.8%.

21. There also has been a loss during the early seventies of several thousand dwelling units, some of which have been demolished due to abandonment.

part of the sixties, some single-family wood frame homes were built in the more suburban sections of the city such as West Roxbury, Hyde Park, Roslindale and the Moss Hill section of Jamaica Plain.

New construction in the city during the first three years of the seventies has been at about the same rate as in the sixties, approximately 2000 units per year. Moreover, a large backlog of new construction can be identified by looking at proposed housing developments. Practically all of these units will be high density apartments. The large majority, however, are in the tentative stages (about two-thirds). Given the uncertainties regarding the allocation of federal housing subsidies, pressures for limiting growth, requirements for environmental impact controls, fears and cautions concerning rent control, a depressed housing market, dwindling mortgage loans, high interest rates, etc., the future of this potential development is in doubt without firm, large-scale inputs of public subsidy and commitment.

It is also important to note that there has been a rather dramatic shift in the financing and beneficiaries of new construction between the sixties and the early seventies. Whereas only one-fourth of new construction in the sixties received public subsidies, three-fourths of the units constructed or

under construction in the seventies have received such public assistance. Furthermore, the Massachusetts Housing Finance Agency (MHFA), which hitherto provided most of its mortgage support outside Boston, has begun to play an increasingly important role in financing housing within the central city.

This shift to subsidized private housing construction, added to Boston's traditional commitment to conventional public housing, dramatized the fact that Boston serves as the principal location for subsidized and public housing in the SMSA. The city has less than one-fourth of the metropolitan area's population, but over half the area's subsidized private and/or public housing. As of the end of 1973 there were some 71,000 units of subsidized private and public housing in the metropolitan area, either completed or under construction, 38,000 of them in Boston; 16 percent of the housing stock in the city is publicly-assisted as compared with only 4 percent of the housing stock in the metropolitan area exclusive of Boston.<sup>22</sup>

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22. Metropolitan Area Planning Council, Subsidized Housing in the Boston Region as of December 21, 1973, (Boston, Mass., 1974). The city's proportions of the metropolitan area's total number of completed housing units found in the several federally and state assisted housing programs are as follows: family public housing, 60%; elderly public housing, 20%; leased public housing, 55%; section 221(d)(3) and 236 subsidized housing, 78%; Massachusetts Housing Finance Agency assisted units, 56%.

There has also been a shift in the location of new residential construction in Boston since the 1960's. During the 1960's, new housing was built throughout the entire city. During the first three years of the seventies there has been a residential development shift to the downtown, particularly of housing for middle and upper income groups, with two-thirds of new private construction located in the core area of Boston. This compares to only 20 percent in the core area during the sixties. There has also been a shift in the scale of development, with projects of 50 units or more dominating residential construction in the city.

Such shifts indicate that outside the downtown area, the private financing of new multi-family housing construction in the city has practically ceased. A number of factors have contributed to this: rising costs of construction and maintenance, lack of developable land, the availability of MHFA financing and suburban location as an appealing alternative, and the no-growth and environmental concerns previously mentioned. With the federal moratorium on subsidized housing in effect since January, 1973, and now only partially eased, any major new residential building in Boston in the short run, other than in the downtown area, (unless other areas in the city become particularly attractive), will essentially



have to be constructed through MHFA or financed as public housing until there is clarification concerning allocation of the 400,000 units authorized for lower income housing assistance under provisions of the 1974 Housing and Community Development Act. Most of the city's housing needs in the near future are not likely to be met through new housing construction; and it is therefore imperative to focus on preserving the existing housing stock.

Regardless of what happens concerning new construction, continued pressure for conversions of older retail, warehouses or commercial structures to residential purposes is anticipated because of growing market demand. Preliminary estimates indicate that as many as 3600 dwelling units are planned in conversions in the downtown area from non-residential uses. A corollary trend observable in the city is the conversion of rental units to condominium ownership. Although only some 1500 condominiums have or are in the process of being converted from existing rental units in the city, as the idea catches on in New England and as condominiums are used as an escape from rent control, it is anticipated that the pressure for conversion to condominium ownership will grow. Such pressures have both positive and negative aspects: positive because of the potential for upgrading



the city's housing; negative because of the upheaval that may result for existing tenants if care and precautions are not taken.

### Condition of the Housing Stock<sup>23</sup>

Most of Boston's housing stock is in good condition. Thirty percent meets existing code standards; another 40 percent is basically in good condition, requiring only modest fix-up to be brought up to code standards. However, one-fourth of the stock requires considerable fix-up, an additional 4 percent need gut rehabilitation and one percent should be demolished.

This summary of housing conditions is far more realistic than conclusions that might be drawn from an analysis based on the trend in the total number of dwelling units categorized by the U.S. Bureau of the Census as "dilapidated". In fact, according to the Census, during the 1960's the number of dilapidated units decreased from 9200 (3.9 percent of the city's total) to 6600 (2.8 percent of the city's total).<sup>24</sup> If the rate

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23. Data from field survey conducted in 1973 by Housing Inspection Department, City of Boston. See Chapter III for a detailed analysis of housing conditions by neighborhood.

24. U.S. Bureau of the Census, Components of Inventory Change, May 1973, HC(4)-3. Since the data in this report was based on a sample of some 14,000 housing units located "in clusters or land area segments representative of the SMSA", it undoubtedly understates the proportion of the city's housing stock requiring rehabilitation.

of change of the 1960's continued during the next decade, Boston's housing stock would contain few if any dilapidated housing.

It should be noted, however, that the several forces which generated the significant improvement in housing conditions during the 1960's are not likely to leave equally significant imprints on the city's housing stock. During the 1960's over 8000 dwelling units located in four urban renewal project areas of Boston were rehabilitated (4000 in Roxbury's Washington Park, 2000 in the South End, 1000 in Charlestown and 1000 in the Fenway area), most of them with the assistance of federal loans and grants. Another 1000 housing units were similarly rehabilitated (in Dorchester and Jamaica Plain) through the federally-aided Community Improvement Program. Equally significant, moreover, was the demolition through urban renewal during the 1960's of over 15,000 housing units, most of which have been or will have been replaced by new federally-subsidized housing construction of one kind or another. The subsidy opportunities under which most of the subsidized new construction and rehabilitation was undertaken in the 1960's and early 1970's have been either terminated or drastically curtailed. Community development revenue sharing and housing assistance available

under the 1974 Housing and Community Development Act, not yet finally allocated, will not give Boston during the 1970's the scale of resources which would enable the city to replicate the improvement in housing conditions carried out during the prior decade.

The highest requirements for fix-up are found in the inner city area of Washington Park-Model Cities, in the transitional areas of western Dorchester and the northern sector of Jamaica Plain, in the older, ethnic areas of South and East Boston, and in the South Cove. Areas with high fix-up needs roughly coincide with areas where incomes and equivalent housing demand are low.

Despite the fact that less than one-third of Boston's stock is in full compliance with the housing code, the market strength for housing in many parts of the city remains strong, and it is estimated that almost 80 percent of the substandard housing stock has the potential of being upgraded privately, public actions being used as leverage to help stimulate private investment. Upgrading of the remaining 20 percent, however, will require heavy government assistance.

Current housing conditions provide only a static measure of the soundness of the housing stock. Other characteristics of the housing market itself--tenure, turnover, vacancies, rents,

and values--are additional useful indicators for measuring the future health of the stock.

### Ownership Patterns and Trends

Traditionally, older housing in Boston's neighborhoods have been kept in good condition because their owner-residents have maintained them. Boston's degree of owner-occupancy is lower than that of the SMSA, however, where 53 percent of all units are owner-occupied. Only 27 percent of all housing units were owner-occupied in 1970, but approximately 71 percent of all residential structures fell into this category.<sup>25</sup> Among smaller structures containing four or fewer units, the degree of owner occupancy was 77 percent.<sup>26</sup>

The ratio of owner-occupancy did not change for the city's housing stock as a whole during the 1960's, although there were considerable fluctuations by area. Decreases in owner-occupancy of one-to-four unit structures occurred in parts of Fenway-Kenmore, Allston-Brighton, the South End, Washington Park-Model Cities, Western Dorchester, East Boston and Charleston. This downward trend is also showing up in Jamaica Plain and Mission Hill. Although owner-occupancy of one-to-four unit structures

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25. The large difference between the percentage of owner-occupied units and structures is in part accounted for by the large number of triple-decker and two-family units in the city.

26. See Table II-9 for differences in owner-occupancy by district.



TABLE II - 9  
HOUSING UNITS BY OCCUPANCY STATUS AND  
PLANNING DISTRICT, CITY OF BOSTON, 1970

<u>Planning District</u>	<u>Total Housing Units</u>	<u>Occupied Units</u>	<u>Total Owner-Occ. (Percent Occ. Units)</u>	<u>Total Renter Occ. (Percent Occ. Units)</u>
East Boston	13,709	12,843	3,940 (30.7%)	8,903 (69.3%)
Charlestown	5,119	4,815	1,559 (32.4)	3,256 (67.6)
South Boston	14,259	13,375	3,459 (25.9)	9,916 (74.1)
Central	9,664	8,727	779 ( 8.9)	7,948 (91.1)
Back Bay-Beacon Hill	15,622	14,462	920 ( 6.4)	13,542 (93.6)
South End	10,719	8,968	1,013 (11.3)	7,955 (88.7)
Fenway-Kenmore	13,243	12,288	260 ( 2.1)	12,028 (97.9)
Allston-Brighton	25,324	24,540	4,732 (19.3)	19,808 (80.7)
Jamaica Plain- Parker Hill	17,093	15,894	3,582 (22.5)	12,312 (77.5)
Washington Park- Model City	24,958	22,002	4,606 (20.9)	17,396 (79.1)
Washington Park Campus High	6,957	6,481	1,132 (11.5)	5,349 (82.5)
Model City	826	591	89 (15.1)	502 (84.9)
Dorchester	17,175	14,930	3,385 (22.7)	11,545 (77.3)
Dorchester 1	33,727	32,099	10,981 (34.2)	21,118 (65.8)
Dorchester 2	10,466	9,854	2,488 (25.2)	7,366 (74.8)
Roslindale	23,261	22,245	8,493 (38.2)	13,752 (61.8)
West Roxbury	12,253	11,990	5,399 (45.0)	6,591 (55.0)
Hyde Park	11,026	10,906	7,316 (67.1)	3,590 (32.9)
Mattapan	10,735	10,480	6,120 (58.4)	4,360 (41.6)
Planning District Totals	14,950	14,046	4,512 (32.1)	9,534 (67.9)
Harbor Islands	232,401	217,435	59,178 (27.2)	158,257 (72.8)
Crews of Vessels	38	38	-	38
	9	5	5	-
<b>City Totals</b>	<b>232,448</b>	<b>217,478</b>	<b>59,183 (27.2%)</b>	<b>158,295 (72.8%)</b>

Source: U.S. Census of Population and Housing, 1970, First Count Summary Tape.



in Boston increased during the decade, from 64 percent to 77 percent of the total, this was largely due to the demolition of approximately 7500 primarily absentee-owned, one-to-four unit structures, not to any significant ownership trends in the turnover of the housing stock.

Decreases in owner-occupancy have occurred for several reasons. In areas of high demand by younger age groups such as Allston-Brighton, investors, attracted by the opportunities of strong cash-flows through higher rents, are able to outbid the more moderate-income family which characteristically buys in this district. In other parts of the city, some of which are undergoing racial transition as in Dorchester and Jamaica Plain, lenders prefer to make loans to large-scale investors--called speculators by local residents--rather than to individual homeowners.

The tradition of resident ownership is especially threatened in areas like Jamaica Plain and Allston-Brighton, where a high proportion of owners in 1970 were over 62 years old. In fact, in 1970 the elderly owned 28 percent of all one-to-four unit structures in Boston.<sup>27</sup> Since these structures tended to be

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27. Elderly ownership is quite high in Boston compared to that in the SMSA, where only 20% of all owners are elderly.

larger (containing more units on the average than those owned by non-elderly persons), they accounted for a greater share of all units located in owner-occupied buildings. Many of these elderly owners now live alone on fixed incomes in larger housing than they really require, and it is questionable how well they themselves are able to care for their homes.

On the whole, residential owners in the central city had higher incomes than their renter counterparts, with a median income of \$10,500 as compared to \$6100 for the latter group. They also tended to have larger households on the average than renters (median of 3.1 persons, as compared with 2.0). Despite the large number of elderly, the majority of homeowners in 1970 consisted of non-elderly families with both husband and wife present.

Black households comprised 15 percent of the city's households in 1970 but made up only 9 percent of the city's homeowners. They tended to own structures which were older (93 percent of their homes were built before 1949, as opposed to 87 percent for the city's owner-occupants at large) and larger (75 percent owned structures with two or more units, as compared with 52 percent of the city's owner-occupants at large).

Black owners were also younger (only 12 percent were elderly), had lower incomes (with a 1969 median of \$8800) and had purchased their homes relatively recently (19 percent had moved in

between 1969 and March 1970, compared to 6.6 percent of the city's owner-occupants at large).

Given the relative scarcity of large-scale owners in Boston, what is happening to those who are here? Except for sponsors of federally subsidized housing (who are locked into ownership through federal tax laws),<sup>28</sup> and owners of sizeable luxury developments, a number of major landlords seem to be getting out of the business. This applies both to those who can aptly be described as slumlords because their buildings are decaying in inner city areas and to those whose holdings are in more marginal areas of Boston. Several of them have blamed both economics and politics for increasing the difficulty of managing housing in Boston to the point that it is no longer a profitable business. Economics is blamed for rising prices of housing services and utilities, without a corresponding rise in tenants' incomes to support the rents required to cover higher prices. Politics is blamed for rent control, with public authority over rent increases and tenant evictions, which, according to some owners, has gone too far in supporting tenants' rights against landlords' rights; or, in other words, for making it much harder to profit from marginal housing.

The Boston Housing Court and stronger code enforcement are also cited as reducing landlords' profitability. Compared to

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28. Several of them have also indicated a desire to sell out as soon as they can find a buyer and a way to handle federal tax repercussions.

Boston's grey neighborhoods, the real estate business is now seen more profitable in the suburbs and in commercial ventures; and a number of Boston's old landlords are shifting their activities out of the city.

If large owners are selling off their property, the interesting question for housing policy is: who is buying the housing? The answer is not yet clear. While in one or two cases, one large owner has bought out another, this is an exceptional occurrence. In general, large holdings appear to be purchased piecemeal by all types of small owners. Their ability to maintain, much less upgrade, the housing varies considerably. One large owner characterized the purchasers of his former possessions as "fools" who cannot manage the housing economically. He views the buyers as unsuspecting amateurs on whom he can unload unsalvageable buildings. Accordingly, he anticipates the decline and early abandonment of the buildings.<sup>29</sup>

A sharply different view of some new buyers and their abilities comes from the Boston Rent Control Administration. Its prior administrator provided documentation that some formerly absentee-owned triple-deckers and other small buildings were being purchased by resident owners, former tenants or other

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29. Interview by Louise Elving, Nov. 28, 1973.



buyers desiring to live in them. Such purchasers are undoubtedly "uneconomic" managers in the sense that they may put far more time and money into their buildings than can be recouped with a profit through rents. But if they are investing in order to upgrade their own homes, without expecting the immediate profitable returns demanded by a large owner running a business, then they may be able to revitalize the housing even while being economic "fools" in the eyes of a large landlord.

#### Housing Turnover

Gross data on population and household changes fail to capture the more microscopic movement of individual households which forms the fabric of the housing market. As Table III-10 indicates, almost one-quarter of all households in Boston had lived in their units for less than 15 months at the time of the 1970 Census, and more than half had been in their homes for 5 years or less. In comparison with 1960, Boston's 1970 housing stock was inhabited by a greater proportion of newcomers and a smaller proportion of old-timers who had occupied their units for more than 20 years. In addition, the tenure of households in Boston in 1970 was shorter than that of other households in the SMSA.



TABLE II - 10  
HOUSING TURNOVER IN CITY OF BOSTON AND BOSTON  
SMSA, 1960 AND 1970

<u>Year Moved In</u>	<u>Households in 1970</u>		
	<u>Boston</u>		<u>SMSA</u>
	<u>Number</u>	<u>Percent</u>	<u>Percent</u>
1969 - March 1970	53,988	24.8%	18.0%
1968	24,823	11.4	9.7
1967	17,213	7.9	7.0
1965 - 1966	25,410	11.7	11.2
1960 - 1964	32,301	14.8	16.5
1950 - 1959	31,640	14.5	20.0
1949 or earlier	32,243	14.8	17.5
Total	217,618	100.0%	100.0%

	<u>Households in 1960</u>		
	<u>Boston</u>		<u>SMSA</u> <sup>2</sup>
	<u>Number</u>	<u>Percent</u>	<u>Percent</u>
1958 - March 1960	69,943	31.1%	26.6%
1954 - 1957	58,434	26.0	26.0
1940 - 1953	60,605	27.0	30.7
1939 or earlier	35,705	15.9	17.0
Total	224,687	100.0%	100.0%

Sources: U.S. Bureau of the Census.

As might be expected, the average tenure was shorter among renters than among owners. Among owners, lower-income households in 1970 were far more stable residentially than higher-income households, doubtlessly due to the relatively high proportion of elderly in the former group. Among renters, however, higher incomes meant somewhat more stability.

The black population in 1970 was considerably more mobile than the city's households at large. This was mainly attributable to the opening of additional residential neighborhoods to blacks toward the end of the sixties, to the rapid exodus of white families from these areas and to the greater tendency of black families to move rather frequently. One-third of all black households in 1970 had moved into their dwellings between 1969 and March 1970, and only 13 percent had occupied the same dwelling for more than 10 years.

Turnover has been highest in areas containing a high proportion of renters (especially where renters are young) and in those areas which have recently undergone racial transition.

### Housing Vacancies and Abandonment

In April 1973, over 6500 dwelling units, or 3.5 percent of the city's housing stock, were vacant. This compares with the SMSA figure of over 10,500 units, or 2.5 percent. Since the data base for these rates excludes single-family structures, and it can be assumed that single-family vacancies are negligible, these ratios are undoubtedly overstated.<sup>30</sup> These recent vacancy rates reflect not only a tightening of the housing market in the Boston area, including the central city, but a narrowing of the vacancy rate gap during the past few years as between Boston and the SMSA. In 1970 data from the U.S. Bureau of the Census showed Boston with a vacancy rate of 6.5 percent as compared with 3.5 percent for the entire SMSA.

Vacant units in Boston are found disproportionately in larger buildings containing five or more dwellings, but they tend to carry rentals below the city median. High vacancy rates may, with some caution, be used as a proxy for lack of housing demand, and often coincide with declining housing values.

The abandonment of property by owners is the most extreme condition of vacancy and may be considered the ultimate sign

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30. Housing vacancy data for City of Boston, local postal zones of Boston and Boston area are shown in Table II-11.

TABLE II - 11  
HOUSING VACANCY RATES FOR APRIL, 1973, IN CITY OF BOSTON  
AND BOSTON AREA

Post Office District	Total No. of Housing Units in Survey	No. of Vacant Units			Housing Vacancy Rate
		Existing Buildings	New (Not Occupied)	Total	
Boston Area	426,283	8,879	1,684	10,563	2.5%
Boston (city)	188,009	5,605	969	6,574	3.5%
Brighton	23,913	513	4	517	2.2%
Allston 02134	8,283	262	0	262	3.2%
Brighton 02135	13,964	221	0	221	1.6%
Chestnut Hill 02167	1,666	30	4	34	2.0%
Dorchester	33,532	1,049	2	1,051	2.7%
Fields Corner 02122	5,540	166	0	166	3.0%
Codman Sq. 02124	12,895	758	0	758	5.9%
Mattapan 02126	6,780	49	2	51	0.8%
Uphams Corner 02125	13,317	76	0	76	0.6%
East Boston 02128	12,911	119	6	125	1.0%
South Boston 02127	12,283	183	1	184	1.5%
Charlestown 02129	8,364	132	0	132	1.6%
Jamaica Plain 02130	11,537	462	2	464	4.0%
Roslindale 02131	7,260	66	0	66	0.9%
West Roxbury 02132	2,975	15	5	20	0.7%
Hyde Park 02136	961	53	0	53	5.5%
Roxbury-South End	34,918	1,720	164	1,884	5.4%
Cathedral 02116	6,781	297	149	466	6.6%
Grove Hall 02121	11,006	403	0	403	3.7%
Roxbury 02119	17,131	1,020	15	1,035	6.0%
Back Bay 02115,6,7					
02215	25,228	1,095	565	1,660	6.6%
Gov't Center-Central	9,127	198	220	418	4.6%

Note: The Postal Vacancy Survey is conducted periodically by local post offices in cooperation with the U.S. Department of Housing and Urban Development (HUD). The apartment vacancy rate reflects vacancies in units on any postal delivery stop where more than one mail delivery is possible. Single-family homes (owner or renter-occupied) are not included. Boarded-up residences or apartments not intended for occupancy are not included.



of lack of demand. During the year ending October, 1972, an estimated 970 residential structures (one percent of the city's structures containing some 3000 dwelling units) were, from all appearances, abandoned, although some of these may have since been restored. A disproportionately large share of these structures were owned by absentee-landlords and were located in Washington Park-Model Cities and West Dorchester. Structures with three and four units appear to be most vulnerable to problems which eventually lead to abandonment.<sup>31</sup>

#### Value of the Housing Stock

Trends in value of the housing stock are useful rough measures of market viability. Over the past two and a half decades, the value of residential properties in Boston has been growing steadily though slowly.<sup>32</sup> A typical property located in a stable neighborhood of the city and purchased for \$10,000 in

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31. See Francine Price, "Abandonment in Boston: The Dimensions of the Problem," Boston Redevelopment Authority Research Department, April, 1973.

32. See John Avault and Robert F. Engle, "Residential Property Market Values in Boston", Boston Redevelopment Authority Research Department, 1973. In this study, price indexes for Boston at large and for individual districts were constructed on the basis of the sale prices of properties which had changed hands more than once between 1946 and 1972. These price indexes have since been adjusted to account for inflation.

1946 would sell for \$19,000 in 1960 (\$10,880, controlling for inflation) and \$37,500 in 1972 (\$14,540, controlling for inflation).

Residential property values in Boston are lower than in the SMSA as a whole. Boston's median reported value of a single-family house in 1970 was \$19,600, compared with the SMSA median of \$23,900. Moreover, while the value of single-family houses increased during the 1960's by 12 percent in the SMSA, in Boston it increased by only 8 percent.<sup>33</sup> Values are the highest by far in areas which have experienced more recent increases in value: Back Bay-Beacon Hill and Central Boston. Property values are still substantially below the city median in the older neighborhoods: South Boston, Charlestown, and East Boston, despite their recent gains in market values, and in Washington Park-Model Cities and North Dorchester, where values have been falling (See Table II-12).

Changes in values have not been equally distributed throughout the city, however. Between 1960 and 1970, for example, the greatest gains in residential property market prices were occurring in Charlestown (increase of over 25 percent), the South

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33. Unfortunately, a price index similar to the one constructed to compare values of residential properties in Boston is not available for the SMSA at large. Boston-SMSA comparisons are based on U.S. Census data, controlled for the effects of inflation.

TABLE II - 12  
DISTRIBUTION OF VALUE\* OF OWNER-OCCUPIED SINGLE-FAMILY  
HOMES, CITY OF BOSTON, 1970

Planning District	Total No. of Owner Occup. Units**	Less Than										More or Median
		\$5,000	\$5,000 to 9,999	\$10,000 to 14,999	\$15,000 to 19,999	\$20,000 to 24,999	\$25,000 to 34,999	\$35,000 to 49,000	\$50,000			
East Boston	900	5.2%	20.2%	26.0%	22.5%	12.3%	9.8%	3.2%	.8%	\$14,721		
Charlestown	826	8.2	29.3	28.8	22.2	6.9	3.3	.7	.6	12,163		
South Boston	1,326	14.3	34.0	26.6	18.0	5.0	1.4	.5	.2	10,326		
Central	65	1.5	16.9	9.2	7.7	7.7	15.4	23.1	18.5	29,500		
Back Bay-Beacon Hill	343	.3	.6	.9	.9	3.8	5.8	10.8	76.9	67,519		
South End	397	3.5	10.6	21.9	16.9	11.8	15.9	11.8	7.6	19,141		
Fenway-Kenmore	55	1.8	12.7	12.7	23.7	20.0	18.2	10.9	-	19,807		
Allston-Brighton	1,605	1.1	3.8	11.9	26.6	30.6	21.2	4.1	.7	21,082		
Jamaica Plain-Parker Hill	1,486	.9	8.4	16.1	17.8	14.5	23.3	16.1	2.9	22,338		
Washington Park-Model City	1,128	9.7	34.2	29.7	19.6	5.1	1.1	.5	.1	11,015		
Washington Park	218	5.1	22.9	36.7	24.3	8.7	2.3	-	-	12,999		
Campos High Model City	50	22.0	30.0	28.0	10.0	6.0	2.0	2.0	-	9,666		
Dorchester	860	10.2	37.3	28.0	19.0	4.1	.7	.6	.1	10,436		
Dorchester 1	5,889	1.1	6.9	22.7	36.0	24.2	8.1	.9	.1	17,672		
Dorchester 2	651	3.4	16.0	36.6	31.6	8.1	3.7	.5	.1	14,190		
Mattapan	3,394	1.0	6.3	23.0	37.7	23.7	7.3	.9	.1	17,611		
Roslindale	1,844	.5	4.8	17.4	34.4	30.6	11.1	1.1	.1	18,966		
West Roxbury	3,089	.4	1.7	9.9	39.0	34.4	13.0	1.3	.3	19,868		
Hyde Park	6,011	.1	1.3	5.0	20.3	35.7	32.7	.4	.9	23,253		
Totals	4,350	.4	1.9	10.5	33.4	36.7	15.6	1.4	.1	20,520		
	27,470	2.1%	7.8%	14.9%	27.7%	26.6%	16.2%	3.1%	1.6%	\$19,600		

\* Based upon the respondent's estimate of how much the property would sell for on the current market.  
 \*\* Value is not ascertained for owner-occupied and vacant available for sale units which are in multi-unit structures, trailers, rural units on farms or places of ten or more acres, or on properties and part of which is used as a business.



End (24 percent) and areas of central Boston and the North End (over 18 percent) undergoing neighborhood upgrading as a result of urban renewal activities. Substantial gains were also evident in East Boston (over 10 percent), South Boston (8.5 percent), Back Bay-Beacon Hill (almost 13 percent), Fenway-Kenmore (over 11 percent) and Allston-Brighton (over 7 percent).<sup>34</sup> By and large these gains are attributable to demand generated by a proximity to the downtown. In the latter three areas, however, they are due to increased demand by young adults. Declines in value after adjusting for inflation were occurring in the inner city area of Washington Park-Model Cities, and in the transitional neighborhoods of Dorchester and Mattapan-Franklin.

### Rents

Boston's increase of 23 percent in contract rent during the 1960's lagged only slightly behind the SMSA's increase of 26 percent, and the increases in gross rent were approximately equal.

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34. Avault and Engle, "Residential Property Market Values in Boston," op.cit., especially p. 19-p.23. Respondents were asked what price their homes would bring on the market. Biases in respondents' estimates of house values are acknowledged: high priced houses may have been underestimated to a greater degree in fear of reassessment; houses in deteriorating areas may not even have had a potential market.



Rents are relatively low in the older ethnic neighborhoods, as well as in inner-city and racially-transitional neighborhoods. They are highest in areas undergoing strong demand--Back Bay-Beacon Hill, Fenway-Kenmore, and Allston-Brighton--as well as in the more suburban sections of the city. (See Table II-13).

Since rents tend to respond quickly to rising demand and to upward trends in value, it is not surprising that rents were simultaneously showing substantial increases in Charlestown, Central Boston, the South End, South Boston and Allston-Brighton. They were increasing rapidly in the Mission Hill, Forest Hills and Hyde Square sections of Jamaica Plain, the Savin Hill section of Dorchester and, perhaps surprisingly, in Mattapan.

The Impact of Population and Housing Stock Trends on Housing Markets in Differential Neighborhoods

While population and housing market trends have been discussed separately, they have a strong influence on each other. The significant demographic changes described earlier--the loss of middle-income families and the gain in the 20 to 24 age group, blacks, and more recently of 25 to 34 year old "young professionals"--have affected market strength and introduced new housing demand groups with purchasing power which was both higher and lower than that of former residents. Thus, it is

TABLE IT-"13  
MONTHLY CONTRACT RENT FOR OCCUPIED RENTAL HOUSING UNITS IN CITY OF BOSTON, 1970

Planning District	Total Renter Occupied Units With Cash Rent*	Less Than											Median
		\$40	\$59	\$60 to \$79	\$80 to \$99	\$100 to \$119	\$120 to \$149	\$150 to \$199	\$200 to \$299	\$300 or More			
East Boston	8,697	8.3%	28.9%	34.3%	14.4%	7.1%	5.3%	1.5%	.1%	.1%		\$ 67	
Charlestown	3,173	3.7	22.6	38.7	21.3	8.1	3.7	1.4	.5	-		72	
South Boston	9,763	4.7	23.7	36.4	19.8	7.3	5.0	2.9	.2	-		71	
Central	7,861	5.6	17.0	18.4	9.0	8.0	8.1	12.3	14.1	7.5		99	
Back Bay-Beacon Hill	13,338	.6	1.8	6.6	7.9	8.4	17.5	28.0	19.4	9.8		163	
South End	7,849	3.9	17.3	34.3	19.6	12.0	8.1	2.7	1.8	.3		76	
Fenway-Kenmore	11,801	.5	2.3	9.3	18.5	20.3	23.8	19.5	4.8	1.0		118	
Allston-Brighton	19,591	.3	3.2	5.7	10.5	16.2	27.9	24.5	10.6	1.1		135	
Jamaica Plain-Parket Hill	12,161	1.0	9.1	26.1	22.8	12.6	11.9	9.5	6.0	1.0		92	
Washington Park-Model City	17,140	1.5	9.6	27.5	25.6	22.1	12.3	1.3	.1	-		88	
Washington Park	5,229	.4	6.3	17.7	21.9	31.1	20.3	2.1	.2	-		102	
Campus High	493	7.1	34.5	43.8	10.4	2.2	1.6	.4	-	-		64	
Model City	11,418	1.8	10.0	31.3	28.0	18.8	9.0	1.0	.1	-		85	
Dorchester	30,292	.7	4.9	22.0	34.6	19.3	10.9	6.9	.7	-		92	
Dorchester 1	7,298	1.1	8.3	34.9	35.7	11.4	5.0	3.5	.1	-		83	
Dorchester 2	13,570	.8	4.2	19.5	39.1	20.1	10.6	5.5	.2	-		92	
Mattapan	9,424	.4	3.0	15.8	27.3	24.1	15.7	11.7	2.0	-		103	
Roslindale	6,421	.7	4.8	14.5	24.8	22.8	20.6	11.1	.7	-		104	
West Roxbury	3,446	1.0	.7	3.0	9.7	15.2	35.3	28.6	6.4	.1		137	
Hyde Park	4,239	1.2	4.9	13.0	23.4	19.2	14.3	20.9	3.1	-		107	
Totals	155,772	1.9%	9.1%	20.0%	20.5%	15.3%	14.7%	11.9%	5.1%	1.5%		\$ 98	

\*Figures exclude 2,069 rental housing units with no cash rent.

Source: U.S. Census of Population and Housing, 1970, First Count Summary Tape.

important at this point to underscore this relationship between supply and demand, particularly as it relates to Boston's various neighborhoods.

During the 1950's and 1960's, the greatest population losses occurred in two types of neighborhoods: (1) in inner city areas when there was abandonment and also demolition for urban renewal. (This type of loss is best typified by the South End, although a turnabout in the area began to occur in the late 1960's). (2) in the older, ethnic areas--such as East Boston, Charlestown, South Boston, and the North End--where rising incomes and an aging housing stock both contributed to the loss of families to suburbia.

Meanwhile, other areas--notably North Dorchester and Mattapan, where units are large and relatively low in cost--remained fairly unchanged until the late 1960's, at which time there was widespread population movement associated with racial transition.

Similarly, there were few major changes in Back Bay-Beacon Hill, Fenway-Kenmore and Allston-Brighton until the mid-1960's when attractive location and rentals began to draw a growing young adult population (mainly college students), ultimately resulting in significant population shifts.

Finally, during this period increases in population were occurring in the outlying areas encompassing West Roxbury, Hyde Park and Roslindale, which also received the major portion of the

city's new single-family and multi-family construction. Most resembling the suburbs in terms of housing types and natural surroundings, these areas attracted families who otherwise might have left the city.

The above changes are introducing important new housing demand groups. As a result of these significant population movements, long-time resident families and elderly persons, many of them with moderate or low incomes, have often seen themselves as holding the fort against new, encroaching pressures.

One such situation, best exemplified in Allston-Brighton, occurs when students and young working persons, by pooling resources and sharing apartments, bid up rents beyond the reach of local residents. Ownership turnover places an increasing share of the stock into the hands of speculators who can outbid potential owner-occupants. While demand in these areas is strong and market values are rising, the effects of absentee-ownership and inadequate maintenance are readily visible in the wear and tear of the stock. The fear of this same phenomenon is now mobilizing families in areas of Dorchester and South Boston which will receive the impact of the new University of Massachusetts campus at Columbia Point. (Similar speculation



prevails in areas in which the expansion of major institutions is expected, as in Mission Hill, where major medical facilities are concentrated.)

Another type of situation occurs in areas where a rapid and large-scale movement of nonwhite households in search of better housing opportunities impacts on white, low-and moderate-income areas. Where this is happening--most recently in sections of Dorchester and Mattapan-Franklin--the rapid flight of the resident population (as well as of mortgage capital) is causing an increase in absentee-ownership, an influx of lower income households who are less able to afford decent levels of housing services, declining levels of maintenance, decreasing property values, and accelerating abandonment.

A more recent example of new market pressures is taking place in several reviving neighborhoods--notably the South End and Charlestown--anticipated in the North End, where attractive location, the historical character of the housing stock, and supportive renewal activities are bringing middle-income demand into conflict with existing low and moderate income settlements. While general housing conditions in these areas are mixed (especially in the South End), demand is strong and investor confidence continues to be high.

Thus, the housing situation in Boston's neighborhoods must

be viewed as a dynamic situation in which new and old residents with varying abilities to demand housing services interact with the suppliers of housing who have varying incentives to provide such services. Also entering into this equation are the institutions which determine housing policy, either formally--like the city, state and federal governments--or informally, like local private lending institutions. Together these factors influence the condition of the housing stock, as well as the health of the market, measured in terms of changing values, rents and vacancies.

APPENDIX I  
SUMMARY OF METHODOLOGY USED TO ESTIMATE 1980  
POPULATION, CITY OF BOSTON

1. Projection of Dwelling Units, 1980

A. New Construction

- (1) Total number of dwelling units in 1970 (232,448) from Robert Earsy, "New Housing Production in Boston", Research Department, Boston Redevelopment Authority (BRA) April, 1973.
- (2) Total number of new dwelling units constructed between 1970 and November, 1973 (11,124) from Earsy, op.cit.
- (3) Estimated number of new dwellings to be completed, December, 1973-1980, (19,560) from Earsy, op.cit. and consultation with specialists in BRA on "planned", "proposed" and "tentative" number of dwelling units to be constructed in future.
- (4) Summation of figures in A (1)-(3) above to derive total number of dwelling units (30,684) to be constructed during period, 1970-1980.

B. Demolition/Abandonment

- (1) Annual demolition rate (1,091) derived from analysis of demolition in Boston during period, May, 1970-December, 1972 by Susan Houston, Research Department, BRA.
- (2) Annual abandonment rate (700) compiled by Francine Price and Christopher Carlaw, Research Department, BRA, from abandonment data and consultation with BRA specialists.
- (3) Summation of figures in B(1)-(2) above to derive abandonment-demolition rate (1,791). Estimated abandonment-demolition total (17,910) for 1970-1980, derived from allocation of abandonment-demolition rate to planning district data based on housing conditions.

- C. Net change in total number of dwelling units, 1970-1980 (+12,771) derived from estimated new construction (+30,684) and estimated abandonment-demolition (-17,910)--net change in total number of dwelling units, 1970-1980, (+12,771) used to estimate total number of dwelling units in 1980 (245,141).
- 11. Population for Dwelling Unit, 1980
    - A. Development of population/dwelling unit data for 1970, 1972 and projected for 1980.
    - B. Consultation with BRA specialists to derive estimated population/dwelling unit figures by planning district. Citywide average (2.70) derived from district data.
- 111. Projected Population, 1980
    - A. Initial 1980 population estimate (661,394) derived from 1980 estimated total number of dwelling units (245,141) and 1980 estimated population/dwelling unit(2.70).
    - B. Population estimates for 1980 calculated by planning district and totaled.
    - C. Final adjustments made in allocation of abandonment-demolition estimates and error corrected to derive total population for city in 1980 of 662,618.



### III. NEIGHBORHOOD REVITALIZATION STRATEGIES FOR BOSTON

This chapter focuses on housing conditions and market trends in Boston in analyzing optional strategies appropriate for revitalizing the city's various housing market situations. Since the basic strategy underlying the choice of tactics is to use public resources for stimulating private investment as far as possible, this approach requires tailoring public programs to fit neighborhood dynamics. The chapter develops a framework for estimating the additional public outlays required to eliminate substandard housing conditions in a lasting manner. It outlines actions required at the neighborhood, municipal, state, and federal levels, but places emphasis on programs applicable to the neighborhood level.

The chapter begins with an examination of current housing conditions and the costs of fix-up necessary to bring housing up to minimum code standards, and continues with a discussion of housing dynamics before identifying and sorting out appropriate public responses. The chapter that follows complements these proposals for neighborhood strategies and tactics with recommended city-wide initiatives for housing preservation.

#### Condition Analysis

The varied physical condition of any city's housing stock is

difficult to measure because there are no universally accepted definitions of housing quality. U.S. Bureau of the Census indicators of housing quality in 1970 are inadequate.<sup>1</sup> To overcome this problem, research staff of the BRA joined rehabilitation specialists of the city's Housing Inspection Department in developing indices of housing quality as measured by the varying amounts of resources required to bring units up to the city's minimum code standards. The continuum of required resource levels has been partitioned somewhat arbitrarily into five commonly used descriptions of upgrading levels.

The first category, "A", includes dwellings which are presently in good condition or for which a minimal amount of repair, not exceeding \$500, is necessary to bring the property up to code.<sup>2</sup> The second category, "B", includes housing for

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1. For example, the commonly accepted proxy for quality, units lacking one or more plumbing facilities, shows that these units are concentrated in the Central, Beacon Hill, North End, South End and East Boston stock, i.e., the oldest stock. These are not the areas with the most seriously deteriorated housing.

2. All estimates have been costed out on a per unit basis, even though conditions generally affect the stock structure by structure. These fix-up costs are based on prices in a private market situation where subcontractors are dealt with directly, and do not include allowances for recurring maintenance such as painting. At present an owner can "gut rehabilitate" units for less than \$10,000, provided he owns the building, it is in fair structural shape, and he is not required to hire and train unskilled persons, obtain the consent of community groups and the like. In other words these costs are not to be compared with rehabilitation costs under federal housing programs such as Section 236.

which a modest amount of work, not exceeding \$1,000, would be sufficient. Category "C" includes units which have code violations serious enough to qualify them for federally-assisted code enforcement (FACE) programs. Units within this group generally require the replacement of a major system-- electrical, plumbing, or heating--costing \$1,000 to \$3,000. Category "D" refers to housing for which gut rehabilitation, with a cost ranging from \$3,000 to \$10,000 per dwelling is the only solution. Finally, category "E" includes those units for which fix-up would not be feasible at all, and which should be demolished.

The entire housing stock of the city has been evaluated in light of this descriptive scheme.<sup>3</sup> According to Table III-1, 31 percent of the city's units may be considered "good as is" (category A), and when added to those in category "B", the proportion of what are basically satisfactory dwellings reaches 70 percent. Units in category "C" comprise 24 percent of the

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3. Rehabilitation specialists from the Housing Inspection Department examined all residential areas outside of urban renewal areas and conducted exterior inspections of one-third of this stock. Their experience with this type of housing, gained from handling work write-ups and rehabilitation supervision under Boston's federally-assisted code enforcement program, has shown which exterior clues are associated with interior deficiencies, viz. outside wiring connections reveal whether the structure is wired "up to code". For urban renewal areas, Boston Redevelopment Authority data was examined within the framework of this same methodology.



HOUSING UNITS BY CONDITIONS, CITY OF BOSTON, 1973.

Planning District	Total Units	A: %	\$250 #	B: %	\$750 #	Condition 1		D: %	\$8,000 #	E: %	Demolition #	per Unit Fix-U <sup>2</sup> Cost <sup>2</sup>
						C: %	\$2,000 #					
East Boston	13,575	17	2,276	37	4,996	39	5,358	6	797	1	148	\$ 1,577
Charlestown	5,371	28	1,484	30	1,635	40	2,146	2	94	-	12	1,237
South Boston	14,739	21	3,012	39	5,951	31	4,434	8	1,086	2	256	1,577
West End	1,490	67	998	22	328	10	149	1	15	-	-	613
North End	4,251	36	1,528	35	1,472	20	838	10	413	-	-	1,521
South Cove	959	49	472	31	297	17	162	3	28	-	-	927
Central	1,615	35	570	19	311	22	353	23	372	1	9	2,513
Total	8,315	43	3,568	29	2,408	18	1,502	10	828	-	9	1,482
Back Bay/Beacon Hill	17,178	41	6,973	37	6,408	20	3,374	2	410	-	13	965
South End	10,771	17	1,846	29	3,165	45	4,892	7	731	1	137	1,715
Fenway/Kenmore	13,826	30	4,113	39	5,368	27	3,728	4	559	-	58	1,228
Allston/Brighton	25,319	41	10,491	41	10,353	17	4,256	1	219	-	-	816
Jamaica Plain/Parker Hill	16,227	33	5,377	39	6,371	24	3,858	3	444	1	177	1,072
Washington Park	7,161	29	2,065	35	2,541	24	1,747	11	763	1	45	1,679
Nadel City	17,209	11	1,970	31	5,291	32	5,498	21	3,604	5	846	2,574
Campus High	842	1	6	9	76	45	381	34	286	11	93	3,692
Total	25,212	16	4,041	31	7,908	30	7,626	19	4,653	4	984	2,357
Dorchester 1	10,470	21	2,217	47	4,879	30	3,133	2	211	-	30	1,162
Dorchester 2	23,140	20	4,579	52	12,010	26	5,951	2	461	1	139	1,112
Mattapan	14,947	22	3,240	50	7,442	20	3,001	7	1,030	2	234	1,380
Total	48,557	21	10,036	50	24,331	25	12,085	4	1,702	1	403	1,207
Roslindale	12,005	49	5,827	44	5,280	7	819	1	77	-	2	639
West Roxbury	11,022	70	7,724	28	3,049	2	249	-	-	-	-	428
Hyde Park	10,738	50	5,384	39	4,152	9	949	2	225	-	28	760
City Totals	232,856	31	72,152	39	91,375	24	55,276	5	11,826	1	2,227	1,253

1. "Condition" is expressed as an average cost of fix-up to code standards.

2. This is a weighted average which excludes units in Category E (which should be demolished rather than fixed up.)

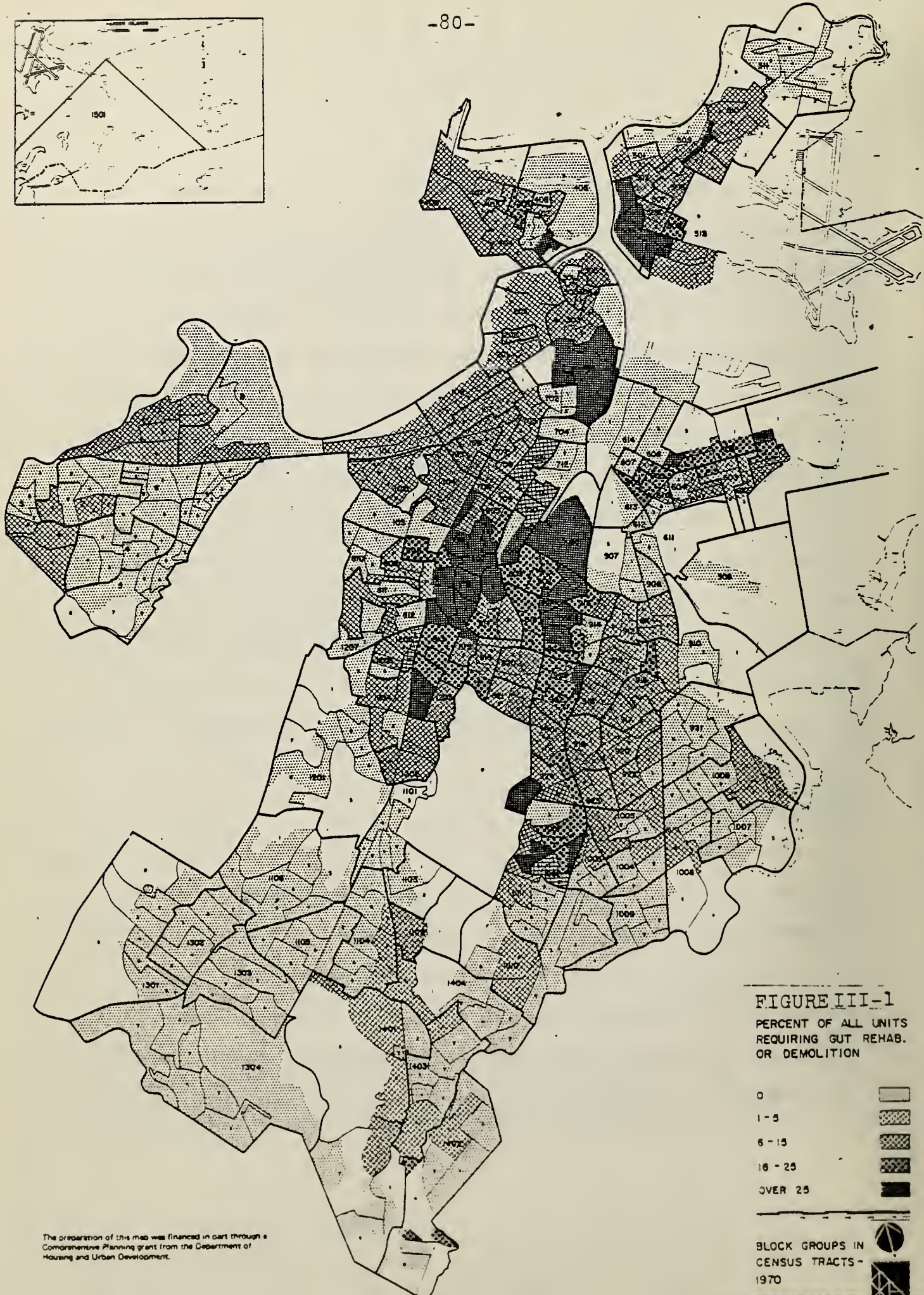
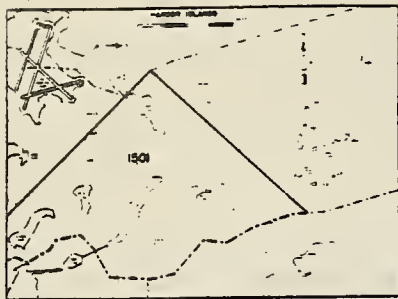


housing stock. Approximately five percent of the stock is in bad enough condition to require gut rehabilitation; and one percent of the city's housing, essentially made up of units which have already been abandoned, requires demolition.

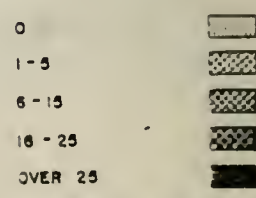
Figure III-1 illustrates the geographic distribution of those units which are in the worst condition, requiring either gut rehabilitation or demolition. The highest concentration of these units is found in the western part of Dorchester, the Washington Park-Model Cities area, neighborhoods within the inner core, and sections of South Boston. These areas where fix-up requirements are the greatest are the very neighborhoods in which the incomes of the owner-occupants cannot support widespread private fix-up, and the incomes of tenants are too low to warrant fix-up on the part of the absentee landlords, without public subsidies.

#### Private Costs of Fix-up

The framework designed to describe housing condition may also be used to develop city-wide fix-up estimates. These estimates may be expressed either in terms of numbers of units to be upgraded or total dollar costs of upgrading. They are based upon the assumption that all units (short of those recommended for demolition) are worth upgrading despite possible obsolescence. Although only one percent of all units warrant



**FIGURE III-1**  
 PERCENT OF ALL UNITS  
 REQUIRING GUT REHAB.  
 OR DEMOLITION



The preparation of this map was financed in part through a Comprehensive Planning grant from the Department of Housing and Urban Development.

BLOCK GROUPS IN  
 CENSUS TRACTS -  
 1970



demolition, the relative tightness of the current housing market suggests that this is an acceptable assumption. One acknowledged shortcoming of this appraisal, however, may be that it does not account for the continuing deterioration of some dwelling units while others are being upgraded.

Ideally the city's housing condition goal for 1980 would be 100 percent code compliance. Were private interest in fix-up strong throughout the entire city, this could be accomplished at a cost of approximately \$291.7 million to the private sector. The distribution of these costs across condition categories is shown in Table III-2.<sup>4</sup>

Figure III-2 illustrates the variation in average fix-up work by neighborhoods, suggesting the level of effort required to bring all the stock in each one into code compliance.<sup>5</sup>

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4. The cost of demolition (category E) is not included. \$1,000 per unit or \$2,227,000 would be required for the necessary demolitions. Due to the location of virtually all these units in zones of abandonment, this would necessarily be a public cost. Note that only 11,824 units in category D (less than 5 percent of the city stock) would cost over \$94 million, or nearly one-third of the total fix-up cost. It is much more cost-effective to intervene while structures are in the category C or better.

5. Estimated fix-up costs for individual structures were averaged for the stock type within each census block group and then a weighted average fix-up cost was derived. The costs of particular structures often vary widely around this average.

TABLE III-2

ESTIMATED TOTAL FIX-UP COST BY PRIVATE MEANS

Condition	Number of Units	Per Unit Cost of Fix-Up by Private Means	Total Cost of Fix-Up by Private Means
A	72,152	\$ 250	\$ 18,038,000
B	91,375	750	68,532,000
C	55,276	2,000	110,556,000
D	<u>11,826</u>	8,000	<u>94,592,000</u>
Total	230,630		\$291,718,000

To this point we have only identified the staggering amount of private investment that must be induced to restore all of Boston's housing to a decent, safe, and adequate condition. The required \$300 million will not be forthcoming automatically but must be generated by the application of leverage. Clearly this is easier to do in some areas than in others, but how to affect and alter the underlying market processes favorably is little understood, forcing us into a policy area where analytical tools are underdeveloped: how to influence housing market dynamics. New terminology and measures are required for identifying varying degrees of market strength. At this stage, only the concept and some tentative conclusions derived from its application can be presented. While the limitations are only too apparent, it represents a beginning in estimating



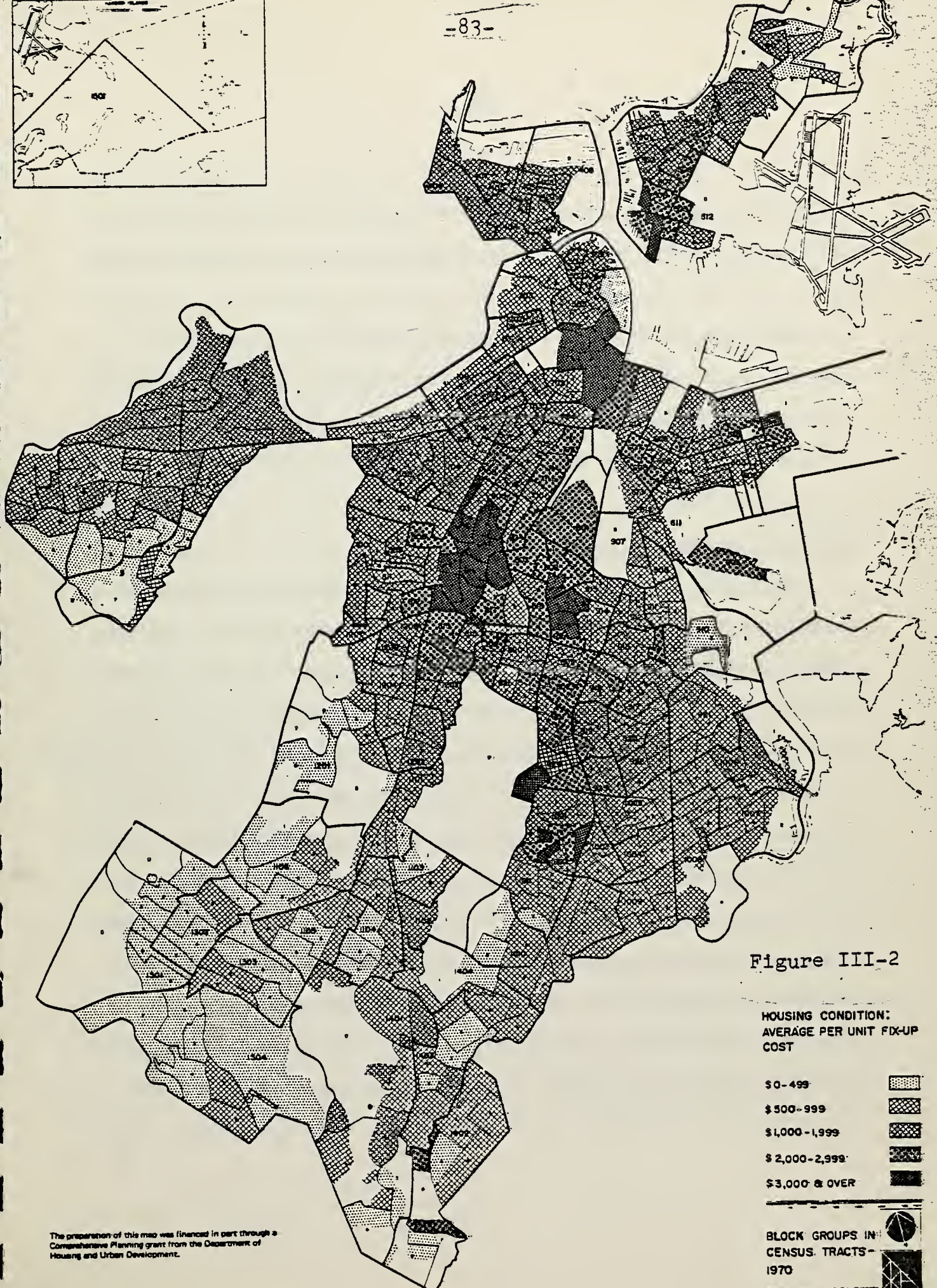


Figure III-2

HOUSING CONDITION:  
AVERAGE PER UNIT FIX-UP  
COST

- \$0 - 499
- \$500 - 999
- \$1,000 - 1,999
- \$2,000 - 2,999
- \$3,000 & OVER

BLOCK GROUPS IN:  
CENSUS TRACTS -  
1970

The preparation of this map was financed in part through a Comprehensive Planning grant from the Department of Housing and Urban Development.



the minimum public expenditures required to exert maximum leverage over the needed private investment in residential fix-up.

The balance of this chapter explains the methodology through which the conclusion was derived that an annual public expenditure of some \$30 million over a 10-year period would be necessary to bring Boston's housing to a state of lasting code compliance.

#### Neighborhood Market Dynamics

The condition of housing, although sometimes illusive, is an indicator which can be measured and quantified, but its determination helps to clarify only part of the housing problem. Market dynamics are equally important. Comparing the numbers and types of households leaving a neighborhood with those entering is very revealing. There are areas like the South End where newcomers exercising strong housing demand are bidding up prices even for structures in very poor condition. Residents feel that there is a great housing "need" in this area because there are so many more potential buyers than available structures. On the other hand there are also areas where there are many more willing sellers than buyers. This can arise from potential demand being steered elsewhere, an actual lack of demand for an obsolescing structure type, or shifts in the available supply

of housing which bring too many units on the market at a particular time. A glut of structures for sale can arise, for example, when an inordinate number of elderly resident owners, all roughly the same age, reach the end of their lives, or when a group of owners determine to sell at any price because of fears of market change.

In Boston, these dynamics are not only remarkably independent of actual housing conditions, but they serve as critical influences on decisions of the individual owners to continue maintenance or to disinvest. If public policy is to have an effective impact on conditions, the key lies in exerting an impact on the replacement process whereby one owner replaces another and one tenant replaces another. While this process is eventually reflected in housing vacancy rates, turnover rates, and changes in value over time, the dynamics in this replacement process are too subtle and sensitive to be understood solely through analysis of the standard statistical indicators. Housing investors, buyers and tenants, and secondary actors in the housing process like contractors, lenders, insurers and the building trades inadequately gauge the realities of market dynamics on a continuing basis. Subtle differences in perceptions of an area as a good or poor real estate investment result in widely different private actions in regard to housing maintenance,

upgrading, sale or disinvestment.

The causes of market decline and market rise are imperfectly understood. It is generally assumed that the housing stock filters downward in quality while residents filter upward to "better" housing. Not only are there many ambiguities in this concept, but there are enough instances of strong housing demand causing the price of housing in fair condition to increase in many neighborhoods, thereby rendering the usual notion of filtration an oversimplification. Widely different impressions about housing demand result from focusing on a stock of houses or on its residents over time. Consider again the South End, which had reached a low point at the beginning of the 1960's, and is now considerably revitalized--but many of its former residents have been displaced in the process. In 1960, before urban renewal, the South End was in poor condition. Few buyers were interested and structures were being abandoned until the decline "bottomed out". Public intervention in designating the South End an urban renewal area, coupled with its unique location close to downtown Boston and its attractive architectural, structural character resulted in strong market resurgence, attracting upper income households who are remedying the poor housing conditions largely on their own. There are those who now consider the whole South End housing market to be over-priced



in light of the amount of fix-up remaining to be done. The South End turn-around has come like a tide, as more affluent newcomers displaced many lower income residents who had to seek housing alternatives in the Dudley Station area of Roxbury and elsewhere in Roxbury-Dorchester. If one tracked all the South End households of 1960, the contribution of urban renewal to improving the housing would be relatively insignificant for a great many of these residents in the South End in 1960. Public policies of the 1960's improved the tax base of this area and visibly reclaimed neighborhoods for higher income groups, but the impact on existing residents is not the prime focus of such policies. Only a small proportion of them moved into rehabilitated or new units provided through publicly assisted programs. Many more "filtered" into deteriorating housing. By and large public policies in the 1960's helped the housing stock more than the residents.

Boston's experience with newly-constructed subsidized rental multi-family housing suggests that factors more pervasive than quality determine the future life of such housing. Interest subsidy programs, often piggybacked with federal-state rent supplements or leased housing, were used in an attempt to give residents of urban renewal areas better housing. If the potential value of the many units of demolished solid masonry housing and the tremendous production costs are taken into consideration,

the result has not been satisfactory. An alarming proportion of the publicly-assisted housing projects in the South End and Washington Park-Model Cities area are experiencing grave financial difficulties and will require increasing subsidization to avoid foreclosure while the private market rehabs shells that are now in demand but similar to those demolished.<sup>6</sup>

Boston's experience with federally-assisted code enforcement programs, the Community Improvement Program (CIP), suggests that where there is confidence in future housing demand (e.g. Jamaica Plain), code enforcement in itself can be a sufficient impetus to property improvement, and that the federal loans (Section 312) and grants (Section 115) have been useful, but are not a necessity. It proved surprising that many lower income families affected by the CIP found the required resources, but sought to avoid the red tape and cost inflating impact of dealing with these loan-grant programs. However, in areas with sagging housing demand, (e.g., Mt. Bowdoin) forces weakening the markets were too pervasive for CIP benefits to overcome. Any investments, even those subsidized by a long-term low-interest loan, were viewed by many owners as irrecoverable. Furthermore, despite the availability of housing fix-up assistance, these areas have too many low income residents for whom the on-going costs of maintaining their structures at code standards

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6. Boston Redevelopment Authority and Boston Urban Observatory, Subsidized Multi-Family Rental Housing in the Boston Metropolitan Area, op.cit.

are still excessive.

The major programs of the 1960's--urban renewal coupled with subsidized housing development, and federally-assisted code enforcement--focused on housing condition and attempted, through the intensive investment of public funds in a few deteriorated neighborhoods, to improve housing quality. They were able to succeed where market factors were favorable, but in other areas were inadequate to alter housing patterns caused by inadequate income, lack of skills and racial discrimination. To deal with these factors requires more than housing programs. These forces demand income, employment and counselling strategies. The challenge of public policy is to channel income, employment and counselling assistance more directly to those in need.

In the several neighborhoods of Boston the insurgence of student demand has sharply boosted the price of housing without any stimulating public intervention. For example, during the 1963-1973 period the price of housing in Allston-Brighton doubled, imposing hardship on many previous residents without generating any discernible improvement in housing and/or neighborhood conditions. Public policy was not used to channel some of the increased rents into housing improvements, and speculators were allowed to spiral rents through repeated cycles of acquisition



and financing. Thus the challenge to public policy lies in using the city's power to affect rents and taxes in ways that assist existing residents to share in and benefit from new resources coming into their neighborhoods.

Recent public interventions, despite their high costs, have significantly improved housing of only a relatively limited number of low and moderate income households in relatively stable neighborhoods, and it begins to appear that concentration of these households, a concentration effected by public programs, prevents the achievement of market stability in many areas by reducing their attractiveness to new buyers. Perception factors like social class, race, and migration rather than physical measures of housing and neighborhood qualities play a decisive role in determining neighborhood desirability. These factors seem to reinforce the preconceptions of real estate entrepreneurs and financial institutions, along with landlords and tenants, about the future of each area. If public policy is to go beyond converting mortgages to a totally insured basis (that end up in a great many foreclosures) or building new housing (that is unlikely to endure its projected "40-year economic life"), it must devise more effective ways to deal with and alter these preconceptions in neighborhoods so that replacement buyers and private financing continue.



Much of the housing policy during the 1960's was based on the simple assumption that upgrading housing in itself is enough to improve the life of residents. Analysis of Boston's herculean efforts to encourage implementation of housing subsidy programs in the past fifteen years leads to the conclusion that lower income families need substantial and more direct household assistance if neighborhood and housing patterns are to be substantially and more lastingly altered. These households have inadequate income and assets, insufficient know-how, and if non-white, face widespread discrimination in attempting to improve their lot. Solutions to these basic problems require (1) devising ways to boost the effective income of such households, (2) providing the technical assistance, counselling, and information so that they can fully utilize all available opportunities, and (3) assuring that racial discrimination barriers do not inhibit non-whites in the pursuit of better housing opportunities. While this may sound like the goals underlying past housing efforts, those goals have often been eclipsed by the major emphasis of former policy on housing production.

Based on the lessons of the past 15 years and the problems endemic to many of Boston's submarkets, several guidelines can

be identified to which housing policy should conform:

- Public resources must be invested in ways which build on market strengths and accommodate market weaknesses; their objective must be to increase private sector confidence rather simply to underwrite costs;

- Forms of housing subsidy--cash payments, credit or technical assistance--should stress aid to the household consumer rather than to the housing supplier, increasing freedom of choice, access to ownership and improvement of skills;

- Policies affecting housing cash flow--rent control, code enforcement, property tax assessment and collection policy--must be coordinated to emphasize preservation of the dwelling structure rather than holding down rents, responding only to complaints, and maximizing the payment of delinquent and current taxes;

- Concern must be citywide and focused on altering the dynamics of the disinvestment process, rather than concentrating on correcting symptoms in a limited number of neighborhoods which have reached a highly deteriorated state. Nevertheless, tactics must be tailored to the characteristics of each market area as well as to problems shared by most housing suppliers and consumers.

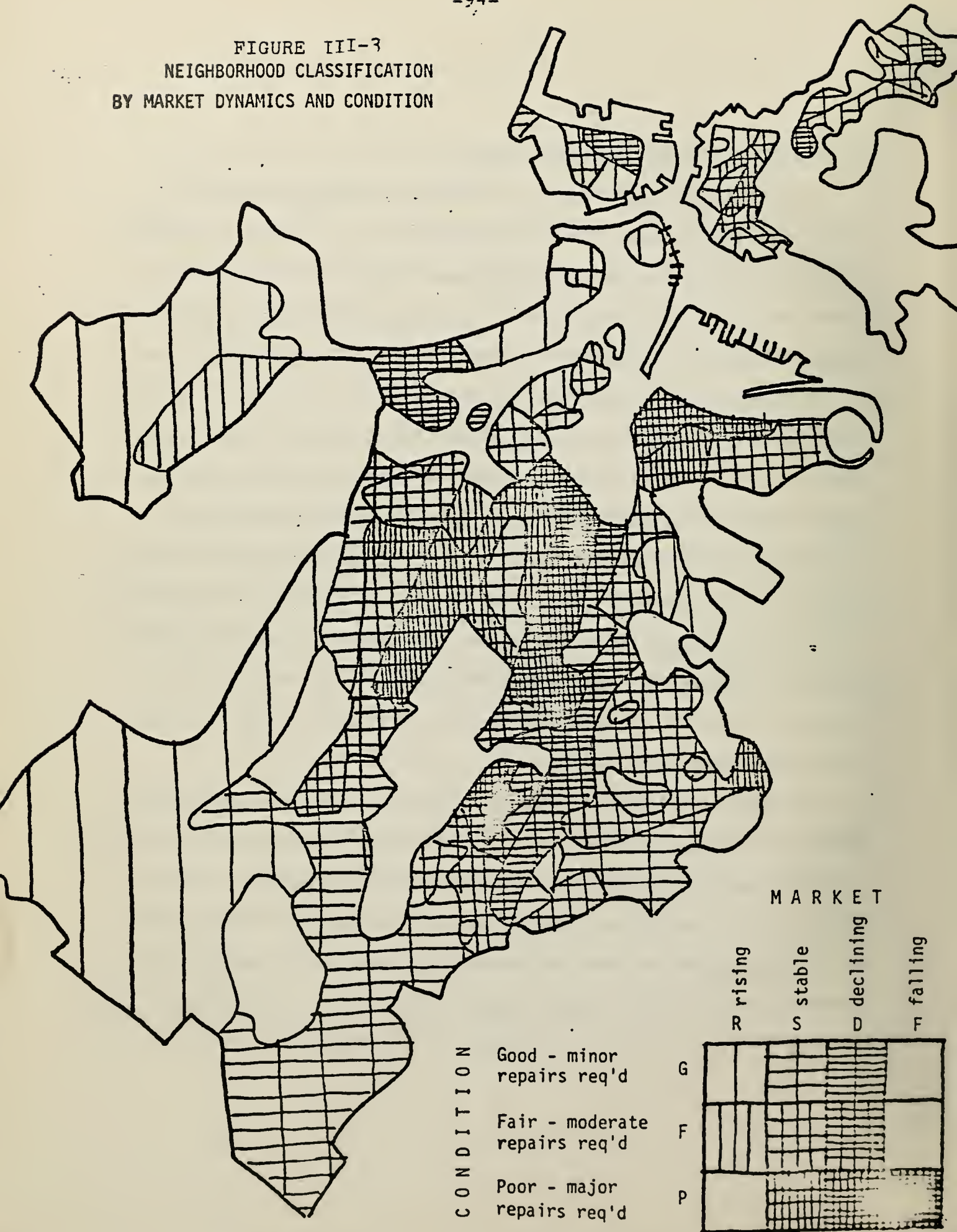
### Neighborhood Analytical Framework

Close scrutiny of data on Boston's housing conditions reveals its limitations for policy formulation. There are neighborhoods where housing in fairly good condition is being abandoned e.g., Meeting House Hill in Dorchester, and other neighborhoods where private entrepreneurs are rebuilding shells of structure types that were systematically demolished by urban renewal in project areas such as the South End. A detailed BRA review of housing fix-up prospects by neighborhood showed that there was general agreement that in some areas-East Boston, for example-private market forces are generating fix-up of most housing including seriously deteriorated and even some abandoned structures, whereas in other areas, structures requiring little fix-up are experiencing disinvestment and will require more extensive repairs in the near future if market forces do not alter recent trends.

To assist in policy formulation we have overlaid market dynamics upon the earlier analysis of housing condition to develop a conceptual framework that reflects both approaches. Each area of the city can be described both in terms of condition and market dynamics, and projected neighborhood changes can be compared and analyzed. (See Figure III-3). The cost of maintaining and upgrading a dwelling is largely a function of condition, but



FIGURE III-3  
NEIGHBORHOOD CLASSIFICATION  
BY MARKET DYNAMICS AND CONDITION



C  
O  
N  
D  
I  
T  
I  
O  
N

Good - minor repairs req'd  
Fair - moderate repairs req'd  
Poor - major repairs req'd

G  
F  
P

M  
A  
R  
K  
E  
T

rising  
stable  
declining  
falling  
R  
S  
D  
F





the incentive to do so depends to a considerable extent on anticipated changes in market value.

Figure III-4 outlines this proposed dual classification. Neighborhood housing conditions have been simplified into three classes: good (most housing in the neighborhood needs only minor repairs, such as exterior painting), fair (housing needs some moderate repairs, to upgrade systems like electrical or heating and/or to counteract deferred maintenance), and poor (much of housing needs major repairs). Average per unit fix-up costs for each census block group in the city were recalculated to reflect neighborhood entities and then ranked. Neighborhood differentiation ranged from several block groups to whole tracts, depending on the homogeneity of the stock. The "grain" of territory was determined with housing submarkets in mind. Obviously the number of classes can be increased if policy differentiation requires it. The same neighborhoods were classified independently into several market categories within an awareness that "hard" data to guide this effort are not available, and that classification is largely based on the relative balance between sellers and qualified buyers as perceived by those knowledgeable in each neighborhood. We realize the imperfections in

FIGURE III-4  
CONCEPTUAL FRAMEWORK FOR NEIGHBORHOOD CLASSIFICATION

		<u>Market Perception</u>			
		Rising	Stable	Declining	Rapidly Declining
<u>Housing Condition</u>	Good	Minor Repairs Req'd G/R	G/S		
	Fair	Moderate Repairs Req'd F/R	F/S	F/D	
	Poor	Major Repairs Req'd	P/S	P/D	P/RD

such a classification effort, but it represents a significant beginning. We have grouped neighborhoods in the city into four market types: Rising (the number of qualified buyers exceeds the number of willing sellers), stable (buyers and sellers roughly balance), declining (there are more sellers than buyers), and rapidly declining (there are so few buyers that serious housing abandonment is occurring).

Although Appraiser's Weekly, Banker and Tradesman, postal vacancy surveys and the U.S. Census provide limited objective data on past market trends, turnover and vacancy rates, this information proved to be inadequate for our purpose, because it failed to capture the influences on the investors. The opening of a new University of Massachusetts campus at Columbia Point is already perceived as reversing a long declining trend in adjoining neighborhoods by introducing new buyers, but hard evidence on the impact is still inconclusive. Similarly, some stable neighborhoods in Jamaica Plain may begin to decline because long term resident owners are now quite elderly. It is likely that too many structures will come up for sale in the next decade compared to the current number of buyers. While imaginative interpretation of census data would have uncovered this inference, analysis of trend data cannot tell us whether an

equal number of new buyers to balance sellers will be available.<sup>7</sup> Census data, mortgage trends, and countless interviews and impressions must be integrated in classifying each neighborhood.<sup>8</sup>

Housing Market Typology: Detailed Description

A stable market in good condition corresponds to cell G/S in Figure III-5. This is equivalent to what typical home owners would consider an "ideal" neighborhood market. It is where residents find good housing the value of which is expected to

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7. In assessing market trends, the BRA planning and research staff pooled their efforts. 1960-1970 census data interpreted dynamically furnished the background. Interviews with brokers and lenders, as well as district planners' experience with community groups, furnished valuable clues, but the interpretation remains largely a subjective exercise. These appraisals are consensus perceptions, which can alter within a few years. They do not promise that an area will rise or decline in market value; they merely reflect the climate in which housing entrepreneurs in these neighborhoods are currently acting.

8. There is, of course, the danger that our classification is self-fulfilling, that labelling an area as declining causes its decline; but this must be balanced against the folly of devising policy in ignorance. Housing abandonment tells us there are areas without enough qualified buyers, and observers generally agreed on the areas identifying neighborhoods. For this reason the map (Figure III-4) is kept diagrammatic. A detailed study by the BRA and the Boston Urban Observatory of six triple-decker neighborhoods in various market contexts, currently underway, will identify data associated with market trends which can be used to operationalize the classification of market dynamics.



keep pace with inflation and where homeowners anticipate little difficulty in attracting buyers when they try to sell their property. Hyde Park can be considered this kind of market. Areas where housing conditions are deemed to be less favorable (cells F/S and P/S in Figure III-5 may also be classified as stable in demand. Here, too, residents can remain confident about future values if maintenance is not deferred inordinately. Nevertheless, such neighborhoods have fix-up needs. If building conditions are deteriorating quickly, residents may require technical and counselling assistance, and/or assistance with credit to restore the housing. Additional investments are feasible since values in the neighborhood as a whole are not being undermined by adverse macro economic or social forces. City Point in South Boston exemplifies an F/S neighborhood.

Figure III-6 shows the distribution of Boston's housing stock by neighborhood types. Forty percent of Boston's housing is found in markets where demand is perceived as stable and housing needs only repairs considered minimal (17 percent) or moderate (23 percent). Another nine percent of the city's housing is in areas with stable demand but the housing requires major improvements. These are neighborhoods which may have declined in the past but where the markets have bottomed out; that is, housing values are not expected to decline any further.

HOUSING CONDITION

Poor

Fair

Good

Major Repairs Req'd    Moderate Repairs Req'd    Minor Repairs Req'd

Rising

Stable

Declining

Rapidly Declining

MARKET PERCEPTION

CHARACTERISTICS ASSOCIATED WITH HOUSING MARKET/CONDITION CLASSIFICATIONS

	<p><b>F/R</b></p> <ul style="list-style-type: none"> <li>- reverse filtration</li> <li>- absentees taking over</li> <li>- existing tenants being displaced</li> <li>- speculation</li> </ul>	<p><b>G/R</b></p> <ul style="list-style-type: none"> <li>- rising values</li> <li>- rising rents</li> </ul>
<p><b>P/S</b></p> <ul style="list-style-type: none"> <li>- market "bottomed out"</li> <li>- some abandonment</li> <li>- realistic expectations</li> </ul>	<p><b>F/S</b></p> <ul style="list-style-type: none"> <li>- greying</li> <li>- low turnover</li> </ul>	<p><b>G/S</b></p> <ul style="list-style-type: none"> <li>- ideal neighborhood</li> </ul>
<p><b>P/D</b></p> <ul style="list-style-type: none"> <li>- abandonment</li> <li>- foreclosures</li> <li>- multi-problems</li> </ul>	<p><b>F/D</b></p> <ul style="list-style-type: none"> <li>- blockbusting</li> <li>- unrealistic expectations</li> <li>- arterial or industrial blight</li> <li>- racial fears</li> </ul>	
<p><b>P/RD</b></p> <ul style="list-style-type: none"> <li>- firebombing</li> <li>- disaster whole-sale</li> </ul>		

HOUSING CONDITION

Poor

Fair

Good

Major Repairs Req'd Moderate Repairs Req'd Minor Repairs Req'd

		Rising		Stable		Declining		Rapidly Declining	
	G/R	15% 33,402 d.u.	G/S	17% 39,700 d.u.	F/D	6% 12,763 d.u.	P/RD	1% 1,615 d.u.	32% 73,102 d.u.
	F/R	21% 48,344 d.u.	F/S	23% 56,359 d.u.	P/D	8% 17,259 d.u.			50% 117,466 d.u.
			P/S	9% 22,040 d.u.					18% 40,914 d.u.
36% 81,746 d.u.		49% 118,099 d.u.		14% 30,022 d.u.			1% 1,615 d.u.		

Figure III-6  
DWELLING UNITS AND PERCENTAGE OF STOCK IN VARIOUS HOUSING MARKET/CONDITION CLASSES  
MARKET PERCEPTION



Although building conditions may be very poor, modest investments in housing of such areas are presumed to be recoverable. One such neighborhood is Fort Hill and Kittredge Square near Roxbury Crossing.

Rising market areas (column R in Figure III-5) are more difficult to analyze because real estate turbulence tends to accompany increasing prices. The classic concept of filtration--housing being handed down from more to less affluent consumers--is reversed in these housing markets. Prices are being bid up either by new users of the stock, i.e., new residents who are willing and able to pay more per unit than current residents, or by new users of the location, i.e., buyers who will pay more for the housing than current residents because they anticipate replacing it with more expensive housing or with non-residential land uses. Parts of the South End are experiencing the former type of market rise, while sections of the Fenway area are being affected by the latter.

Increasing prices and rents may pose a problem for an area's existing residents who find themselves unable to compete with prospective new residents who can afford to pay more for the housing. Newcomers displacing existing residents present many more problems than when such newcomers simply replace



those who leave for reasons of their own. In any case, tenants are usually more threatened by rising demand than homeowners because they may face rent increases if they seek to remain in their neighborhood. If tenants desire housing improvements, their landlords are likely to raise rents and replace them with more affluent households. Resident owners are less threatened than tenants because they can benefit from appreciation in their equity generated by a rising market. However, they can reap this benefit only by selling. If they remain, both they and small-scale rental housing owners feel victimized by a rising market if their incomes are too limited to meet possible increases in tax assessments and/or community pressures to upgrade their residences.

When housing is sold in a rising market, potential new resident owners from within the neighborhood are often outbid by more affluent newcomers or absentee owners who pay higher prices or make larger downpayments.<sup>9</sup> If the proportion of absentee owners increases, the remaining residents become concerned that pride in the neighborhood will wane and deferred maintenance will increase.

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9. This phenomenon has been documented by residents of the so-called triangle area near the affiliated hospitals in the Fenway, as well as in Allston. See Robert Leigh, "Preserving Homeownership in Allston", Boston Redevelopment Authority Planning Department (Nov. 1973).

In Boston over one in three households live in rising markets. Housing in most of these areas needs moderate repairs, as shown on Figure III-6. Ideally this strong demand could be shifted from areas where it displaces existing residents to boost demand in areas where there is insufficient demand to prevent disinvestment. The policy challenge is how to achieve this result with available municipal tools.\*

Declining markets (columns D & F of Figure III-5 account for the remaining sixth of Boston's housing and represent a much more serious housing policy dilemma. Owners in stable and rising markets can usually be persuaded to make repairs, when convinced that their investment is sound. But many owners in a declining area lack the funds. For those with adequate financial resources, disinvestment reflects their expectation that the housing investment would be recoverable neither through rent nor increased value at the time of sale. Knowing this, some owners cut down on maintenance, or fail to pay all their taxes. In such areas, the issue in housing policy is to find a way to help residents obtain adequate housing, which is not always synonymous with helping housing suppliers improve the residential buildings these residents occupy. Some abandonment of buildings is inevitable and the important objective is to

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\* Urban renewal in the South End and Charlestown achieved this resurgence in demand and here the issue is how to safeguard the interests of existing residents. Ashmont Hill and more tentatively parts of Jamaica Plain have recently shown signs of the demand that can revitalize neighborhoods, but we do not yet understand how to kindle such interest in weak neighborhoods; in fact, false stereotypes and conventional wisdom, when out of touch with the current situation in the neighborhood become the major obstacle to recycling mature neighborhoods.

assist residents of these areas in obtaining better housing of their choice.

The lack of qualified buyers and declining demand characterizes declining market areas, but the causes of disinvestment are complex and hotly debated. Do curtailed lending by financial institutions, reductions in city regulatory activities, or entry of non-white or less affluent households initiate the downward trend? There are declining neighborhoods, i.e., pockets in South Boston, where all these factors are not present; and there are neighborhoods where the existence of all these factors still do not curtail demand, such as part of Mission Hill (Delle Avenue) or the historic sections of Fort Hill. It appears, however, that wherever decline threatens, real estate brokers and lenders find it easier to shift their sales activity elsewhere. Some contribute to resident anxieties that conditions are going to get worse through their negative expressions instead of remaining neutral or allaying these fears. This attitude plays a major part in encouraging further deterioration, since fears coupled with lack of lending cause disinvestment and/or deferred maintenance, triggering a self-fulfilling prophecy. Many who can obtain housing elsewhere depart, leaving behind those less able to deal with such issues as manipulative brokers, curtailed lending, unscrupulous landlords and reductions



in city services. This is then followed by increasing abandonment by owners, stranding helpless tenants. To be effective, public intervention must take place before the demand has begun to decline. An anticipated reduction in housing demand usually precedes decline, as lenders and brokers, identifying a potential influx of non-white or lower income residents, curtail lending<sup>10</sup> and steer households into self-fulfilling patterns. Tragically the prior residents have come to identify the potential newcomers as the threat rather than the brokers and lenders who use their savings deposits in "sunder" areas to reduce risk while rejecting home loan applications from the neighborhood.

There are only a small number of areas containing clusters of dwelling units in such dire need of direct financial and social assistance that their upgrading is beyond the scope of housing policies. Their number is much more limited, however, than behavior of the real estate industry indicates. At present no more than one to two percent of the city's housing stock lies in such areas, exemplified by the double triple-deckers located in Dorchester south of Franklin Field around Arbutus and Lucerne Streets. Here, a major breakdown of the housing

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10. To avoid outright red-lining, lenders may raise the required downpayment or interest rate, reduce the period of loans, or plead that they currently have insufficient funds. Chapter IV discusses lending practice in detail.



system has occurred. Neither owners nor tenants have the money, know-how, or commitment to bring housing up to reasonable standards. Sufficient public assistance is not currently available to improve the situation. Tenants can rarely afford to pay higher rents. Few owners will maintain or invest in fix-up if they cannot recover their costs through increased rents or loans at competitive rates. In these blighted pockets, tenant-landlord relations have sometimes become embittered and polarized. Public pressure on landlords, through code enforcement or rent control, prompts them to walk away from their property. And recently-arrived resident owners have discovered that the outstanding principal on their mortgages often exceeds the value of their structures. Not only do they have negative equity, but they are ineligible for additional credit to finance necessary home repairs.

#### Neighborhood Housing Programs for Boston

The neighborhood classification matrix shown in Figure III-4 is a conceptual framework devised to assist housing policy makers in defining appropriate strategies to improve Boston's housing. Failures of past public interventions can partly be explained through inappropriate application of the city's housing tools, which are largely based on the assumption that all housing markets are stable; that is, that buyers balance

sellers. To illustrate: code enforcement assumes that effective housing demand is always present, and that all neighborhood properties will benefit from the correction of violations. In practice, code enforcement proves to be a useful tool in rising and stable markets, but in a declining area it can precipitate abandonment if administered strictly. Yet most serious housing complaints affect structures facing disinvestment, posing a dilemma: how can code inspectors look effective (to avoid public criticism), without being effective, forcing removal of marginal but habitable dwellings from the housing stock. Neighborhoods must be clearly differentiated if regulatory tools are to be identified as appropriate for influencing market dynamics.

Each of the cells in the classification framework (Figure III-4) represents the current condition and demand situation of a portion of Boston's housing. Over time neighborhoods tend to shift into different states when not countered by proper maintenance and upgrading, "pushing housing downward"--that is, they depress the physical condition of the housing so that it needs greater repairs. More complex forces determine housing demand, the ratios between buyers and sellers, which places neighborhoods to the left or right in Figure III-4. These factors include location, housing style and quality, as well as conditions.

Amenities such as open space, and specialized land uses such as educational and medical institutions, can bolster housing demand, perhaps even attract new, more affluent people into a neighborhood--in effect "recycling" the neighborhood. Policy makers control or can influence the location of these uses and amenities. The demographic characteristics of present occupants and possible future occupants also shape housing demand, particularly when students or minorities enter the picture. Thus, an influx of students into a neighborhood of families with children can lead to rising prices (or a shift to the left in the matrix), while fear of racial change in a previously all-white neighborhood may reduce the number of qualified traditional buyers (shift to the right), or suddenly bring in new buyers, absentees or non-whites. Housing market behavior thus becomes very erratic and uncertain, causing both reduced and inflated sales prices and increased rents. An understanding of these dynamics aids in the identification of appropriate interventions to improve housing conditions and to shift as much housing stock as possible into a stable market state, requiring only moderate repairs (F/S) or better. This entails reducing the attractiveness of some areas while enhancing others.

To achieve the goal of housing restoration thus requires

(1) that dwellers have adequate incomes to afford decent housing, and (2) that qualified buyers balance willing sellers in each neighborhood. These conditions must be met if private capital, including resources available to resident owners, is to be tapped or brought into play in housing fix-up. Otherwise only public resources will be used, and they are clearly insufficient. Since the \$300 million required to fix-up Boston's housing (let alone the much higher costs of replacing abandoned units) is clearly beyond the fiscal capacity of the City, policy must be used to complement and provide leverage over the private incentives for making housing repairs.

Before discussing specific neighborhood strategies in detail, several points must be stressed. The neighborhood strategies proposed are formulated within a city-wide housing policy context. The elements of city-wide policy include adequate credit, equity in, and reduction of the burden of property taxation, reorientation of city agencies (such as code enforcement) toward housing consumer services, and reorganization of city agencies to improve the delivery of housing services. These are all discussed in the next chapter.

A housing restoration program must also distinguish between problems which can be resolved by a single injection of public resources as contrasted with problems that will require



more sustained public support. In areas where household income was adequate to guarantee routine upkeep, one-shot fix-up funds like federal 312-115 loans and grants coupled with area-wide code enforcement were effective in returning areas to good condition. But in some lower income areas, these tactics only temporarily improved housing because inadequate cash flow is again leading to deferred maintenance.

Public policy must be designed to increase the attractiveness of each area and the confidence in its future, not simply to underwrite fix-up costs. Without replacement owners to fill the vacancies of those who move away through natural turnover, any neighborhood quickly becomes blighted.

The remedial strategies discussed below are intended to sustain and renew market confidence and to curb the expansion of blight. The proposed strategies for stable and rising markets are aimed at improving the existing stock and will seem familiar; the strategies for declining areas are more novel approaches aimed at supporting and assisting households directly. Resource transfers to needy residents are required to ensure that the inability to pay for adequate housing does not cause neighborhood decline wherever poor families live. The costs of such income assistance are large but inescapable. They are a direct consequence of our rising general standard of living.

### Remedial Strategies for Stable Markets

Stable areas where housing is in good condition (G/S) do not require special neighborhood housing actions by the City beyond appropriate routine public improvements, City services, and equitable shares of the city-wide strategies discussed in Chapter IV. Figure III-7 displays remedial strategies, while Figure III-8 summarizes the public costs thereof.

Technical assistance, code enforcement and property tax incentives linked to repairs will maintain stability and improve conditions in stable areas needing moderate fix-up (F/S).

In these areas the City can encourage improvements through services-oriented code enforcement<sup>11</sup> coupled with technical support such as rehabilitation counselling to owners who request it. The code enforcement costs could be met from the regular City budget, but technical assistance would be a new expense. For the roughly 55,000 units in F/S areas, these

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11. Reorganized and re-oriented code enforcement is recommended. Inspectors should focus on these stable and rising areas and provide brief write-ups of remedial work required instead of adopting a punitive stance and simply citing a list of violations. Systematic code inspections in declining areas can achieve little until more fundamental family income problems are addressed.





additional public expenditures are estimated to run to \$2.2 million, or \$220,000 per year for ten years, (averaging out to \$4 per unit per year).<sup>12</sup>

The technical assistance costs could be financed through a combination of public and private funds. Depending on their financial standing, some recipients of these services could be asked to repay their costs, particularly if they could reimburse them through an amortizing loan. Repair costs themselves could usually be borne by owners who can draw on their own rainy day savings ("mattress money") or take out short-term home

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12. This estimate draws on experiences in a wide variety of private fix-up programs from Rochester, N.Y., Pittsburgh, Pa., and Cambridge, Mass. We have made the following assumptions to illustrate the order of magnitude of public expenditures to fix-up all F/S areas. (1) Technical assistance is estimated at \$200 per dwelling unit, or an average of \$500 per structure; (2) Only one out of every five houses utilizes technical assistance; (3) There are about 55,000 units in F/S areas; (4) Technical assistance in any particular area can be spread over four years, and technical assistance throughout all F/S areas of the city will be phased over ten years.

Thus, for the 55,000 units in F/S areas, technical assistance averages \$40 per unit (i.e., \$200 x 1/5) and requires a total outlay of \$2.2 million or \$220,000 per year if the entire city-wide program is phased over ten years. This is comparable to costs in Pittsburgh, Cambridge, Springfield, Mass., and Rochester, N.Y., for assistance in obtaining loans and arranging for proper fix-up, or alternatively, guidance in providing "sweat" equity.



improvement loans.<sup>13</sup>

In addition to providing the stick of code enforcement to generate improvements, the City should increase available property tax incentives for fix-up by expanding the present Mayor's Housing Improvement Program (MHIP) concept under which a modest one-year property tax credit is extended to owners who correct all code violations. The current MHIP real estate tax credit to resident owners amounts to about \$200 per unit, with a maximum ceiling of \$300.<sup>14</sup> This is a special "limited time only" program, however, that was merely intended to get fix-up started. It was not designed as a permanent City policy.<sup>15</sup> To make the home improvement program more effective, the incentives will have to be more generous, either in the form of larger property tax rebates or direct grants. Funds

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13. Chapter 864 of the Acts of 1974 was enacted to encourage greater urban lending and to authorize public reimbursements for technical assistance. This bill was drafted with the intent of promoting home improvements in stable areas requiring moderate repairs. See Chapter IV.

14. \$300 is granted to any owner who does \$3,000 or more of repairs per unit, removing all code violations. Typically, on a three-decker, upgrading electrical systems, improving heating and correcting effects of deferred maintenance can all be done for less than \$9,000 per structure.

15. Unless the MHIP concept is extended, expanded, or altered, the overall cost to the City of these tax credits is likely to remain under \$300,000 for the two-year experiment.

becoming available under federal community development revenue sharing would make these more liberal incentives possible. A more effective grant program should make up to \$600 per unit available for fix-up to resident owners by reimbursing 20 percent of estimated fix-up costs up to \$3000 per unit. This more generous arrangement should be offered only during the first two years of systematic code enforcement in any area (as a device for initiating the fix-up process). For the 55,000 units in F/S areas, these fix-up incentives are estimated to require \$2.75 million in public expenditures to complete fix-up of this vital one-quarter of the city stock--a good investment as compared with its potential market value. This would require about \$220,000 annually if the City schedules the program for the appropriate F/S areas over ten years.<sup>16</sup> If the program were

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16. Costs are estimated as follows: assuming eligible areas were targeted, (similar to those meeting criteria of federally-assisted code enforcement (FACE) program areas), overall costs could be controlled by matching area sizes to federal resources such as might become available under community development revenue sharing. Assuming further that grants average \$500 per unit, that only the "early adopters" in the first two years in any designated areas utilize them, that only one-fifth of all eligible recipients are early adopters, and that half the dwellings are eligible due to resident ownership, a maximum of one out of ten units in F/S areas would receive compensation and maximum costs would reach \$2,750,000 (or \$500 x 1/10 x 55,000 units). While such a program would be targeted for F/S areas, its benefits should still be available during the same time period to all resident owners in the city who remove code violations, regardless of their income. (This would shift costs forward, increasing them initially, but reducing them in later years.)

extended citywide, fix-up reimbursements would still average about \$500 per unit, but citywide implementation would dilute the grant program's effectiveness. The program's capacity to encourage fix-up, instead of simply compensating for routine maintenance, lies in being implemented systematically on an area-by-area basis and making the grants only during a two-year period to spur rapid, concentrated improvements.

Stable areas needing major repairs (P/S) require the addition of a special loan fund to supplement technical assistance and code enforcement as part of a comprehensive fix-up program. Some owners in such neighborhoods have savings, but not all can afford the costs of extensive fix-up. During the 1960's, the federally-assisted 312-115 loan and grant program was designed to meet the needs of such owners. In Pittsburgh a cost-effective, flexible way of meeting these requirements has been developed by creating a special loan fund under the joint control of community and lending institution representatives. Managers of this loan fund can co-sign or subsidize the interest for conventional home improvement loans, as well as make direct loans. When one case in four was assisted through this special loan fund, conventional lenders accepted the less needy three out of four cases and provided them with direct loans. A similar Neighborhood Housing Services (NHS) program was initiated in



Boston during the summer of 1974. Experience in other cities with NHS suggests that such a fund can start with as little as \$100 per dwelling unit in the area at the outset. The fund should be built up to \$500 per dwelling and can sustain itself at that level through re-payments. For the 22,000 dwellings in P/S areas, this estimate would require \$2.2 million at the beginning and an eventual \$11 million. These are not public costs, however, because they are repaid to the loan fund by property owners either as amortizing loans over a 5 to 10-year period or as lump sums upon eventual sales of the fixed-up properties. The only non-recoverable expenses are (1) differences between interest earned by the fund and market rates, (2) any losses or direct subsidies, and (3) administrative costs.

The cost of technical assistance and tax credits for fix-up must also be reckoned as public expenditures in P/S areas. More in-depth technical assistance is likely to be needed by a larger fraction of the owners in P/S than in F/S areas, where less fix-up is needed. It is estimated that the 22,000 units will require \$2,200,000 in technical assistance and \$2,200,000 in tax credits along with the \$11 million loan fund to upgrade



the P/S areas over ten years, or \$220,000 annually.<sup>17</sup>

Homesteading has a vastly overrated potential, particularly as a device for stabilizing declining areas. In areas where demand and prices have stabilized, however, tax foreclosed and delinquent properties are suitable for conveyance to new resident owners who are able to devise their own approaches to fixing them up. Homesteaders will need the technical assistance and fix-up tax incentives described above, but they will need much larger amounts of housing credits, up to \$10-12,000 per unit, to make the extensive improvements needed in these much more seriously deteriorated and usually unoccupied properties. If this level of private credit is not available, homesteading will fail. These properties should not be assigned high priority for the allocation of scarce public resources, however, since each dwelling unit requires so many dollars. Rather, rapid

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17. Costs are estimated as follows: Assuming an average technical assistance cost of \$300 per unit, and utilization by an average of one of three owners, one-third of the 22,000 units in P/S areas will need assistance. At \$300 per unit, this requires an outlay of \$2,200,000 or \$220,000 per year if phased over ten years. (Any particular area should be completed in 3-4 years, however, to make all residents conscious of the revitalization effort.) Bonuses for fix-up, like those outlined above for F/S areas, would average \$500 per unit. If one-fifth the units in P/S areas needed them, total costs would be 22,000 x 1/5 x \$500, or \$2,200,000 spread over a ten-year period. Implemented area by area, staged over ten years, bonuses would cost around \$220,000 per year.

removal of abandoned structures in areas of declining demand should be considered because their presence encourages such disinvestment. Their removal, coupled with leasing the cleared sites as gardens, can go a long way to stabilize the markets.

Homesteading is appropriate mainly where a market has already "bottomed-out" and is not about to decline further. In declining areas where additional abandonment is anticipated, rational owners would not continue maintaining, let alone investing heavily, in rehabilitation of their properties, because these investments could not be recovered. Any homesteader in such cases would become locked into this property, having only "negative equity" to show for his renovation efforts.

The total costs of neighborhood strategies in stable market areas are summarized in Figure III-8. Administrative costs have not been computed and the program estimates contain no allowance for inflation. The purpose of these estimates is simply to convey the orders of magnitude involved in eliminating substandard housing. The costs indicate the relatively modest level of public expenditures required to exert leverage over a much larger volume of private investment for upgrading these stable neighborhoods. Clearly the per unit costs of early intervention in maintenance in F/S areas are more cost effective than subsequently attempting rehabilitation when such areas have

FIGURE III-8

ESTIMATED PUBLIC EXPENDITURES ASSOCIATED WITH NEIGHBORHOOD ASSISTANCE STRATEGIES,  
1975-1985

<u>Area</u> <sup>1</sup>	<u># Units</u>	<u>Percent</u>	<u>Annual Technical Assistance</u>	<u>Annual Fix-up Grants</u>	<u>Special Loan Fund</u>	<u>Annual Direct Assistance</u>	<u>Relocation</u>
F/S	56,359	23%	\$225,436 (\$4/d.u.)	\$225,436 (\$4/d.u.)			
P/S	22,040	9%	220,400 (\$10/d.u.)	220,400 (\$10/d.u.)	\$2,200,000 (\$100/d.u.)		
F/D	12,763	6%				\$9,189,360 (\$720/hh)	
P/D	17,259	8%				18,639,720 (\$1,080/hh)	
P/R/D	1,615	1%				1,744,200 (\$1,080/hh)	\$484,500 (\$300/hh)
Annual Totals All Areas	110,036	47%	\$445,836	\$445,836	\$2,200,000	\$29,573,280	\$484,500
Decade Totals All Areas			\$4,458,360 <sup>2</sup>	\$4,458,360 <sup>2</sup>	\$11,000,000 <sup>3</sup>	\$295,732,800 <sup>4</sup>	\$484,500 <sup>5</sup>

<sup>1</sup> Areas other than those listed have no special public costs.

<sup>2</sup> Fix-up is complete at the close of the decade, requiring no additional expenditures.

<sup>3</sup> This revolving loan fund is repayable by borrowers or recoverable through liens.

<sup>4</sup> These costs would continue as long as households continue to qualify.

<sup>5</sup> Once relocation is complete, no further expenditures in this category are needed.

become seriously deteriorated neighborhoods. But even the problems in fixing-up P/S neighborhoods are minor compared to conditions when decline, lack of replacement owners and tenants, and disinvestment have set in.

#### Remedial Strategies for Rising Markets

Rent control administrators should keep a watchful eye on good housing in G/R neighborhoods to prevent rent increases that simply take advantage of rising market prices without any improvements in services. Such rent increases should not be necessary since the housing stock in these areas is basically in good repair and outlays are only rarely needed to correct deficiencies or to modernize.

Appropriate neighborhood strategies for F/R areas include special emphasis on rent control, code enforcement, monitoring illegal conversions and widening ownership options. Except for extending ownership forms, these policies encompass municipal land use powers and should be provided by the City's appropriate regulatory agencies. In F/R neighborhoods conditions are only fair while the market is rising and this calls for careful public intervention to protect the interest of less affluent residents in the face of the appreciating market.

Fixing up housing in rising market areas poses a dilemma.



Countervailing social forces may be present. Existing tenants, often on fixed incomes, may seek improvements but be unable to pay the rent increases required to pay for them. Landlords may be willing to make the improvements but will want to raise rents accordingly, especially when they know they can attract a new, more affluent tenant who can afford the higher price. Rent control must monitor this process to ensure that landlords do not try to capitalize on the rising market by asking for rent increases which are not justified by improvements. Absentee owners frequently have more speculative interests and therefore require close monitoring to prevent illegal conversions. But public regulation does not solve the problem of tenants without the means to pay for housing fix-up. In the long run, the rights of such residents to remain as tenants in rising markets are difficult to safeguard. Only by opening options of ownership like condominiums or cooperatives to tenants in multi-unit structures can they be protected from being displaced by more affluent households.

Wherever repairs are required amidst a strong market demand, the dilemma is to clarify the rights of tenants with limited incomes to remain. Should they be allowed to live in substandard dwellings? If not, how much of the improvement costs should be passed on in increased rents? If there were

either public subsidies to pay for the fix-up (like low-interest loans) or direct rental assistance to tenants (through leased public housing), these could be granted to owners upon the conditions that they make the improvements and continue to serve the existing tenants. But at present neither subsidy nor direct assistance is available and conditions involving income limitations tend to develop into an administrative nightmare even when such assistance programs are operative. Creating condominium options for present tenants offers more promise. This would enable them to share in the rising market instead of being displaced by it. As owners, they could benefit from increasing equity based on rising markets. Additional benefits of condominium ownership include income tax deductions for mortgage interest and property tax payments the impact of which depends on the owner's tax bracket. With the current rapidly-increasing pace of inflation, many more households will be in the tax brackets where cooperative or condominium ownership could reduce their net housing expenses while providing them with equity. These forms of tenure are already being adopted for modest-income households under special housing programs in Cambridge. Similar adaptations could be made in certain Boston rising market neighborhoods if good counselling and technical

assistance were made available. At this stage a pilot effort by a community based non-profit institution would be an appropriate test of this proposed approach.

Extending these forms of tenure does not entail public program expenditures, but requires altering housing credit policies, devising master deeds applicable to triple deckers or row houses. Individual proposals for moderate-income condominiums are already in the discussion stage and the next steps are analysis and dissemination of the possibilities. In the long run, the City stands to gain from such conversions, both through neighborhood maintenance which typically accompanies resident ownership (and which preserves a sound tax base), and possibly through some increased tax yield. However, care should be taken in applying tax policy to these forms of ownership because sharply increased assessments (due to condominium conversions or rising values) can easily drive out residents with limited incomes.

#### Remedial Strategies for Declining Areas

The strategies for assisting areas that are declining differ radically from those appropriate for sound and rising market areas because the challenge is to appreciably increase housing demand. Homeowners, if they are concerned about the condition of their property, feel that forces they cannot fight are causing

the decline: curtailed availability of lending and insurance, fear of lower rental incomes from new residents, racial change, and as the self-fulfilling trend continues, visible deterioration, accumulating debris and trash. Those who see housing primarily as an investment--both property owners and banks--are inclined to over-react at the early stages of decline. Fearing deteriorating property values, they begin to disinvest, curtail maintenance and extract what they still can out of their properties.

Under these circumstances, a very unstable situation results, changing long term resident owners into sellers. Suddenly, there are many more sellers than buyers. Any seller may panic, willing to settle for "anything now rather than nothing later". Other owners hearing of price declines may become frightened and also start dumping their property for whatever price, however low, it can bring. As people over-react, the bottom falls out of the market. Ironically, housing conditions may be fairly good before this process begins and racial change may in fact not occur, but as more prosperous and informed households depart, less responsive absentee owners replace them. New interest groups such as brokers (who exploit residents' fears and who may engage in FHA speculation) and low income tenant advocates (who adopt a very aggressive posture



against all owners in attempts to secure improved housing) appear in the neighborhood. Landlords and tenants become polarized, one group holding the other solely responsible for deteriorating housing conditions. Each may develop unrealistic expectations about the other's financial resources and ability to pay for housing improvements. This process plays itself out to housing abandonment in some all-white neighborhoods where there is no effective housing demand acceptable to the residents. Here a "better dead than red" mentality prevails.

The lack of housing demand acceptable to the current residents is a key factor in the decline of such neighborhoods. Beyond this the uncertainty about the future fosters disinvestment: What will this neighborhood be like? Will white speculators take over? Will "white trash" or blacks move in? Will my wife and children be able to walk the streets? Will my property be firebombed? Such worries are magnified by rumor and sensationalism. Residents who can leave at all costs. Those who remain are the less sophisticated who are more easily preyed upon.

Any effective fight against decline depends on initiative from within the neighborhoods. Attempts to save a declining

neighborhood solely from the outside generally fail. The attitudes of residents are key variables. Will the most capable local leaders stay and fight, or will they flee? City services and the strategies previously discussed for stable neighborhoods can prevent decay only in neighborhoods that have confidence in their own future. Code enforcement, technical assistance and even special loan funds are useful only when they complement neighborhood self-initiatives. Imposed from outside, or brought in by an insignificant minority of residents, they will be unable to effect housing upgrading.

To make public improvements visible and to promise an improvement in city services are not enough. Rebuilding or replacing existing housing under the programs similar to the federal subsidy programs of the 1960's is not only too cumbersome but tends to undermine neighborhood confidence and to reduce market demand. The recently-curtailed federal housing and urban renewal programs were largely supply-oriented and often provided few benefits for the existing neighborhood residents. They did not reckon with the need of low-income households for jobs and more income resources. Too often they rehoused a few while scattering the majority and provoking resident owners to depart.

Direct household assistance to all eligible residents of

declining areas should be tried as an alternative to housing production assistance. Direct financial assistance in the form of either housing allowances or income supports coupled with job training and counselling gives priority to helping households, instead of attempting to save or replace specific residential structures in declining areas.<sup>18</sup> This approach could open up a wider range of housing choices for all these households than supply-side programs did. With more money in their pockets, the effective housing demand of low-income families would be substantially strengthened. Individually they could elect whether to remain in their present neighborhoods, utilizing their additional resources to obtain improvements on their present dwellings or to move to better neighborhoods, gaining entry with their increased ability to pay for adequate housing.<sup>19</sup> Thus demonstrated consumer preferences

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18. The optimum form of assistance should minimize red tape and maximize increased purchasing power. Safeguards to prevent cost inflation by occupancy of substandard dwellings must be carefully considered and designed to prevent bureaucratic restrictions of consumer choice.

19. Preliminary indications from the national housing allowance experiments indicate that when households move, they follow traditional migration routes; i.e., allowances do not foster racial integration. In Springfield, Mass., recipients of housing allowances felt they were definitely improving their housing.

for housing rather than leaning on the policies of lending institutions or public bureaucracies will be a better guide to identifying which neighborhoods have a future and which are obsolescing. Areas where most households choose to remain become stable by definition. The City would then respond by providing the housing improvement programs available to F/S and P/S areas: technical assistance, tax incentives and special loan funds.

Direct household assistance, coupled with income maintenance, is much more costly than any strategies discussed to date. In areas where decline is accompanied by the need for major repairs (P/D), substantial assistance averaging about \$90 monthly per household residing in the qualifying areas would be required. Such assistance should be tailored to income, family size and the cost of standard housing (much like the formulas used by HUD in the several housing allowance experiments), and extended to all eligible tenants and owners residing for at least six months in the designated areas. But there should be a minimum of red tape beyond code compliance. (Federal programs, including the housing allowance experiment, tend to develop a myriad of special forms, leases, etc.) The assistance should be allocated to these households for at



least five years, whether they remain in the area or move somewhere else, because no matter where they move, their incomes are inadequate to obtain decent housing without the direct assistance. Annual direct assistance costs for the 17,500 households in P/D areas are estimated at \$18.9 million (\$1,080 per household per year), which must be financed annually from public funds. This figure does not include start-up or administrative costs. While this sum seems large, it is moderate in comparison to the unit cost outlays for new federally subsidized (Section 236) construction in recent years. The value of the Section 236 mortgage interest subsidy alone per unit in Boston averages about \$100 monthly. In addition, property tax concessions, piggybacked federal/state rent supplements, and administrative costs have further escalated public expenditures for such housing subsidy programs.<sup>20</sup>

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20. Currently 55% of Boston's households are eligible for federally subsidized housing while there are only enough assisted units to serve one in ten. Section 236-type construction and rehabilitation programs (with costs approaching \$30,000 per unit) to meet the needs of all eligible households would be far more costly than the direct assistance proposed here. For a more detailed evaluation of recent Section 221(d)(3) and 236 construction in Boston, see BRA-BUO study of federally-assisted, multi-family rental housing in metropolitan Boston.

Despite its costs, direct household assistance is preferable to subsidies for housing construction and rehabilitation in declining areas. It deals more directly with a key factor in declining housing demand: lack of adequate income to pay for needed housing maintenance.<sup>21</sup>

Relocation should be added to direct assistance in areas where poor conditions and rapid decline compound (particularly in P/RD, because it is likely that most households will elect to move.) Relocation costs for the 1,600 households in P/F areas would be \$480,000 (\$300 per household), a one-time public expense. The precedent for such relocation assistance already exists for households caught in the path of highway construction and urban renewal. Acquisition, clearance or renewal subsidies for these P/RD areas are explicitly not part of the fix-up strategy, but land would become available for redevelopment.

Annual direct assistance costs for the 1,600 households

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21. It is very difficult to make a fair profit on any housing renting for less than \$135/month (\$110 plus \$25 monthly for heat) in the city of Boston in 1973. But \$135/month represents one-quarter of a \$6,480 annual income. Many households with substantially lower incomes are attempting to pay this or even greater amounts, but they often have difficulty meeting the rent. Rent delinquencies and skip-outs are a prime cause of blight and neighborhood deterioration. See Stegman, Housing Investment in the Inner-City: the Dynamics of Decline, op.cit.

currently in P/RD areas are estimated at \$1.73 million (at \$1,080 per household per year) from public funds.

Areas where housing conditions are still fair in spite of a declining market demand (F/D) pose dilemmas for planners and policy makers because physical conditions are better than in P/S, P/D, and P/F areas, fostering the illusion that much less costly supply-side public interventions would be effective for improving housing. Nevertheless, past experience in Boston suggests that once residents believe an area is declining, public improvements, loans and grants and even new subsidized housing construction will be of little lasting impact in altering these beliefs. While substantial income assistance in declining areas may even accelerate the departure of households in some areas, it is likely to be more effective in aiding households than past strategies because it offers them more choice.

The cost gap in F/D areas is likely to be smaller than in areas where housing requires major repairs, and the extended assistance averages \$60 monthly per household (rather than \$90). This will require annual public expenditure of some \$9.36 million for the 13,000 dwellings in F/D areas (\$270 per unit annually).

Value insurance and quotas to control socio-economic mix are potential tools for improving neighborhood expectations once household assistance is extended to households in declining areas. These tactics are as important to the control of dynamics in currently stable areas as for areas already perceived as declining. They are proposed here merely as policy concepts which require further refinement.

Value insurance could insure that housing in fair condition is not caught in a seller's panic. As already pointed out, when economic or racial change threatens an area, too many owners fear losing their equity and put their houses up for sale, thereby depressing sales prices. As prices fall below the unpaid balance of the mortgage, more owners begin to seriously consider abandoning their property. The notion of placing a federally-supported floor under house values has been discussed periodically. Just as fire insurance repays an owner on property loss resulting from fire, similar equity insurance could repay a resident owner (not a lender) his original price plus any appraised improvements if he were unable to recover that value at time of sale (but, would not compensate him for losses due to his own negligence or lack of maintenance). Insuring owners against loss of equity would put a floor under house values in order to reduce panic sales.



To operationalize and institute such insurance in a manner preventing fraud is difficult, but since most maintained housing tends to appreciate in value, this program would cost very little if conducted on a broad enough base. If sold on a premium basis, participation by those who feel they do not currently need it would pose a special problem. The City could underwrite such value insurance to assure the future of the tax base. The incentive for the federal or state governments to provide such insurance in addition to existing mortgage insurance is substantial: it would curb both the incentives of existing owners to sell quickly, as well as prevent newer owners from abandoning property because they feared their amortization payments were not building up their equity.

Setting quotas to control socio-economic mix in the neighborhoods conflicts with free choice and equal opportunity but the latter goals may currently be unattainable. Although quotas may be too radical for serious consideration as a City strategy to prevent the decline of areas in fair condition, a brief discussion may lead to new insights into the psychological aspects of decline and the discovery of new means to alter trends. The first black households to move into white areas are usually middle income who encourage white resident

owners to remain, believing that their presence maintains city services and prevents neighborhood decline. Nevertheless, white households leave and the area usually resegregates into a lower class non-white neighborhood. The notion of a "tipping-point" is now largely seen as an oversimplification. The "tipping-point" notion assumed that racial mix below a certain threshold was tolerable and that the mass exodus of white owners occurs only when the percentage of non-whites exceeds a "tipping-point". Better predictors of neighborhood future than any given percentage of non-whites are the existing residents' perceptions of what future property values and neighborhood quality will be. Attainable and credible quotas on future occupancy could alter these perceptions.

The affluent suburbs have managed to maintain socioeconomic quotas so effectively in their self-interest that most non-white population growth is channeled into resegregating areas. Altering this odious pattern may require temporary quotas, as affirmative action plans in employment and education have shown. Both the new arrivals and existing residents in a newly integrating neighborhood have a joint interest in the prevention of panic sales and curtailment of lending and city services. Ideally, an ethnically and economically diverse market would maintain its mix, but market dynamics tend to permit only

transitional economic or racial integration. Those who seek to live in areas that remain integrated will have to depend on influencing the process whereby out-migrants are replaced to maintain an optimal mix.

Tactics for insuring continuance of such a distribution are yet to be invented and raise constitutional questions.<sup>22</sup> If such a policy could be devised, it would probably prevent the moving out "before their time" of a host of long-term residents, an exodus which triggers major decline.

#### Cost Summary of Special Neighborhood Strategies

Figure III-8 summarizes the estimated annual public costs of the proposed neighborhood strategies and the total public expenditures required to complete fix-up over the decade. The following conclusions may be drawn from Figure III-8:

1. Over half the existing housing stock (53 percent) of this city imposes no additional costs. Such housing is located in rising and stable market areas in good condition.

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22. Ironically, economic exclusionary zoning has been with us for years and constitutional challenges against it are just beginning to be raised. Two recent articles provide an excellent basis for continued discussion of these critical issues. See Daniel Lauber, "Integration Takes More than a Racial Quota," in Planning (ASPO Journal), April-May, 1974, and Bruce L. Ackerman, "Integration for Subsidized Housing and the Question of Racial Occupancy Controls", in Stanford Law Review, Jan. 1974, Vol. 26, p. 245.

2. An additional third (34 percent) of the stock (areas F/S and P/S) requires annual outlays of under \$1 million in technical assistance and fix-up grants over ten years plus a revolving loan fund of \$11 million (largely repayable) to complete fix-up of such areas. These are the areas where effective public policy can decisively alter the future by stabilizing them instead of allowing blight and abandonment to creep in.

3. Less than one sixth (15 percent) of the stock (in F/D, P/D, and R/RD areas) is threatened by severe blight, but to meet the needs of the households in these areas alone requires \$30 million annually in direct assistance. This may look like a staggering sum but it represents an average of less than \$1,080 annually (or \$90 monthly) per affected household, or less than the mortgage interest subsidy alone on each unit of publicly assisted housing.

The above estimate merely closes the gap between income and the housing needs of these households and it is doubtful that this gap can be bridged for much less. Promises to deal with abandonment and severe blight in declining neighborhoods in fair to poor condition through less expensive strategies are likely to prove illusory. The unit costs of recent supply-side interventions are not only higher, but they often fail to



provide lasting assistance to households.

4. The \$30 million in annual direct assistance gives priority only to households in declining areas. Admittedly, this is programmatically difficult to achieve, but if declining areas can be accurately identified, injecting direct assistance therein would stabilize and assist in preserving as much as possible of Boston's housing stock. If all households eligible on the basis of income (regardless of neighborhood dynamics) were to be served, this annual estimate of expense is likely to be tripled to \$90 million.

Several comments on the underlying methodology of developing these estimates are in order to forestall criticism of the conclusions.

1. The costs in Figure III-8 are merely illustrative of the orders of magnitude involved. The methodology is spelled out so that better information and analysis can be applied to sharpen the estimates. Obviously as inflation continues, it becomes appropriate to scale the estimates up proportionately. The basic argument remains the same: it is more cost effective to maintain stable areas than to counter decline once it has set in.

2. Only public expenditures are shown in Figure III-8. Private investment would be of greater magnitude. Private

households living in Boston spend an average of \$2,500 per year on housing, or a total of over half a billion dollars. The recommended public expenditures are merely intended to bridge the gap (\$30 million or about 6 percent of private outlays) where the private market system is stretched beyond its means. Even for declining areas, the proposed programs commit less assistance than the households are currently themselves allocating toward housing.<sup>23</sup>

3. This analysis does not attempt to deal with the complexities and nuances of current public housing assistance strategies, except to point out that the current forms of supply-oriented subsidies cost more per unit, and recent indications suggest they are less cost effective in the long run than those proposed here, largely because assisted construction tends to lock disadvantaged families together into clusters. Granting the subsidies directly to eligible households (coupled with code enforcement to assure that they are spent on adequate housing) offers the individual households potentially more choice.

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23. These program cost estimates sidestep the issue of excessive housing cost/income ratios because that widens the gap requiring public resources to the point where it is unbridgeable.

4. Large scale disinvestment and abandonment of housing were not anticipated ten years ago. Their increasing prevalence today suggest that there are fundamental deficiencies in the current socio-economic system as well as in past symptcm-oriented strategies to improve housing. Different socio-economic groups increasingly sorted themselves out geographically by different life styles--middle class into suburbia, and the swelling number of welfare dependents into poor white enclaves and ghettos. The departure of middle class households and the exaggerated reaction to the potential spread of the poor shaped the city's areas of declining demand and polarized tenant-landlord relations. These areas are becoming increasingly unable to support themselves and threaten to require even more subsidies and resource transfusions unless the basic pattern of human settlement can be altered. Public policy must channel and mix housing demand into residential patterns that are more inherently self-supporting.

The key issues facing the City are not what to do about the thousand houses abandoned each year (a rate of less than one percent per year), but how to constrain and control potential disinvestment trends that currently affect areas containing less than one-sixth of the stock (but are likely ultimately to destroy this sixth in the next fifteen years). Inaction

is likely to allow the spirit of disinvestment to spread so that several years hence, one-fifth, then one-fourth of the housing stock is threatened.

In the long run, new means to redirect migration and settlement patterns are required which maintain neighborhoods in such a way that available resources match or exceed the need for publicly supported services and assistance. Ability to pay is too weak on the part of a small but critical number of households to sustain adequate housing. Short of substantial direct public assistance to the affected households, there is little that the city of Boston can do to aid them. And to do less than the \$30 million annually recommended in this report only perpetrates the illusion that enough is being done.

In the shorter run, maintaining currently stable neighborhoods should take priority because modest resources can preserve valuable existing stock for continued future use by all Boston's households. Since this is all that current housing resources permit, such policy will clearly preserve more units in these neighborhoods than in areas of outright decline. However, direct assistance to the household, not the housing, in areas of disinvestment is required immediately so that these households, wherever they stay or move, do not represent a spread of blight.



#### IV. CITYWIDE HOUSING STRATEGIES

The prior chapter outlined a series of neighborhood housing strategies. To carry these out effectively, however, certain programs must be designed on a citywide basis. Citywide programs and neighborhood strategies are highly complementary; one would be greatly diminished without the other. In fact, they interface at many points and one is essential to the success of the other. For instance, much housing fix-up will be carried out by homeowners and landlords only if credit for improvement loans and mortgages is available to them. Code enforcement will result in lasting improvement only if it is redesigned to be service-oriented, rather than enforcement-oriented.

Four principal areas of policy require citywide attention: (1) the availability of housing credit, (2) real estate taxes, (3) re-orientation of housing services, and (4) reorganization of municipal agencies with responsibilities for housing. Because several of these issues have surfaced in the past in Boston without any significant changes being effected, not only

will needed new policies and programs be indicated, but explanations will be provided why they have not been implemented in the past and, in light of such analysis, whether and how their implementation might be realized.

### Housing Credit

The availability of credit for mortgages and home improvement loans is critical to the survival and maintenance of the city's housing. Most housing purchases and improvements are financed through private financial institutions: banks, mortgage companies, finance companies, life insurance companies, etc. Credit from these institutions is the lifeblood of any housing market. Without it, sellers are unable to turn over their property; prospective buyers, be they individual homeowners or large landlords, are unable to purchase; and no one is able to refinance his property. Without credit, a housing market stagnates, property values decline and property conditions deteriorate.

The maintenance and upgrading program for housing described in the preceding chapter can succeed only if private credit is available in Boston. On the other hand, since much of the housing stock in the city is in basically good condition, the possibilities for fix-up would be even more promising if adequate private financing were made available.

It appears, however, that credit is drying up in many of Boston's older neighborhoods. Even before tight money slowed mortgage lending during the spring of 1973, and brought it to almost a complete halt a year later, residents of Dorchester, Jamaica Plain and other older neighborhoods in Boston reported that a number of credit worthy prospective home purchasers were unable to buy because they could not obtain mortgages from any bank.

#### Problematic Lending Practices

To begin to understand the extent of the credit problem requires at least a brief examination of a number of its interlocking aspects: spiralling interest rates, world-wide scramble for capital, and the trends toward large scale and wholesaling credit, along with red-lining and the conservative and limited viewpoint from which banks see their responsibilities and risks. After discussing these various aspects briefly, we describe the nature of thrift institutions in Boston and turn to recommendations for improving the availability of credit. Since housing credit problems are beginning to affect nearly everyone, the chances for resolution are improved, but their complexity confounds easy answers.

Interest rates are currently spiralling upwards due to

world-wide inflation, leading even ordinary citizens to "disintermediate", that is, to withdraw their savings from conventional thrift institutions and to put them into investments yielding much better returns such as U.S. Treasury bills, certificates of deposit and new floating credit offerings that guarantee very favorable returns to investors with as little as \$5,000. This phenomenon is quite recent and possibly only temporary, but it is so pronounced that it masks many of the other critical aspects of the credit problem.

Dollars borrowed during a period of inflation can be paid back in "cheaper dollars" in the future but lower income households are less aware of this. To sophisticated borrowers, a nine or ten percent mortgage today on good property still seems a sound investment; but less sophisticated borrowers recall that a few years ago six percent seemed astronomical, and to them current rates seem like usury. They would not borrow at these rates even if offered financing. Thus the new situation inherently discriminates against the less sophisticated.

Thrift institutions are changing from responsive neighborhood banks which view neighborhoods as "their turf" (both in receiving deposits and extending credit) to larger scale institutions that compete for depositors' dollars in order to



invest anywhere that high yield/low risk returns are available. These institutions favor larger loans, and investments other than residential lending are beginning to increase as proportions of their portfolios.

As featured recently in the lender's trade periodical, "Savings and Loan News":

Red-lining goes by many definitions:<sup>1</sup>

Some say it means no home loans at all to any applicant on any property within a well-defined area.

Others see it as setting the same boundaries for strictly limiting conventional loans or going no other way than through FHA.

Still others go far beyond these definitions. Home mortgage red-lining, they say, is essentially a figurative term and far more subtle than the specter of street maps lined off with red crayons.

Red-lining, say some critics, is a state of mind that arbitrarily sees anything old as not being good. Thus, it is charged, properties in deteriorating, changing or still viable neighborhoods which have seen better days are written off as poor financing risks.

Where risks are taken, other critics complain, they ordinarily involve higher down payments, higher interest rates and shorter maturities than the terms set down for loans made in suburbia.

It appears that a number of Boston neighborhoods are being red-lined -- lenders are restricting home loan credit because they believe the areas will decline although active housing

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1. William T. Marshall, "The Urban Disinvestment Dilemma", Savings and Loan News, June 1974, p. 38.

demand is still present.<sup>2</sup> Thereby bankers are inadvertently contributing to neighborhood deterioration because potential buyers are discouraged, effective housing demand declines, and neighborhood prices fall.

The charters of savings and loans associations spell out their responsibility for meeting credit needs of their host communities, but Boston has few of these. The dominant thrift institutions in the city and its metropolitan area are mutual savings banks whose defined goal is to earn the highest profit commensurate with risk. Reinvesting their resources in the communities where their depositors live (to help protect their depositors' own investments, their homes) is not seen as an obligation, and narrowly evaluated economically. Individual banks more readily finance absentee owners who already have property as collateral, but turn down community residents, unaware that increased absentee ownership can undermine all

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2. For example, in a recent study by an M.I.T. undergraduate student, the lending patterns of one of Boston savings bank for three years, 1971-1973, were closely examined. A clear pattern of "red-lining" emerged. Whereas the aggregate lending level was fairly constant for the three years and mortgages given in certain portions of the city remained stable, there was an almost absolute line beyond which no mortgages were granted. Significantly, that line corresponds almost exactly to a demographic map of the city which portrays the concentrations of the black and low-income populations. For further details see Randy Keith Vereen, The Role of Thrift Institutions in Boston's Housing Markets (May, 1974).

investment throughout the neighborhood.<sup>3</sup>

Fully-insured out-of-state lending has increasingly replaced residential lending in the portfolios of many thrift institutions. Export of capital is harmful when it short-changes local credit needs.

#### Types of Lenders and Emerging Lending Patterns

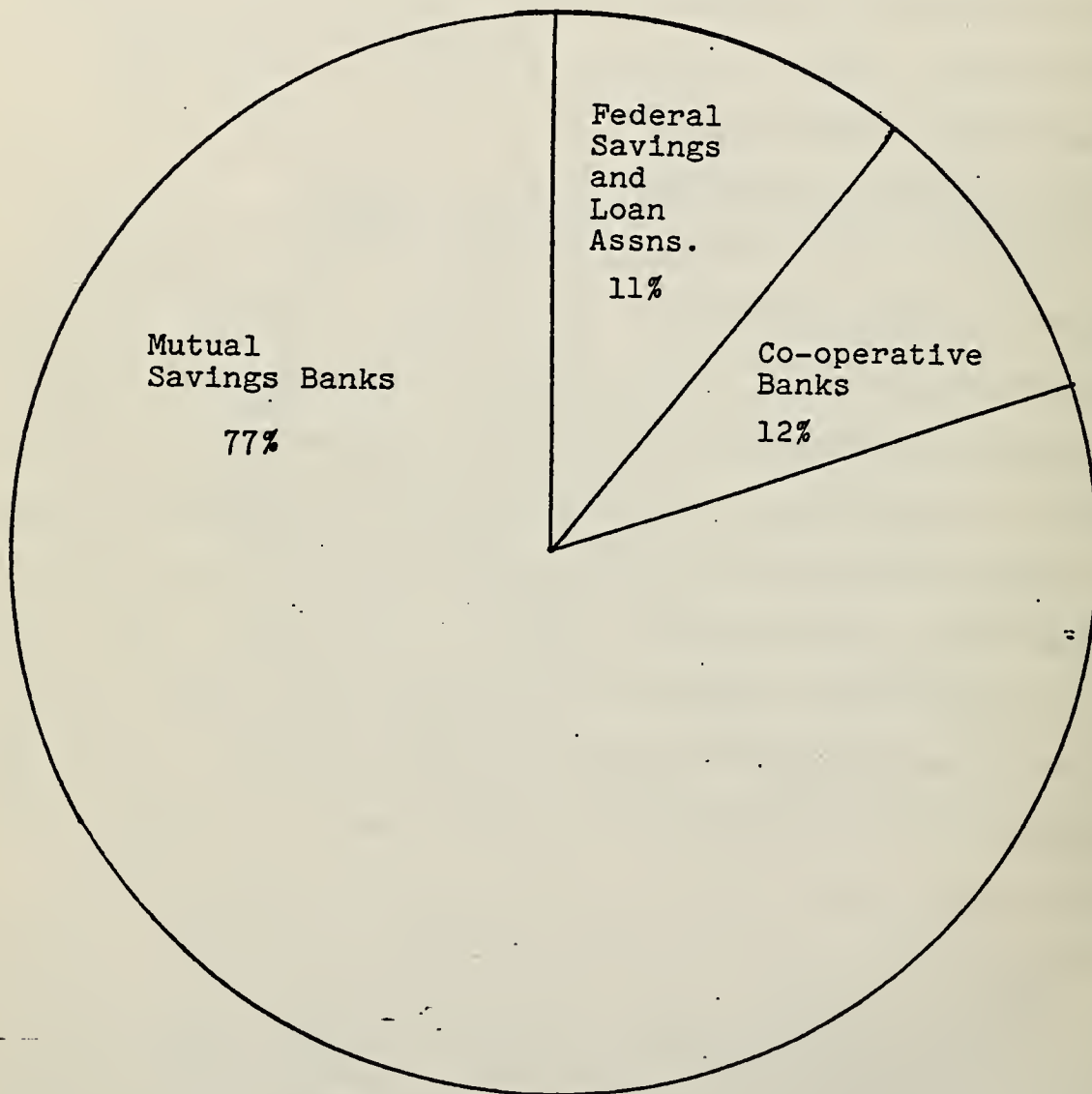
Funds for the financing of housing and real estate in Boston are derived from three major types of thrift institutions: state-chartered mutual savings banks, state-chartered cooperative banks, and federally-chartered savings and loan associations. Figure IV-1, which shows the relative size of mortgage holdings for these three groups of institutions, indicates that mutual savings banks are by far the largest. An analysis of the investments of these banks based on a review of their annual reports<sup>4</sup> points up the emergence of some important trends: (1) the real estate market is dominated by a limited number of larger banks in each of the three types of lending institutions; (2) an

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3. Tenants, who have been consistently paying over 35% of their income for housing, are screened out from ownership because of inadequate income, even where it would lower their housing costs, because principal and interest and taxes would still exceed the "25% of income" rule of thumb.

4. Vereen, The Role of Thrift Institutions in Boston's Housing Markets, op. cit.

FIGURE IV-1  
RELATIVE SIZE OF MORTGAGE HOLDINGS OF MAJOR TYPES OF  
THRIFT INSTITUTIONS IN BOSTON AS OF OCTOBER 31, 1972



Note: The mutual savings banks are state-regulated institutions. The other categories of thrift institutions are federally-chartered. Total assets in mortgages amounted to \$3,803 million. Vereen, The Role of Thrift Institutions in Boston's Housing Market, op.cit., p. 43.



increasing level of investment is moving from inner city mortgages to out-of-state loans and to loans for non-real estate purposes.

Figures IV-2 and 3 show the relative size of the assets of the Boston savings and cooperative banks. One-half of the savings banks in Boston account for more than 90 percent of the total combined assets of all Boston savings banks (Figure IV-2), while 12 of the 23 cooperatives in Boston control 85 percent of the total assets of all Boston-based cooperatives (Figure IV-3).

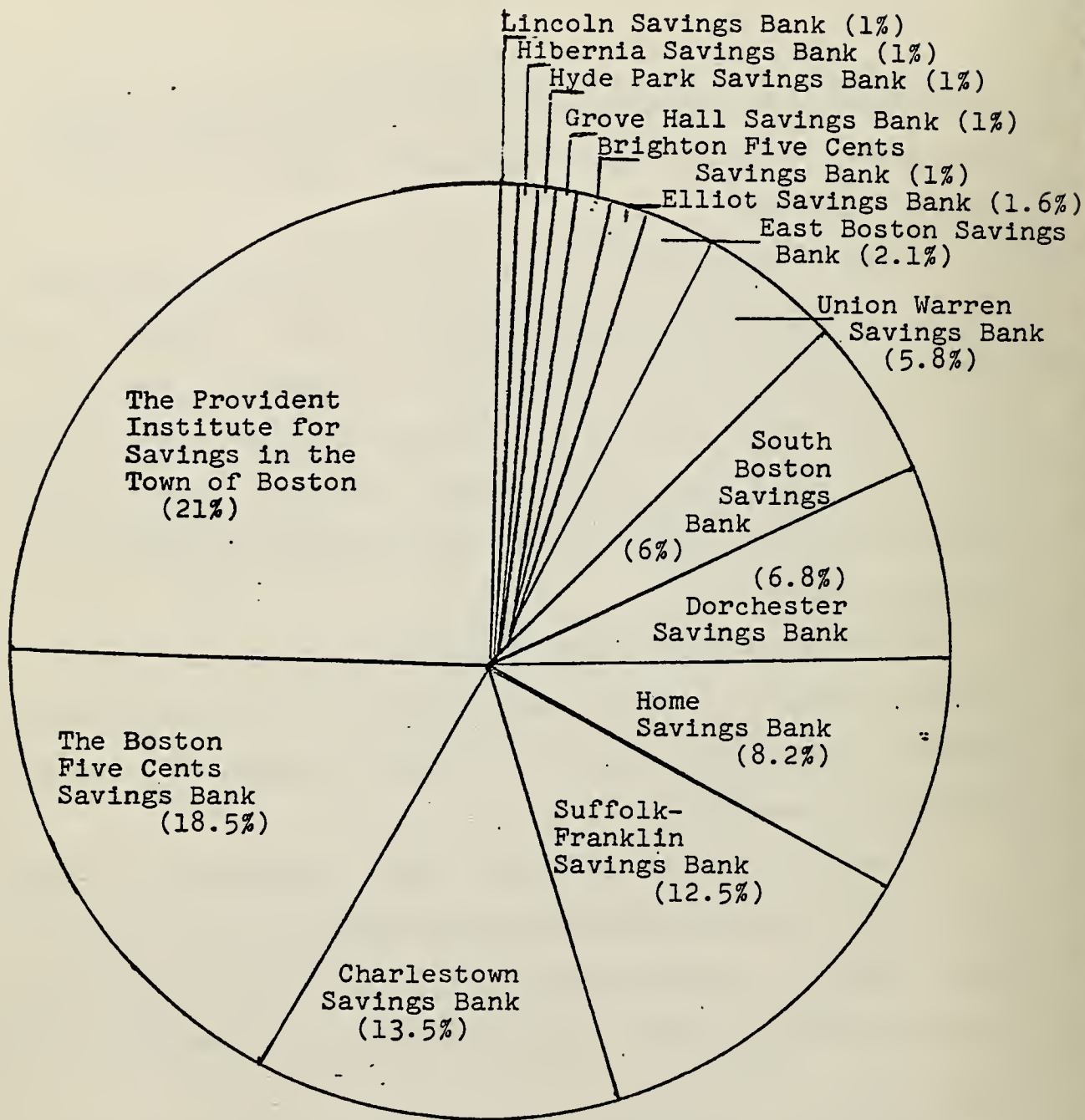
By themselves these characteristics may have little negative impact. However, to the extent that a bank becomes larger, it may begin to lose its sense of commitment to any particular community.<sup>5</sup>

There is a strong trend for larger institutions to invest less in real estate than the smaller ones as a percentage of total assets. The larger ones also tend to have a more significant proportion of their assets in out-of-state FHA and VA loans.

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5. This trend was noted in a more detailed analysis of the investment patterns of two Boston savings banks. In both cases the overall assets of the bank had increased and real estate investment in the downtown and suburban areas of the Boston SMSA had increased, but the level of investment in the surrounding neighborhoods had simply remained constant. (See Vereen, The Role of Thrift Institutions in Boston's Housing Market, op.cit., p.51-p.68, Chapter III).

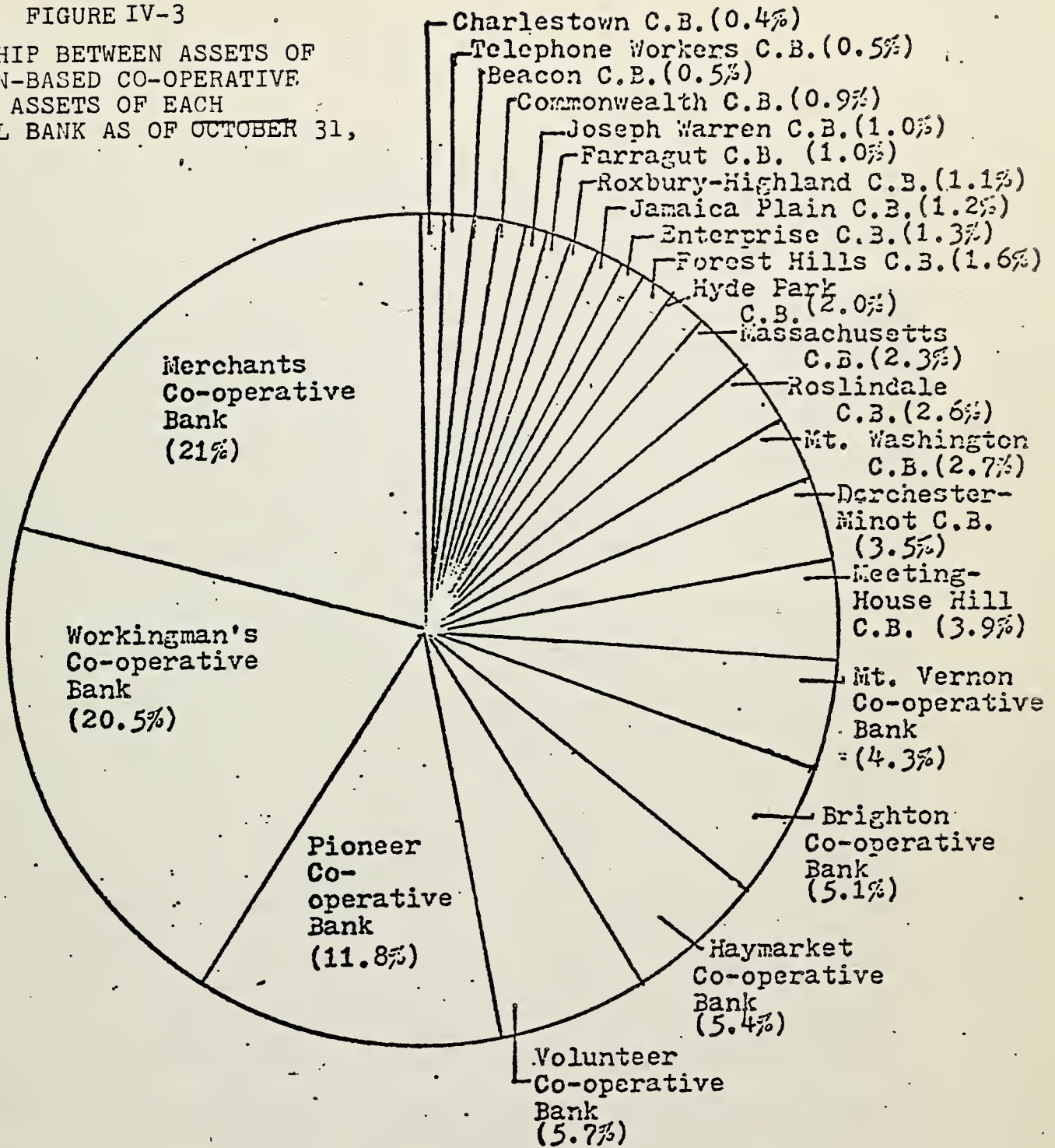
FIGURE IV-2  
RELATIVE SIZE OF ASSETS OF SAVINGS BANKS  
LOCATED IN BOSTON AS OF OCTOBER 31, 1971



Note: The numbers in parenthesis indicate the actual percentage of the total assets of all savings banks in Boston that the particular bank accounts for. Total assets in mortgages amount of \$4,084.2 million. Ibid, p.44

FIGURE IV-3

RELATIONSHIP BETWEEN ASSETS OF ALL BOSTON-BASED CO-OPERATIVE BANKS AND ASSETS OF EACH INDIVIDUAL BANK AS OF OCTOBER 31, 1972.



Note: The numbers in parentheses are the actual percentages of the total assets that each bank accounts for. Total assets in mortgages amounted to \$595.3 million. Ibid, p. 46.

Because out-of-state loans are originated by a lender in another state, the Boston banks which purchase them do not evaluate them on an individual basis. They do not function as the mortgage-makers; instead, they operate as investors, seeking the highest yield. Their selection criterion for the out-of-state loans is solely yield, since the government backing of these mortgages removes the risk of direct financial loss in case of foreclosure. The three largest Boston savings banks account for 52 percent of the combined assets of all Boston-based savings banks, yet they have fully 62 percent of the out-of-state loans and only 42 percent of the in-state loans held by savings banks in Boston. Any increase in this trend toward out-of-state investments would have very serious consequences on the Boston mortgage market. The first result would be a fund drain; i.e., money deposited in Boston would supply mortgages in other states at the expense of Boston area residents. Secondly, financial institutions might move out of the local mortgage market entirely, being content merely to purchase and sell mortgages originated elsewhere much as they would any other type of liquid asset. Thirdly, mortgage brokers might then move into the local market and become much more common



in Boston. The shift to mortgage brokers could well be detrimental because they might be less responsive than the financial institutions which they would replace.

Boston's mortgage market has recently been altered by the introduction of the state's first independent mortgage company, Malmart. Like all mortgage companies, it issues mortgages to home buyers but then sells the mortgages to Boston area savings banks, which also provided the company's initial operating capital by buying its preferred stock.

Local banks have been extremely cooperative, for two reasons: (1) Malmart is not viewed as a competitor, since local lenders neither want to process mortgages under FHA-insurance programs (particularly since their experience with BBURG) nor do they want to deal with low-income homebuyers. (2) Out-of-state conventional, FHA and VA insured mortgages are purchased by Boston banks regularly. They are willing to do the same for in-state mortgages as long as Malmart will take on problems involved in issuing and servicing the mortgages.

Malmart is dealing both with homebuyers and in neighborhoods which Boston lenders appear to have written off as "high risk". This mortgage company has a more liberal definition of good-credit

homebuyers, encompassing those households which can afford to pay off a mortgage (albeit with a substantial portion of their income), and it will issue mortgages to good credit homebuyers in neighborhoods which other Boston lenders consider too risky.

However, more mortgage brokers could easily become a source of further problems. Mortgage brokers flourish in other cities as intermediaries between private lending institutions and homeowners, screening the lenders' involvement in any particular transaction. Although mortgage brokers can serve a useful function in keeping mortgage monies available, they are not publicly regulated like the thrift institutions.

Banks are more comparable to public utilities, whereäs mortgage brokerage and service companies resemble private corporations. The public has great leverage, were it to exercise it, over the lending policies of thrift institutions (which are essentially state and federally created monopolies), but very little over mortgage brokers.

There is opportunity in Boston to influence lending policies of the dominant lenders, but this must be done with care to avoid driving the mortgage business to less responsive and less regulatable corporations. Of the mortgages held by

Boston-based thrift institutions, 89 percent are in state-chartered institutions. On a statewide basis, 75 percent of all mortgages are held by state-chartered institutions. This is quite different from the pattern in most areas of the country where federally-chartered savings and loan associations tend to dominate the market.

Secular shifts of housing investments from inner city neighborhoods to the suburbs similar to those in Boston have recently been documented in Chicago as part of effective citizen action to counter red-lining. In urban neighborhoods, every dollar deposited resulted in only 8¢ in new neighborhood mortgage lending; in suburban areas, by contrast, the return was typically 31¢ a year in new loans per dollar of deposits; and it may be inferred that in addition, some of the urban deposits were being exported to these same suburban neighborhoods.<sup>6</sup>

These adverse trends can be challenged by legislative and administrative actions. While the City administration does not have the power to initiate these changes itself, it can support

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6. Wall Street Journal, April 5, 1974, "Playing it Safe", quoting Paul Booth, economist and Vice President of Chicago's Citizens Action Program, which reviewed the Federal Home Loan Bank survey of deposit and lending patterns of 180 savings and loan associations.

and encourage appropriate revisions in federal and state legislation and in the administrative policies of the State Commissioner of Banks and Banking.<sup>7</sup> Several proposals to alter conventional bank concepts of risk and responsibility in urban neighborhoods are proposed and the premises of such recommendations are discussed in the following section. They illustrate the kind of approaches needed to stop urban disinvestment in neighborhoods that are still viable. Where market confidence in neighborhoods has evaporated and large-scale disinvestment is occurring which makes investment unsound, the limited available evidence suggests that bank red-lining is a triggering factor in neighborhood disinvestment, not simply

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7. Since State-chartered mutual savings banks and cooperative banks handle the bulk of small residential loans in Massachusetts, one approach to them is through the State Commissioner of Banking.



an associated one.<sup>8</sup>

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8. Any attempt to restore credit in Boston falls under the shadow of the Boston Banks Urban Renewal Group, the BBURG program. In the late 1960's, Boston's mayor requested a number of local banks and insurance companies to participate in an assigned risk pool for mortgages in areas which had been red-lined. A number of banks agreed to do so, and began lending once FHA 100% mortgage insurance was extended into urban areas. This effort was really institutionalization of an informal program initiated in 1963 and restricted to urban renewal areas.

However, BBURG came to a halt in 1971 after four years of formal operation amid widespread charges of racial blockbusting, irregularities in FHA inspections, etc. A number of banks received bad publicity through a U.S. Senate subcommittee investigation of the program. Although they do not appear to have been hurt financially--despite foreclosures, they are protected by FHA insurance--many Boston banks have since been reluctant to participate in similar programs which might entail the same level of publicity. This has been noted, for instance, in the reticence of several former BBURG participant banks to take part in Boston's new Neighborhood Housing Services Program.

It is interesting to note that some observers think that the banks actually profited by the BBURG program. Since it was implemented at the end of the sixties when mortgage rates were rising, the banks may have benefitted from retiring old mortgages that had originally been issued previously at rates of four and five percent. In their place, they were able to issue new mortgages at higher rates ranging from 6 to over 7-1/2 percent (with 7 percent being the FHA maximum allowable interest rate at the termination of BBURG in 1971).

## Remedial Strategies to Improve Lending

### (1) Public Disclosure of Bank Lending Practices

Public disclosure of bank deposit patterns and lending practices is essential if the public and responsible officials are to be aware on a continuing basis of existing lending, and if negative patterns are to be corrected. A bill rejected by the 1974 Massachusetts Legislature would have required state-chartered banks (the mutual savings and cooperative banks that provide the majority of small residential loans in the city) to publish quarterly the sources of their deposits and the extent of their loans within each individual town and within each city, in each ward.<sup>9</sup> If this information were available, residents and public officials would both be in a better position to appraise lending patterns and to exert constructive influence on banks to change their investment policies.<sup>10</sup>

In May 1975, the State Commissioner of Banks issued a disclosure directive requiring state-chartered lending institutions within the Boston metropolitan area to disclose current deposits and loans as well as past lending activity by census tract. During June key representatives of the lending industry sought a court injunction to prevent disclosure, but disclosure in some form is likely by fall 1975.

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9. Sen. 1813, formerly House No. 2128. When H 2128 was first introduced at the beginning of the 1974 legislative session, disclosure was to be by census block. However, the Legislature enlarged the reporting district to entire towns and wards in cities on the grounds that the reporting districts should conform to politically-delineated areas.

10. While this information is not currently collected or tabulated, it is a relatively simple task for any computerized institution to compile.

(2) Mortgage Insurance for "Grey Areas"

Lenders issue mortgages when they believe the value of real property secures the loans. In older neighborhoods, they perceive that values are no longer rising, and fear that loans are no longer adequately secured. Nationwide, lenders view declining urban property values as a threat to their mortgage portfolios. They are reluctant to make additional loans in many urban neighborhoods, regardless of the individual home-buyer's credit credentials, since they fear being victimized by downward or stagnating market values. Bank fear of excessive risk can be countered in several ways which would effect a resumption of lending. One possibility, value insurance, discussed in the preceding chapter, might encourage a resumption of bank lending because banks could be assured that borrowers would be able to recover the purchase price of real estate, or at least to cover their mortgage obligations.<sup>11</sup>

Another promising possibility is mortgage insurance for lenders to cover the top 25-50 percent of mortgages in the more

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11. Even greater protection would be provided by insurance that covered borrowers in periods of unemployment or illness. A model for this could be insurance provided by the Homeowner's Loan Corporation (HOLC), established by the federal government in the depths of the Great Depression amidst dire predictions of bankruptcy and foreclosures, but which was terminated with a substantial surplus following World War II.



"risky" areas of the city. In particular, such insurance could be authorized for neighborhood stabilization areas, and loans within such areas--whether for fix-up or long-term financing--would be guaranteed. A public precedent for such insurance may be found in New York City where the Real Estate Mortgage Insurance Corporation (REMIC), authorized in 1973, has been established. Certain areas of the city are being selected, and the top 50 percent of the mortgage will be insured.

Consideration of a plan somewhat similar to the New York arrangement is now underway in Massachusetts. In 1973 a bill was introduced into the Legislature (Senate No. 1896) calling for required bank participation in an assigned risk pool for improvement loans in designated "neighborhood stabilization areas". Under the terms of the bill, banks faced both lending quotas and mandatory assessments to underwrite shared risk. The banks found this bill extremely unpalatable and introduced a substitute program (Senate No. 1398), patterned after one in New Jersey, which calls for an agency to issue bonds to generate funds which conventional lenders could tap according to the guidelines of the agency. It would not, however, call for lenders to meet urban credit needs from their own deposits.



A compromise was worked out and passed in August 1974. This legislation (Chapter 846) creates a new agency - Massachusetts Home Mortgage Finance Agency (MHMFA)-to play a major role in urban lending. MHMFA is authorized to raise up to \$250 million through tax exempt bonds and provides that these funds may be loaned to homeowners for fix-up and acquisition through local lenders who will be paid for servicing the loans. MHMFA is to establish lending guidelines and determine qualifying areas; it can also insure the lending within these areas. The intent of the legislation is to increase resources available for urban lending (and also, perhaps, to reduce the interest cost to borrowers). Chapter 846 provides for mortgage insurance to be covered by premiums and is limited to thirty times the available insurance reserves, but it allows MHMFA to determine the percent of insurance coverage (i.e., the top one-third or one-half) and types of loans to be made (whether for home improvements or just recorded loans). A \$250,000 start-up appropriation (repayable to the State General Fund) generates a potential sum of \$7,500,000 for an initial state-wide lending program.\*

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\* As of June 1975 the MHMFA board had still not obtained its seed money, but this probably masks a difference between the Director and the Board. Whereas the Board has been seeking ways to expedite the constitutionality test, the Director has been seeking additional low income home ownership subsidies from the legislature prior to moving to the courts and there is a feeling that he has not aggressively sought the seed money to date. The intent of the legislation, as drafted, was to facilitate loans that were individually sound but being turned down because of neighborhood factors; instead MHMFA is being refocussed by the director on assisting those who cannot afford market rate loans, a very laudable, but different objective.

Technical assistance is specifically authorized, to be undertaken with a state appropriation of \$250,000 designated for the purpose. This enables an expansion of counselling and assistance to be extended similar to such prototype programs as NHS/Pittsburgh and Homeowners Rehab/Cambridge. The legislation allows MHMFA to contract with non-profit and/or public agencies to extend such technical assistance.

The next step is a test of the legislation's constitutionality. Guidelines and procedures to focus the legislation's potential on marginal areas where it can have the most impact and selecting an appropriate board to serve the new agency are critical elements in realizing the promise of this new program.

### (3) Revised Bank Regulations

At the present time, bank regulations specify how much banks can invest in out-of-state mortgages and other investments, but they do not contain any requirements that banks lend locally within the immediate area where they are chartered to maintain an office. State and federal bank regulatory agencies could change this policy. If their policies were designed to stimulate local lending by banks, they could, for example, demand that banks which do not lend locally maintain higher cash reserves. This would not force them to make loans of which they could not approve, but would encourage them to reconsider their investment

policies, or, in other words, to reconsider their concept of responsibility to their depositors.

The City can press for these regulatory changes, even though it lacks the public authority to institute them itself. It should encourage the Massachusetts Commissioner of Banks and Banking to pursue these revisions in policy, recognizing local benefits in having the private banking industry become more active in urban real estate transactions.

Appropriate City agencies (BRA, Mayor's Office, Consumer Protection Council) could also lend technical and moral support to various neighborhood organizations which are trying to encourage banks to invest in Boston. A number of community organizations in Boston have already become very concerned and knowledgeable about Boston banks' lending practices. They have, for instance, been documenting the "export" of capital from Boston depositors to suburban real estate investments. One neighborhood coalition in Jamaica Plain is developing a local investment plan whereby residents would place their deposits in those banks that will reinvest in the depositors' neighborhoods. This and similar efforts may be what is necessary to generate changes in banking policy.

All the banking reforms described above are designed to increase and stabilize housing opportunities in the city by



increasing the access of Boston residents to credit. They would reverse the direction of previous government-sponsored mortgage insurance programs, such as FHA mortgage guarantees, which until now has made it "exceedingly easy for a middle income family to move out to the suburbs but extraordinarily difficult for such a family to rehabilitate their present home and stay in the city."<sup>12</sup> It is time for public policy to give equal emphasis to another housing option: to make it easier for residents to stay in the city. These housing credit proposals have a good chance of succeeding in Boston, partly because of the composition of the lending industry here. Unlike many cities, Boston contains few mortgage brokers or other financial middlemen who stand between the bankers and the consumers. Thus public policy can more easily influence reinvestment, since it can deal directly with the publicly-chartered financial institutions and need not be concerned about circumventing private intermediaries.

#### Property Taxes

One of the greatest difficulties currently facing Boston's housing is the burden of high and inequitable property taxes. While a large

12. The Boston Globe, editorial, April 12, 1974.



number of Boston's neighborhoods suffer from disinvestment, an even larger number are weighted down by inequitably distributed, high local property taxes. Real estate taxes represent a substantial share of every dwelling's operating cost, averaging 25-30 percent of rent and sometimes running higher. Private rental housing in Boston bears a larger tax load than comparable buildings in many adjoining communities. While in Boston three to five months rent is typically needed to cover the annual tax bill, two to three months is sufficient in nearby suburbs.

The burden of real estate taxes on housing costs has been increasing steadily in Boston. Between 1970 and 1972 alone, the tax rate jumped more than 25 percent, from \$157 per \$1,000 of assessed valuation to \$197 per \$1,000 but has stabilized at this level during the past three years. More recently assessments have been revised (generally upwards) as

the Rent Control Administration has shared its information about rents and costs with the Assessing Department. Not only has the relatively high tax rate had deleterious effects on housing, but it has been one of the factors hindering new housing development in Boston. High property taxes have contributed to the housing cost squeeze of many families for whom housing

expenses have risen faster than incomes. By consuming a large portion of the housing dollar, Boston's property tax has made it more difficult for many owners to undertake housing improvements. Furthermore, sporadic reassessment practices may have hindered housing restoration by making owners uncertain whether improvements will lead to higher assessments and higher taxes.

Basically, there are three major problems related to property taxes and housing in Boston:

- (1) City revenues depend to an inordinate degree on the property tax, thereby imposing an excessive burden on the owners of real estate in the city.
- (2) City assessment practices are sometimes erratic, thereby adding tax inconsistency and uncertainty to excessive burden.
- (3) Assessment inequities exist within the property tax structure and residents in certain neighborhoods and owners of certain kinds of property are forced to pay disproportionate shares of the real estate tax load.

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13. For many older homeowners, and for almost any homeowner who does not have a mortgage, taxes are the largest housing cost. For them, a tax increase is analagous to a rent increase for tenants. Just as tenants have fought for rent control, homeowners would like the equivalent of property tax limitation to halt the seemingly inexorable rises in taxes. This is desired particularly by elderly homeowners who often fear that taxes will push operating costs of old familiar homes beyond their financial reach.

### Excessive Property Tax Burden

Boston's tax situation is highly aggravated by the city's unusually heavy reliance on property taxes. Over each of the past twelve years, Boston has received at least 60 percent of its revenues from the property tax.<sup>14</sup> (See Table IV-1).

Although on an average basis, the extent to which Boston has relied on the property tax has decreased in the last ten years--primarily due to increases in state aid and shifting of the welfare function to the state--its dependence on the tax is greater than any other major city in the country. In Los Angeles, San Francisco, and New York, for example, less than 30 percent of general revenues come from the property tax. (See Table IV-2).

One of the primary reasons for Boston's heavy reliance on the property tax is the fact that the uniformity provisions of the state constitution severely restricts the opportunities available to the Legislature for authorizing other forms of local revenue.<sup>15</sup> Because of this limitation, municipalities other than Boston are equally burdened. Property tax relief

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14. The source of this information on tax burden comes from a "White Paper" by the Mayor's Office, "Boston's Tax Strategy; the Fiscal Experience of the City," May, 1974.

15. Massachusetts Constitution, Part 1, Article XXIII.

TABLE IV-1  
 BOSTON'S MUNICIPAL REVENUE YIELD BY SOURCE AND YEAR  
 (General Revenues Only)

<u>Year</u>	<u>Thousands of Dollars</u>			<u>Percent Composition</u>	
	<u>Total Revenues</u>	<u>Property Tax</u>	<u>Other Sources</u>	<u>Property Tax</u>	<u>Other Sources</u>
1960	\$194,981	\$147,578	\$47,403	75.7%	24.3%
1961	200,067	147,671	52,396	73.8	26.2
1962	208,286	145,297	62,989	69.8	30.2
1963	198,340	145,298	53,042	73.3	26.7
1964	201,708	138,720	62,988	68.8	31.2
1965	237,836	171,350	66,486	72.0	28.0
1966	254,223	152,257	101,966	59.9	40.1
1967	291,809	180,352	111,457	61.8	38.2
1968	317,013	302,102	113,911	64.1	35.9
1969	326,240	230,896	95,344	70.8	29.2
1970	364,765	253,546	111,219	69.5	30.5
1971	418,090	293,758	124,332	70.3	29.7
1972	499,123	337,478	161,645	67.6	32.4

Source: Assessing Department Annual Reports - 1960-1970.  
 Preliminary Assessing Department Broad Sheets,  
 1971-72.



TABLE IV-2  
 PROPERTY TAXES AS PERCENT OF TOTAL GENERAL REVENUES,  
 20 LARGEST U.S. CITIES, 1971-72  
 (in thousands)

	<u>Total General Revenues</u>	<u>Property Taxes</u>	<u>Property Taxes As Percent of Total General Revenues</u>
Baltimore	\$ 703,846	\$ 169,365	24.1%
Boston	470,059	276,974	58.9
Chicago	787,636	296,805	37.7
Cleveland	158,477	39,274	24.8
Dallas	155,509	80,939	52.0
Detroit	581,427	151,811	26.1
Houston	183,062	80,402	43.9
Indianapolis	166,858	87,010	52.1
Los Angeles	644,399	190,051	29.5
Memphis	103,931	38,611	37.2
Milwaukee	184,918	82,353	44.5
New Orleans	136,346	25,956	19.0
New York	8,729,249	2,131,353	24.4
Philadelphia	721,249	118,046	16.4
Phoenix	102,428	16,999	16.6
San Antonio	84,280	25,541	30.3
San Diego	137,902	30,697	22.3
San Francisco	583,632	163,341	23.0
St. Louis	189,197	37,080	19.6
Washington	976,272	141,398	14.5

Source: U.S. Bureau of the Census, City Government Finances  
in 1971-72, Table 7.

is more than a local issue; its interest is state-wide. However, the situation is further complicated in Boston because of the slow erosion of the city's property tax base. Due to the steady expansion of public and privately-owned tax-exempt property, the amount of tax-exempt land in the city has been increasing steadily. By now close to half the city's land area and slightly over half its total assessed valuation is tax-exempt, with 80 percent of the exempt property being government owned.<sup>16</sup> As a result, municipal costs must be supported by taxes from the owners of only half of Boston's property.

Not only do state constitutional limitations impede possibilities for broadening of local tax systems in Massachusetts, but as indicated in a recent report, the over-dependence on property taxes in Boston and other municipalities of the state

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16. According to the city assessors, 19.9 square miles of Boston's 42.9 square miles is tax exempt. In 1972 it was valued at \$1.9 billion, 56% of the city's valuation. Thirty-three percent of this is owned by the city itself, another 45% by the state and federal government, and the final 20% is privately owned. Critics of the Assessing Department dispute whether over half of Boston's property worth is tax free. They charge assessors with over-valuing tax exempt property relative to taxable. For data on tax-exempt property, see Daniel Holland and Oliver Oldman, Estimating the Impact of 100% Property Tax Assessments of Boston Real Estate, (Prepared for Boston Urban Observatory), August 1974, p. 51.

is attributable to:

1. Failure to reallocate traditional patterns of functional responsibility as between local and state governments, and
2. Failure to shift the financing of certain costly services--health and hospitals, veterans' benefits, courts, corrections, mass transit, regional parks and recreation, regional sewage treatment and disposal, etc.--away from property taxes to broad-based, statewide sources of revenue....<sup>17</sup>

Except for transfer of the public welfare function from cities and towns to the state in 1968 and the recent legislation under which the state assumed 50 percent of the deficit of the Massachusetts Bay Transit Authority while providing greater support for highway improvements outside metropolitan Boston, the general pattern of service responsibilities and financing as between state and local government has not changed significantly during the past half-century. By and large, the range of services performed at the local level in Massachusetts is greater and the prevailing service standards higher than in most states. A recent study recommended that the administration and/or financing of a selected group of municipal services be shifted from municipalities to the state. Property tax levies would be reduced by an estimated \$280,663,000, over \$90

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17. Boston Urban Observatory, Impact of the State-Local Tax-Services Mix on Municipal Finance in the Boston Metropolitan Area: A Preliminary Evaluation, (December 1972), p. 9.

million of which is the estimated reduction in the Boston tax levy. Boston's tax reduction would be equivalent to about 26 percent of the 1973 property tax levy; tax reductions to all other cities and towns would amount to an average of 11 percent. The study also proposed two alternatives for financing state assumption of recommended municipal services and/or costs: (1) a mix of increases in state motor fuel taxes, income taxes and sales taxes; (2) a mix of increases in state motor fuel taxes and income taxes.<sup>18</sup>

Until the city's reliance on the property tax can be reduced, and the property tax can be supplemented with revenue sources more responsive to economic growth, taxes will continue to be a major burden on housing in Boston.

#### Inconsistency and Uncertainty

It is extremely difficult, and sometimes impossible, for a potential homeowner in Boston to obtain a clear picture as to how city assessment practices will affect him in the future. Although general guidelines are applied, assessment administration tends to be erratic, and numerous decisions are made on a case by case basis depending upon the negotiations between the individual homeowner and the particular assessor involved. An effort is made to avoid public pronouncement regarding

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18. Boston Urban Observatory, Reallocation of Responsibilities and/or Financing for Selected Municipal Services to the State: A Municipal Finance Alternative (October 1973), p. 12.



assessment policy, mainly because most assessments are below fair market value as required by law, and even to the extent that pronouncements are made, owners are skeptical as to what they will actually mean and whether or not they will be consistently carried out. For example, in the South End residents have come to believe that reassessments are carried out in an arbitrary and capricious manner. As individual owners have had their appraisals doubled, the abutters have stayed quietly out of sight for fear they, too, would be reassessed.

The Mayor's Housing Improvement Program is also limited by cautious disbelief of the immunity from reassessment. When the program was first announced, a list of general housing repairs was released which could be undertaken without resulting increases in assessment. Because of past irregularities in assessment practices, homeowners still doubt whether this policy will be consistently followed in the future. Nevertheless, the Mayor has stated that improvements will not be assessed.

### Inequities

In addition to the excessive tax burden and the uncertainties of the assessment process, some taxable property in the city is assessed inequitably and regressively as compared to other property because the City has not systematically reassessed properties since the early 1960's. All categories

of property and all sections of the city are not valued equally, despite the stipulation of the State Constitution (Article IX) and provisions of General Law which require a uniform city-wide assessment at "fair cash value" that is usually interpreted as 100 percent valuation. Commercial is generally valued higher than residential property.<sup>19</sup> Within the residential category, single-family houses tend to be taxed less heavily than multi-family buildings.<sup>20</sup>

In addition, housing in Boston's central core and

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19. Although commercial property accounts for only 42% of Boston's market value, it carries 53% of the tax load. Commercial property built before 1960 has an even heavier burden because most new commercial buildings in the city benefit from special tax arrangements with the Boston Assessing Department. These are made to encourage new commercial construction, but their side effect is to increase the tax burden on older buildings. Holland and Oldman, Estimating the Impact of 100% Property Tax Assessments of Boston's Real Estate, op.cit., Table 1-p.6.

20. The discrepancy between single and multi-family assessed valuations was publicly announced in the fall of 1973 by an Associate Assessing Commissioner who stated that assessor's rule-of-thumb was to value single-family homes at 25% of purchase price and multi-family homes so that the tax bill would be 30% of gross rent. Until this statement, the fact that assessing procedures discriminate against renters in favor of homeowners had always been considered highly confidential.

innercity areas tend to have higher assessment-to-value ratios compared to housing in the more affluent, peripheral residential areas of the city. Roxbury has the highest ratio, because appreciation of property values has lagged there. In a study published in 1965, it was found that assessments were at 75 percent of market value in Roxbury, while East Boston, Hyde Park, Brighton, and West Roxbury were the most lightly assessed, typically between 35 and 42 percent of market value.<sup>21</sup> Because Roxbury contains most of Boston's black residents, assessment practices have been de facto discriminatory. A program of reassessment undertaken in recent years is progressing, but slowly.

Property has not been revalued generally throughout the city for over 25 years. This means that neighborhoods where values have increased benefit proportionately because their assessments have decreased as a percent of market value. In turn, neighborhoods where values have gone down or remained constant lose by such a practice. Where inequities have been brought to the attention of the City, an effort has been made

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21. In between these extremes are central Boston, South Boston, Charlestown and Dorchester. These figures are from Oliver Oldman and Henry Aaron, "Assessment Sales Ratios under the Boston Property Tax," in National Tax Journal, March 1965, and are corroborated by their updated studies in 1968 and 1973.



to make corrections. However, such modifications have only been on a case by case basis, and gross inequities are still found throughout the city.

The differences are so great that the recent order of the Supreme Judicial Court mandating 100% valuation threatens sweeping changes which may wreak havoc.<sup>22</sup>

A recent report, measuring the initial impact of property tax redistribution if Boston were to shift its property tax to full market value, indicates that the tax yield on residential property would be about 20 percent higher on the average (based on 1972 assessed valuations) while taxes paid on business properties would be about 19 percent lower on the average. The averages, of course, mask the enormous differentials or inequalities that exist from property to property in respect to

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22. The suit of the Town of Sudbury and others v. Commissioner of Corporations and Taxation resulted in a Supreme Judicial Court ruling in December 1974, compelling the State Department of Corporations and Taxation to use its supervisory powers over local assessors to bring about 100% valuation.

On December 24, 1974, Justice Robert Braucher of the Massachusetts Supreme Judicial Court handed down the decision in the above case granting declaratory relief to the plaintiffs and entering an interlocutory (intermediate) decree declaring that the state tax commissioner "has the power and duty to direct local assessors to take such action as will tend to produce uniformity throughout the Commonwealth in valuation and assessments" and that the tax commission's functions are "to command and not merely to advise or educate, and it is the legal duty of the assessors to obey their lawful demands."



how far the assessed value of each differs from its full value. Thus, not all residential properties would pay more tax; many would pay less. Similarly, business property now benefiting from tax concessions or otherwise caused low assessments would pay more tax, not less.<sup>23</sup>

Because of inability to pay more in various areas, a court mandate to shift property tax assessments to a market value base will require more revenue--either from the property tax itself, through new assessments on real estate not now taxed or taxable, or from non-property taxes now not levied by the city or from larger state aid distributions and/or grants. Another alternative, already noted, whereby the state should assume fiscal responsibility for certain services now financed by municipalities, would have a similar result of easing the redistribution of tax liability. As pointed out in the Holland-Oldman report-

---if \$55 million could be obtained from some other source and the property tax take reduced by this amount, it would be an effective levy of 5.3 percent on market value, so that, on average, residential property, which is paying at that rate now, would find its property tax liability unchanged. And if even more were forthcoming, say, \$75 million, then most residential properties would pay a lower property tax even under market value assessment.<sup>24</sup>

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23. Holland and Oldman, Estimating the Impact of 100% Property Tax Assessments of Boston Real Estate, op.cit., p.3.

24. Ibid., p.47.

Because of the wide discrepancies in residential property assessment-sales ratios as between neighborhoods and types of property, at least \$75 million would be necessary to effect a tax liability distribution at the lowest common true tax denominator, that prevailing in the single-family neighborhoods of Hyde Park-West Roxbury.<sup>25</sup>

#### Recommendations Regarding the Property Tax

There is no single solution to these tax problems which adversely affect housing in Boston, and short of major reform, there is little hope that any piece-meal changes will offer more than short-term assistance. Palliatives may offer some immediate relief, but they will not provide a long-term solution. Still, there are some things which can and should be done now while more long-term reform is being planned. The following recommendations are made:

- (1) Continue tax incentives for housing improvement.

The Mayor's Housing Improvement Program was discussed in the prior chapter and need not be elaborated further. Although the impact of such a program will always be relatively small, it

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25. To reduce the burden of 100% valuation on residents, the Mayor is sponsoring legislative and constitutional measures which would permit taxation by property class, and allow a local option on valuation method, including income capitalization in communities where income producing properties predominate. Recently, the legislature, sitting as a Constitutional Convention, approved taxation by property class; the measure will be voted on as a Constitutional Amendment in 1976.

uses taxing power as an incentive as opposed to a constraint and is the type of creative effort which should be encouraged.

- (2) Clarification of City assessment practices pending revaluation is a necessity if the uncertainties and ambiguities of the current system are to be removed. Such clarification would entail making explicit extant differences in assessment policies on different kinds of property and on property in different locations. It would also entail making explicit interim policies for reassessment so that housing owners will not be uncertain whether or not contemplated improvements will lead to higher valuations. As previously mentioned, fear that improvements will lead to higher taxes appears to have kept many homeowners and small-scale landlords from refurbishing their buildings. Once policies are outlined, they must be applied with careful consistency so that new uncertainties do not arise.

- (3) New substantial sources of state revenue are required to provide Boston with the resources to eliminate property tax inequities and to

bring property tax relief. The Mayor has already proposed several measures along these lines. They include legislation asking that the state reimburse all municipalities of the state for a proportion of revenues foregone in tax-exempt property; that property owned by the Massachusetts Port Authority but leased to commercial users have their tax-exempt status revoked; and that the State assume the entire cost of the Massachusetts Bay Transit Authority deficit, county courts and corrections systems, and reimburse municipalities for state-mandated property tax abatements (elderly, widows, veterans). All of these are necessary in the short run and deserve support. However, they are not the ultimate answer, and to work for their adoption should not divert attention from more lasting solutions.

- (4) More can be done within the current system to equalize the tax burden and to improve the inequities outlined above. On a case by case



basis, efforts have been made by the Assessing Department to rectify some of the discrepancies that have been found. More attention can be devoted to this effort, though. Short of a full revaluation, however, the impact compared to the need will always be small.

The most important recommendation regarding the property tax in Boston is the need for a reform of the entire state tax system. The three basic housing problems generated by tax conditions in Boston have already been discussed: an excessive tax burden, uncertainties, and inequities. All three are closely intertwined, and ultimate reform in one will not come without modification in the other two. Even if all property were fairly and uniformly assessed, however, Boston's property tax level would still be burdensome. Revaluation would merely shift that burden from one kind of property to another. Taxes can be alleviated only if property tax relief amounting to \$75-100 million is made available to Boston to reduce the over-dependence on the property tax--relief which not only brings in additional dollars for the short term, but which is based on revenue sources which are more responsive to economic growth

over the long term. Further, although certain inconsistencies in assessment practices can be removed, as long as the current tax structure exists, the City will be basically operating under an "illegal" system. Whereas clarification on the one hand is positive, on the other hand it makes the City more vulnerable to legal suit. If there is to be real reform regarding one aspect of the tax problem, it must be accompanied by reform in all three.

Such reform, however, will not occur unless a new coalition can be built which will cross normal political boundaries. The City can serve as a catalyst for such a coalition, but it must go far beyond the City's reach, and particularly include the governor, as well as state legislators, business and real estate interests, and residential community representatives.

Although the formation of such a group may first seem impossible, the time may now be ripe. There is a growing realization that the current system is highly inadequate and that each interest group needs the other if significant change is to occur. For example, the real estate industry has proposed (House No. 1529 of 1974) that a ceiling be placed on property taxes so that a local assessor could not assess taxes against individual parcels of property on an amount greater

than four percent of the valuations they affix to the parcels. An intent of this bill beyond the tax limitation was to force local assessment equalization. Although the growing pressure for property tax limitation is understandable, implementation requires that it be closely linked to property tax relief.

Finally, there are a number of political risks for those who respond to tax issues, and reform will never occur unless state leadership--in this case the governor and state legislature--is willing to play a major role of commitment and coordination.

Reorientation and Reorganization of City Departments for the Delivery of Housing-Related Services

In addition to reforms in property taxes and assessment administration, a number of other changes in municipal functions would facilitate the maintenance and upgrading of housing in Boston. The City's existing housing regulatory-services delivery system needs to be redesigned so it is more attuned to remedial rather than punitive action and is tailored to the housing dynamics of particular neighborhoods. Because many such changes have been discussed at length elsewhere, they will be mentioned only briefly and references provided as to more detailed descriptions. Of greater concern here is the

question why reform proposals of the past have never been adopted.

The neighborhood housing strategies described in the prior chapter depend to a considerable degree on municipal code enforcement, but code enforcement will be effective only if housing inspections are reoriented from their present police function to include a more positive housing services function. Under existing arrangements, housing inspectors perceive that their job is simply to inspect buildings and notify the legally-liable persons when something is amiss. Under a reorientation they would see themselves as primarily responsible for helping owners and tenants to correct housing code violations. To effect this change, existing housing inspection reports, which merely list code violations, would be replaced with reports in the form of work write-ups. For instance, instead of merely reporting that a ceiling is cracked, an inspector would list the specific repairs to be undertaken: scraping, replastering, etc. Inspectors could also advise owners how repairs can be done or help them find repairmen and/or financing, as needed. This direct service role has already been adopted by a handful of housing inspectors working within the context of the Mayor's Housing Improvement Program and by



the housing specialists employed by the Boston Housing Court, and it appears to work very well. Housing specialists of the Housing Court also work out disputes between landlords and tenants over responsibilities and payment for repairs by negotiating the rent consequences. This vital role should be assumed by the Housing Inspection Department and the Rent Control Administration. Although the Housing Court's arbitration decisions and procedures are important to last-resort disposition, HID should handle the bulk of the cases administratively to prevent overloading the Housing Court docket.

A service-oriented inspection program entails participation by owners and tenants in setting appropriate, enforceable code standards and achieving fix-up. It can be made even more effective by adopting parallel reforms in Housing Court procedures, such as escrow deposits for repairs from landlords and tenants<sup>26</sup> and improvements and simplification in the

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26. A general discussion of tenant involvement in housing code programs can be found in "Municipal Housing Code Enforcement and Low-Income Tenants," Chester Hartman, et. al., AIP Journal, March 1974, and in New Approaches to Housing Code Administration, Melvin R. Levin and Joseph S. Slavet (prepared for the National Commission on Urban Problems, Research Report No. 17, U.S.G.P.O., Wash., D.C. 1969), pp. 48-53. Detailed proposals for Boston can be found in Housing in Boston, Boston Redevelopment Authority, June 1974, Chapter 3, and in The Impact of Housing Inspectional Services on Housing Maintenance in the City of Boston, Boston Urban Observatory (July, 1971). See also Chapter III, discussion on technical assistance coupled with code enforcement.

Commonwealth's bewildering bundle of right-to-repair laws.

If reorientation of housing regulatory services is to be achieved, more effective inspection procedures are required. This basic change necessitates the consolidation and coordination of the responsibility for inspections which is now scattered among four different agencies. In fact, an overall reorganization and reorientation of all city housing agencies will be necessary if the City is to take the lead in the restoration of the existing housing stock. Over 20 agencies now have some responsibility for aspects of Boston's housing.

These are:

Assessing Department, Back Bay Architectural Commission and Beacon Hill Architectural Commission, Board of Appeal, Boston Housing Authority, Boston Redevelopment Authority, Building Department, Fire Department's Fire Prevention Division, Health and Hospitals Department's Environmental Sanitation Section, Housing Inspection Department, Licensing Board, Office of Public Services, Public Facilities Department, Public Improvement Commission, Public Works, Real Property Department, Zoning Commission, Housing Court, Rent Control Administration and Mayor's Office.

With 20 local agencies involved in housing, not to mention various state and federal agencies, municipal responsibility is diffused and implementation of policy often becomes confused. For example, any one of four agencies may be responsible for

conducting a housing inspection, depending on the kind of problem. Overlapping authority causes competing and even contradictory housing service and regulatory activities, destroying confidence in municipal housing programs. The disparate array of housing agencies in Boston creates a bureaucratic tangle for developers and residents who need and seek help from officials responsible for the implementation of housing policies. Red tape blight is aggravated by the lack of definition of responsibility among the many agencies. It seems to have been easier to create a new agency when the existing ones failed than to deal with perennial problems. This makes it critically important that regular staff dealing with housing maintenance have the service orientation, and that they not attempt to discharge their assistance obligations through referrals.

The Mayor's recommendation of April, 1974 calls for significant reorganization of housing services through the establishment of a Department of Building and Housing Regulation. The proposed department represents a consolidation of the present Building and Housing Inspection Departments and the Sanitation Inspection Division of the Public Works Department. Because some codes are not uniformly or consistently



enforced and others are ineffectively administered due to needless confusion and duplication between departments, inspectional forces working in the neighborhoods under the consolidated agency would have the mandate to conduct comprehensive code enforcement. Technical and mechanical inspections relating to complaints and new construction which require special competency would be carried out by the Building Regulation Division of the proposed new department. However, building regulation inspectors will assist in the enforcement of all codes under the jurisdiction of the department through referrals. If the Mayor's proposal is enacted by the City Council, the chronic confusion over enforcement jurisdiction in the existing departments will be eliminated. Some of these areas of conflict include trash violations in alleys, sidewalks and streets, as well as on property owned by city departments, alleys between stores and buildings of residential use, buildings of mixed use, lead poisoning violations, private sewers and cesspools, standing water on residential dwellings and the licensing and regulation of lodging houses.

The Mayor's recommended Department of Building and Housing Regulation would decentralize its inspectional functions into the neighborhoods. The thrust of the new approach, apart from



what is required in connection with new construction, would be geared to the differential needs of neighborhoods. Housing services designed to assist owners with property improvement would also be provided in the neighborhood offices of the new department.

This proposed reorganization is important in the effort to deliver cost-effective services.<sup>27</sup>

Reorganization of municipal housing agencies will be meaningful only to the extent that it can change prevailing norms and institute greater accountability. Altering the city's organization chart will not eliminate confusion and red tape blight unless housing departments become clearly accountable for their work, so that agency personnel become responsive to resident needs rather than simply maintaining the peaceful existence of their bureaucracy.

Substantial change under reorganization undoubtedly hinges on new personnel, selected under criteria different from those of their predecessors. Instead of choosing inspectors primarily for their intimate knowledge of building construction, for example, selection criteria should emphasize their ability to mediate between tenants and landlords (like the Housing Court

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27. Boston Urban Observatory, Decentralizing the American City: A Study of Boston's Little City Halls, prepared by Eric A. Nordlinger (April, 1972), especially Chapter III-The Boston Bureaucracy: A Theoretical Analysis.

specialists); training in skills in building construction should be provided if necessary. Admittedly, negotiating ability is not easy to find and hard to identify, but without it, municipal agencies may not be able to carry out housing restoration. And without it, reorganization may amount to little more than a reshuffling of familiar faces on the newest organization chart.<sup>28</sup>

Attracting new staff into City agencies can be a formidable job in the face of Civil Service regulations and employee-union realities. However, strong commitment from the Mayor, enforced by him through department heads, could overcome these obstacles and gradually change the tenor and quality of operating agencies. Opening agency decisions and records to public scrutiny improves accountability and enables residents to understand what standards guide agency actions and thereby anticipate what kind of assistance or treatment they will receive there. Newer agencies, such as the Housing Court and the Rent Control Administration, have already given this high priority.

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28. To some extent, we are simply repeating the old truism that the person makes the job. Boston's newest housing "agency"--the Boston Housing Court--has been able to serve both owners and tenants by encouraging housing fix-up because its judge and staff of housing specialists are committed to doing so. Another judge, less committed--and the Court might have only fulfilled a traditional, legal adjudicatory role, taking little initiative in getting buildings repaired.

## Conclusion

By now it should be clear that housing problems, housing policies and housing reform are complex issues involving a wide range of actors and necessitating changes at neighborhood, municipal, state and federal levels. Absolute or simple solutions are illusive, and in such a maze, one of the glaring possibilities is that everyone will blame everybody else, and consequently little, if anything, will ever be achieved. If solutions are to be realized, they must come through a process which brings together the various actors involved, builds upon a foundation of common understanding, and works toward the best solution possible given the circumstances.<sup>29</sup>

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29. A substantial array of housing program initiatives are now being undertaken in the City. The broad range of measures, including many cited earlier in this report, make an impressive list.

- The recently announced 20% Housing Improvement Program
- The Neighborhood Housing Services Program
- New approaches to code enforcement in South Boston, Dorchester, and elsewhere
- Housing for the elderly
- Public housing fix-up
- Rent control
- Planning and Zoning
- Reorganization of the Housing Inspection Dept. and the Building Dept.
- Combatting red-lining
- Adopting and pursuing the far-reaching neighborhood revitalization strategy outlined in Chapter III.



## V. REDUCING HOUSING IMBALANCES

As Chapter I indicated, this study concentrates on two housing issues posed by the National League of Cities Study: (1) the quality of Boston's housing, and (2) the mix of housing opportunities for various income groups both among neighborhoods within the city and among communities within the metropolitan area. The previous chapters focused on the first of these two concerns by examining how problems could be addressed within the City of Boston, and identified the significant efforts already being undertaken in this regard. This chapter looks at the second set of the issues, mixing and balance, which requires longer range perspective and broader consensus with higher levels of government before the systemic changes required to achieve such balance can take place. This chapter is more hypothetical than the preceding because these issues have so far received much less attention, and we stress at the outset that any action strategy will necessarily involve forces outside the City of Boston as well as federal initiatives which will come into focus more gradually than the efforts to deal with the quality of Boston's housing.

Despite its legal jurisdictional boundaries, the city of Boston is confronted by housing issues which do not begin and end at its edges. Housing problems within the city frequently have their origins in housing conditions and markets in surrounding communities. For instance, in the previous chapter



the impact of bank disinvestment from the city was discussed. Part of this difficulty arises from alternative and more attractive mortgage investment options which banks have in the suburbs.

A problem of special importance that also spills across political boundary lines is the narrow range of housing opportunities available to various income and racial groups, and the class and race segregation associated with such limited choice in many communities. Thus housing focus in this chapter is the entire metropolitan area rather than Boston alone because there are serious socio-economic disparities between the city and the rest of the SMSA, and efforts to achieve a reasonable degree of housing balance for the metropolitan area as a whole are thwarted by these inequalities.

Chapter II showed the extent of racial-income disparities between Boston's population and the population of the rest of the metropolitan area. It pointed out that Boston has a larger proportion of lower-income and a smaller proportion of middle- and upper income households than the suburbs; it also noted that these income gaps are widening. The central city, containing only a quarter of the total population of the Boston SMSA, houses over two-fifths of the area's poor and near-poor residents (i.e., with annual incomes below \$5,000) and over three-quarters of the area's non-white residents. Furthermore, within the city itself, individual neighborhoods tend to be

relatively homogeneous in race and income, and there are racial/economic disparities between neighborhoods.

To open housing choices requires redressing disparities which artificially restrict the housing choices of many groups and individuals. Some of these discriminatory patterns are economic; others are racial. Both public and private practices help shape these patterns.

Restrictive zoning and building codes are examples of discriminatory public policies that prevail in many Boston suburbs. Large lot zoning and unreasonably high standards in building codes push the price of housing far beyond the reach of moderate and--in a few places--even middle-income families. Brokers in the private real estate market often operate as to curb the potential housing choices of minority and lower income households to the inner city.

This chapter begins by describing several housing-related issues which are linked to the segregation of metropolitan area residents by race and income: fiscal, educational, mortgage credit and employment disparities. The leading causes of the present racial and economic imbalances among communities are then discussed, followed by an evaluation of previous and current public efforts aimed at reducing demographic imbalances by improving the mix of available housing. Finally, new strategies are proposed for reducing income and race disparities in housing between Boston and the surrounding SMSA, as well as within Boston itself.

### Housing-linked Disparities in the Metropolitan Area

Access to many public and private opportunities in our society is linked to the location of one's housing. Both the property taxes one pays and the public services one receives are a function of the city or town where one lives. Children's access to public schools is usually similarly determined. Increasingly the present or potential access of a homeowner to mortgage credit is tied to the community where that person chooses to live. A person's employment and access to jobs is also somewhat constrained by the location of his home.

In all four of these areas--taxes, schools, housing credit, and employment--the disparities between the opportunities available within Boston and those available in the surrounding metropolitan area are growing. This section examines each of these areas of disparity in some detail.

### Fiscal Disparities

Boston's relatively high and inequitable property tax levels and the importance of state tax reforms to correct these conditions were reviewed in previous chapters. This discussion examines the link between the city's property taxes and the growing socio-economic disparities between the city and the surrounding area.



The system of real estate taxes began when real property was a reasonable measure of individual and business wealth. One hundred years ago most individual wealth was tied up in land holdings, and most business wealth was in factories or commercial establishments--mainly located within the city. Now, however, land ownership is not the predominate form of privately-held capital, and businesses are increasingly service enterprises, the primary assets of which are skilled people and information, rather than real estate. Thus real estate valuations are becoming increasingly inappropriate as a base for raising municipal revenues. At the same time the inherent weaknesses of property tax administration tend to perpetuate gross inequities in property tax assessments.<sup>1</sup>

Difficulties with the property tax are compounded by the fact that increases in the central city's taxable base are lagging behind the trends of municipalexpenditures. Outmigration of middle and upper-income households from Boston has added to the fiscal

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1. The regressive nature of this disparity becomes apparent when one compares the tax impact on a typical Boston resident with that on his relatively better-off suburban counterpart. In Boston, rents commonly represent 35% of household income, and taxes account for 30-35% of rent, resulting in city taxes consuming one-tenth of household income; the suburban counterpart pays closer to 25% of income in rent, and property taxes account for only 20% of his rent, or about one-twentieth of household income.



difficulties of the central city because property occupied by poorer households appreciates only very slowly, while these households often require more publicly-provided housekeeping and social services than the families whom they replaced. Thus, as the income gap between Boston and the rest of the SMSA widens, the tax burden on central city residents escalates. Among the social service costs closely related to the needs of low income families are public housing, housing inspection services, the Housing Court, rent control, and emergency housing assistance, such as help for poor families without heat in the winter.<sup>2</sup> Other inordinate costs generated by an over-concentration of poor and near-poor populations include the financing of special school programs for disadvantaged children. To achieve inter-municipal equity, many of these costs should be more fairly shared by transfer to state financing,<sup>3</sup> and/or by drastic

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2. See Boston Urban Observatory, Substandard Housing and the Cost of Providing Housing-Related Services (June, 1973).

3. For a detailed discussion of state-municipal service/financing disparities, see Boston Urban Observatory, Reallocation of Responsibilities and/or Financing for Selected Municipal Services to the State: A Municipal Finance Alternative (October, 1973).

revisions in the scale and formulas of state aid to cities and towns. Moreover, the state as a whole should pay for region-wide services the cost of which bears most heavily on the central city; chief among these is the public transit deficit.<sup>4</sup>

#### School Disparities

Not only is the access of school-age children to public education largely determined by the neighborhood where their families live, but many family decisions about where to settle are determined by their perceptions of the relative quality of local schools. Families who consider the Boston schools to be inferior to suburban school systems may base their choice to live outside the city on this consideration. To compensate for this perceived imbalance is complex and difficult. Bringing

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4. Chapter 114 of the Acts of 1973 raised the state's share of the transit deficit to 50 percent. Chapter 825 of the Acts of 1974 continued this ratio of state assistance for another year.

The formula apportioning the deficit among the metropolitan area's cities and towns is partly based on the number of trips originating in each municipality. A suburban commuter who comes into Boston by bus and subway originates one trip daily in his suburb, two in the municipality where he changes from bus to subway (or vice versa going home) and one in downtown Boston.

per pupil expenditures into parity between the central city and the more affluent suburbs is unlikely to be enough because social contact and status factors influence public perception of school quality.

Several efforts to improve the city's education system are currently underway. They include a busing plan to reduce racial imbalance within Boston's school system imposed by the federal district court in the fall of 1974. But this change only affects the suburbs marginally, mainly through the increased population shifts to the suburbs which may result from the implementation of the school integration plan. Even the more limited voluntary busing program, Metropolitan Council for Educational Opportunity (METCO), which has been in existence and slowly expanding since 1966 but which serves only about 2300 students, places the burden of initiating and organizing on city households and city children; and the suburbs are left with the option of non-participation. There is spreading concern that other Boston families who oppose current integration efforts and can afford it will simply move out to take refuge in the suburbs as well, leaving only a residual white population to be racially balanced.

The simple transfer of resources to offset economic imbalances between the city and neighboring communities does not

deal with more fundamental disparities such as styles of education or teacher attitudes which may include self-fulfilling prophecies about the achievement potential of pupils because of their race or economic background. Nor does it necessarily mean the racial or economic integration of classrooms. While the academic benefits of integrated education are variously argued, those parents who would like their children to attend integrated or more heterogenous schools, for whatever reasons, now have very limited choices in the public school system. If the Boston region and its communities were more economically and racially mixed on the other hand, such choices would be more readily available.

#### Residential Mortgage Credit Erosion

The decline in the availability of residential credit and its potentially disastrous consequences for urban neighborhoods was discussed at length in Chapter III. Like tax-service and school disparities, geographic discrimination in housing credit appears to be a by-product of residential separation by race and class. It lends weight to the conclusion that the basic socio-economic composition of communities must be altered to maintain mortgage credit and effective housing demand instead of tinkering discretely with taxes, schools and lending practices.



### Employment Disparities

The fourth area of housing-linked opportunities in which Boston is falling behind surrounding communities lies in employment. Recent analysis of Boston's economy and manpower policies indicate that there is a growing mismatch within the central city between its supply of and demand for labor. On the demand side, since 1950, Boston has lost jobs in manufacturing, transportation and trade (i.e., semi-skilled and unskilled jobs), while it has gained employment in finance, service and government. This means that a growing number of jobs within the central city require more educational credentials and professional-technical skills, as opposed to trade skills. But on the supply side, compared to the suburban labor force, Boston's resident labor force is comparatively less well educated and trained. As a result, many city residents are at a disadvantage in competing with suburban residents for central city jobs; moreover, they are often better matched to the kinds of jobs which have been locating outside of Boston in more recent years. These shifts in employment trends impose particular hardship on semi-skilled and unskilled persons who generally have limited incomes and therefore the least access to suburban housing and can ill afford the necessary private transportation to the newer employment opportunities springing up in greater numbers outside the city. Although it is still true that Boston has more jobs per capita than the suburbs, from 1963 to 1973, Boston added an average of only

2,700 new jobs annually, while employment opportunities in the rest of the SMSA surged ahead at an average of over 16,000 new jobs per year. As a result, more new jobs can now be found outside Boston than in the city, particularly in manual skills.<sup>5</sup>

The housing implication of this economic trend is that many low and moderate income families would have better knowledge of and accessibility to these emerging employment opportunities if they lived in the suburbs.<sup>6</sup> At the same time within Boston, the shift toward professional, clerical, and service jobs may give the central city greater optimism that the outflow of middle and upper income families will diminish, thereby increasing the potential for achieving a better mix of residents within Boston itself.

In summary, the disparities between Boston and surrounding suburbs are evident through the prevailing inequities in property taxes, schools, and the availability of housing credit and employment opportunities. Moreover, such disparities

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5. The Boston Urban Observatory, Alternative Manpower Strategies for the City of Boston (February, 1974), especially Chapter 1-Boston's Economy and Labor Force. In 1960, Boston had 47.4% of the jobs in the SMSA. But by 1970, this share had decreased to 40.6%. By 1980, it is expected to be down still further, to 38.6%. Ibid, p.12.

6. A contrary finding is contained in the study by Aaron Fleisher, Mobility of the Poor, which reported that a Central City Boston location provided greatest accessibility to jobs by minorities.

appear to be partially the result of segregated housing patterns. Boston's relatively heavy tax burden and school problems are also somewhat due to the departure of middle and upper income families from the city. Attempts to balance the schools racially and to bring about more interactions among the remaining central city population are now causing other families with the financial means to leave the city. If restricted mortgage credit is the banking industry's response to perceived housing market decline, it can only accelerate deterioration trends in the city's neighborhoods. Efforts to address and remedy these several inequities one by one are likely to prove frustrating and ineffective in the long run. Their ultimate resolution depends on reversing the basic causes of racial and social segregation. Achieving more socio-economic mixing in the housing and population of both the central city and its suburbs would reduce these disparities more effectively than tinkering to modify their impacts, in the long run.

#### How Imbalanced is Boston?

Boston, like most northeastern central cities, has a disproportionate share of lower income and minority households compared to its suburbs. Although the following definition of housing balance --within each community the residential mix corresponds to demographic ratios by race and income for



the metropolitan area as a whole--is an arbitrary standard, applying this criterion to the current situation furnishes some insight into the extent of residential disparities and the level of effort required to eliminate them entirely. The potential impact of strategies can be weighed against this hypothetical standard. An examination of economic imbalance, which is not so extreme in the Boston area, precedes evaluation of racial imbalance which is far more extreme.

What scale of population redistribution over a long-term period would be required if Boston were to achieve housing balance as defined above? Table V-1 shows the population distribution for metropolitan Boston aggregated by income classes. Table V-2 indicates the redistribution of households required to equalize by income class the proportions of income groups as between Boston and the suburbs. The shifts would be most pronounced at the extremes: 41 percent of Boston's population under \$5,000 (a decrease of 57,000) would have to move out and 59 percent of the population earning over \$15,000 (an increase of 69,300) would have to move in. (The suburban impact is attenuated since its population base is six times larger than that of the central city.) While two out of five families in the lowest income class moving out and three of every five in the top class moving into the central city are major changes, it should be noted that one-fifth of all households move each year and that



TABLE V-1  
POPULATION DISTRIBUTIONS BY INCOME, BOSTON AND  
THE METROPOLITAN AREA, 1970

Income Class	Boston		Remainder of SMSA		SMSA Total	
	Percent*	Population	Percent*	Population	Percent*	Population
\$ 0-4,999	21.7%	139,100	10.1%	213,400	12.8%	352,500
5-7,999	19.8	126,900	12.7	268,300	14.3	395,300
8-10,999	20.8	133,300	19.6	414,000	19.9	547,400
11-14,999	19.5	125,000	24.0	507,000	23.0	632,000
15,000+	18.2	116,700	32.3	682,400	29.0	799,000
Other	—	—	—	27,500	1.0	27,500
Total		641,000		2,112,600		2,754,000

\*Totals may not add to 100% due to rounding off.

TABLE V-2  
POPULATION REDISTRIBUTIONS NEEDED TO EQUALIZE  
CLASS DISTRIBUTIONS BETWEEN BOSTON AND THE METROPOLITAN AREA

Income Class	Percent of SMSA	Boston Equalized Change		Rest of SMSA Population	Equalized Change (plus or minus)
		Population	(plus or minus)		
\$ 0-4,999	12.8%	82,100	-57,000	270,400	+57,000
5-7,999	14.3	92,000	-35,000	303,200	+35,000
8-10,999	19.9	127,400	-6,000	420,000	+6,000
11-14,999	23.0	147,100	+22,100	484,300	-22,100
15,000+	29.0	186,000	+69,300	613,100	-69,300

a majority of households move during a decade. Thus public policy designed to encourage a fraction of these to relocate could bring about balance within a single decade without forcible displacement. Current constraints limiting mobility, both in the suburbs and in the City, suggest that a longer time period would be needed to achieve these long-term goals however.

Table V-3 shows the distribution in the metropolitan population by race, while Table VI-4 displays the results of redistribution to equalize racial composition as between Boston and its suburbs. Since nearly one out of five persons (18.1 percent) in Boston are minority, whereas 98.4 percent of the population of suburbia is white, the population shifts required to achieve racial balance as between Boston and its suburbs are much greater than are those for bringing about economic balance. For the long-term future, nearly three out of four (75,000 of 104,700) blacks would have to move out to join blacks who are already in suburbia (75,100 added to 22,300). (Since most of the blacks outside Boston in the SMSA are residents of other core cities like Cambridge and Lynn, the shifts would tend to understate suburban impact).

The indicators of imbalance discussed above are not intended to imply that complete population redistribution is desirable or attainable, but they can be used as a standard to

TABLE V-3  
POPULATION DISTRIBUTIONS BY RACE, BOSTON AND  
THE METROPOLITAN AREA, 1970

	Boston		Remainder of SMSA		Total SMSA	
	Percent	Population	Percent	Population	Percent	Population
White	81.9%	524,700	98.4%	2,078,000	94.52%	2,602,700
Black	16.3	104,700	1.1	22,300	4.61	127,000
Other	1.8	11,600	0.6	12,400	0.9	24,000
Total		641,000		2,112,700		2,753,700

TABLE V-4  
POPULATION REDISTRIBUTIONS NEEDED TO EQUALIZE  
RACE DISTRIBUTIONS BETWEEN BOSTON AND THE METROPOLITAN AREA

	Percent of SMSA	Boston Population	Equalized Change	Remainder of SMSA Population	Equalized Change
White	94.52%	650,900	+81,200	1,996,900	-81,100
Black	4.61	29,600	-75,100	97,400	+75,100
Other	0.87	5,600	- 6,000	18,400	+ 6,000
Total		641,000		2,112,700	

measure the progress effected by alternative long-term housing strategies aimed toward generating greater balance.

So far we have only explored the general scale of disparities between Boston and its suburbs, but the "grain" of heterogeneity is also an important factor. Mixing at the neighborhood or school district level has very different implications, for example, from simply achieving balance within each municipality or perhaps even just balancing the population of all the suburbs taken together. Many towns, to be sure, have their own "other side of the tracks", and certain central city neighborhoods are often classified as racially integrated when close inspection reveals a resegregating pattern of homogeneous white neighborhoods turning into black neighborhoods on a block by block basis. The methodology for analysis and the terminology being currently used in discussion of these effects are still in the process of conceptualization. The substance of legislation and judicial orders designed to overcome racial exclusion is somewhat more advanced than the development of strategies to overcome economic exclusion.

#### Individual Choice and Housing Opportunities

Public policies over the long-term future, can help reduce existing racial and economic imbalances if they encourage moves by individual households that will aggregate into a



greater residential mix of different kinds of households. This requirement raises two interrelated issues:

- At what geographic scale should mix be attempted?
- What shifts in population trends are possible and/or probable?

The following discussion of these issues tries to differentiate between class and racial disparities, though they coincide in many ways. Economic separation is often used as a proxy for racial separation because minorities typically have lower incomes than whites, but mixing income classes raises quite different issues from integrating races. For instance, strategies designed to open up suburbs to non-whites who have incomes equal to those of existing residents differ from strategies with goals for opening up the suburbs to lower income households of similar races and ethnic background.

Anthony Downs' Opening Up the Suburbs is an attempt to provide an adequate rationale for economic integration of metropolitan areas. Downs identifies four objectives for mixing population by class:

1. Convenient access to suburban jobs for low-and moderate-income households
2. Attendance at economically integrated public schools by children from such households

3. Daily personal interaction between members of such households and members of middle-and upper-income households nearby
4. Opportunities for low and moderate-income households to escape the disadvantages inherent in large concentrations of poverty<sup>6</sup>

According to Downs

Past failure to distinguish among these objectives has caused confusion about how suburban economic integration might be achieved and has generated much unnecessary opposition to it. It is especially crucial to recognize that each objective requires a different geographic scale of suburban economic integration.<sup>7</sup>

Downs' objectives in descending order require population mixing at an increasingly finer grain. Since breadwinners can journey to work over a considerable distance, the employment objective can be met if some suburbs become lower income residential areas. On the other hand, integrating public schools without busing requires attaining a racial mix within each

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6. Anthony Downs, Opening Up The Suburbs (Yale University Press: New Haven and London, 1973), p. 103.

7. Ibid.

school district.<sup>8</sup>

Downs argues articulately that to achieve the full benefits of opening up the suburbs requires population mixing within each residential neighborhood, and in ways that reduce concentrations of poverty. Whereas the sophisticated logic of Downs is hard to fault, the need to mix at the neighborhood scale is far from being conventionally accepted.

In selecting a residence for themselves, people tend to be very value and status conscious, and neighborhood integration threatens to upset all the familiar calculations and expectations of housing choice. Will property values decrease, will our children become exposed to the "wrong values", or will our daughter end up marrying the "wrong kind"? People strive to minimize all these uncertainties.

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8. The link between housing mix and school mix was recognized in a recent Brooklyn school desegregation case. Judge Jack B. Weinstein ruled that school desegregation was the result of the way housing had been developed and then redeveloped through urban renewal. While calling upon the city's Board of Education to present a school desegregation plan, he also called for changes in housing marketing in order to attract whites and middle-class families into the area. He directed changes in the building, renting and advertising of local housing. Weinstein decided that Mark Twain Junior High School would be desegregated only if housing practices and municipal activities were reshaped. If one were satisfied by school integration that required busing, then of course the area could be much larger. Its size would be limited only by the limits of a reasonable daily bus trip for children. Busing, of course, bypasses objectives of more mixed communities and seeks only more mixed schools. Hence, we do not see it as resolving underlying problems of housing imbalance.

Conventional thinking also tends to blur racial and economic integration together and then to confound it with assimilation or dispersal, concepts which have generated considerable resistance. Assimilation implies the loss of separate heritage traits and identities that form the basis of cultural pride and advancement. And dispersal suggests the forcible shifting of minorities into communities at rates that displace existing residents. Voters, already predisposed against integration, are prone to perceive efforts to reduce imbalance as being in conflict with freedom of choice and community self-determination. This means that although increased integration could solve many aspects of our housing problem, the surrounding issues are so complex and obscured as to render substantial integration on the neighborhood scale through government fiat politically unlikely until the links between problems and causes are better understood.

When individual choice governs neighborhood selection, the resulting communities tend to become entirely homogeneous. In heterogeneous neighborhoods one or another type of household tends to dominate the pattern in which incoming households replace those who move out. Thomas Schelling has pioneered in analyzing behavioral patterns generated by individual choice and his work suggests that unless some standards for mixing are



established externally as a goal, or "rallying points" to use his phrase, individual communities will each shift so as to accentuate their own homogeneity, even when their separate members have a tolerance or even desire for some degree of diversity.

#### According to Schelling

Excessively polarized behavior may be the unhappy result of dependence on tacit coordination and maneuver. When whites and Negroes see that an area will "inevitably" become occupied exclusively by Negroes, the "inevitability" is a feature of convergent expectation. What is most directly perceived as inevitable is not the final result but the expectation of it, which, in turn, makes the result inevitable...There is no stable focal point except at the extremes...no particular percentage commands agreement or provides a rallying point. If tradition suggests 100 percent, tradition could be contradicted only by explicit agreement; if coordination has to be tacit, compromise may be impossible<sup>9</sup>

Bruce Ackerman concludes that benign racial targets to open opportunities to minorities are as necessary in housing as they are in employment and education, and that maintaining stability in integrated residential developments has virtually always been achieved through manipulating demand and supply in a way that replenishes the desired mix.<sup>10</sup>

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9. Thomas Schelling, *The Strategy of Conflict* (1963), p. See also Thomas Schelling, "On the Ecology of Micromotions," Public Interest, Fall 1971, pp. 90-91.

10. Bruce L. Ackerman, "Integration for Subsidized Housing and the Question of Racial Occupancy Controls," Stanford Law Review, Jan. 1974, Vol 26, pp.

Ackerman extensively investigated past efforts at integration and carefully reviewed the legal basis for recommending norms before advocating them.

Proposed racial occupancy controls drew nation-wide attention to Oak Park, Illinois in early 1974. This Chicago suburb is best known for its early Frank Lloyd Wright homes and contains well built high-priced housing, but a rapidly resegregating process of racial change has been moving inexorably toward Oak Park from downtown Chicago. The current nearly all-white community of Oak Park proposed a 30 percent limit on non-white occupancy on any block in the belief that this would prevent white flight and mean a better community for the resulting future mixed population. This quota was proposed in the awareness that a 30 percent minority was considerably greater than Oak Park's proportion of minority residents would be if other similarly situated suburbs assumed responsibility for "their share". Intense debate led to the tabling of the proposed racially exclusionary zoning, however.<sup>11</sup> At the June 1974 annual meeting of National Neighbors, a nationwide organization founded "to foster and encourage successful multi-racial neighborhoods throughout the United

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11. Daniel Lauber, "Integration takes More than a Racial Quota," Planning, April/May 1974, pp. 14-17, discusses many of the underlying issues.

States," heated debate revolved around the ill-fated Oak Park ordinance. Although National Neighbors remains committed to residential integration and to encouraging an economic mix in all neighborhoods, legal quotas were rejected as a tool for achieving these goals.

The preponderance of evidence suggests that many minorities would welcome more opportunities for residential integration, but that there are significant and articulate black separatists like Jesse Jackson who see in white-dominated integration patterns the premise that "we are inferior and only by sitting next to white people, having white teachers, can we be somebody".<sup>12</sup>

Paul Davidoff's continuing fight against exclusionary zoning surrounding metropolitan New York identifies the issues associated with economic discrimination, but to date no court has ruled in favor of the hypothesis that each municipality should zone its land to provide housing for all income classes. There seems to be a judicial trend in some states, however, (including New Jersey and Virginia) to strike down local zoning ordinances which prevent lower-income groups from moving

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12. Jesse Jackson, quoted in the Boston Globe, May 21, 1974, p. 21.

into a community.<sup>13</sup>

Before examining special efforts to encourage the production of integrated housing in Massachusetts, let us summarize the dilemma. Economic and even racial integration at a neighborhood scale would be quantitatively achievable without displacing existing residents if the appropriate incentives could be introduced into the housing turnover process. However, the prevailing concept of individual freedom of choice, combined with the current taboo on explicit quotas, renders the maintenance of integrated neighborhoods dependent upon tacit understandings for regulating the process whereby one owner replaces another. This is not enough, however. Equal opportunity is insufficient to maintain a residential mix; some form of affirmative action is needed that is politically acceptable, and currently this does not exist for neighborhood applications.

Past Experiences with Statewide Strategies to Reduce Imbalances

Massachusetts has pioneered among states attempting to open up new housing opportunities to minorities and low income

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13. See Board of County Supervisors of Fairfax County v. Carper, 200 Va. 653, 107 S.E. 2d 390 (1959) and Township and Freeholders v. Schire, 119 N.J. Supra 433, A. 2d (cert. denied), 41 U.S.L.W. 3445 (1973).



households. It has passed an "anti-snob zoning" law and has adopted publicly-subsidized housing financing policies which give priority to the goal of income mixing. The effectiveness of these policies is evaluated below as background for the discussion of options which will realize more productive public intervention.

The present suburban pattern of large lot zoning in metropolitan Boston is economically discriminatory. To combat exclusionary zoning while expanding suburban housing opportunities for lower income families in Massachusetts, a coalition of suburban and central city legislators and developers succeeded in securing enactment of the so-called anti-snob zoning law (Chapter 774) in 1969. The intent of this law is to stimulate construction of subsidized housing for low and moderate income families by providing relief from local zoning, building and other codes which are often used to block the construction of such developments. Relief takes the form of a review procedure under jurisdiction of the State's Department of Community Affairs (DCA) that allows a developer who has been denied a building permit at the local level to request a hearing and apply for a DCA-issued permit authorizing construction of the proposed subsidized housing. In effect this

permit overrides local zoning and building code regulations. However, it can be used only in communities where fewer than 10 percent of all existing housing units are subsidized or where less than 1.5 percent of the land area is occupied by subsidized housing.

The review procedures under Chapter 774 are long and complex. Since the law's enactment in 1969, few developers have had the staying power to survive the many hearings, appeals and court challenges which precede issuance of a state permit. By the middle of 1974, four years after enactment, only 11 cases covering less than 1,800 housing units had completed the appellate cycle and obtained permits.<sup>14</sup> Even with the issuance of state permits, construction has not begun in a single case, as local opposition has continued. In several towns, opponents of housing for low income families have used the state's environmental impact legislation to delay further the building of subsidized housing in their communities.

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14. It should be noted that the formula under this legislation only counts publicly subsidized housing. It does not include non-subsidized, low cost housing. As a result, many old communities with much inexpensive housing and many low income families are still subject to the provisions of Chapter 774. They include, for instance, Lynn, Somerville, and Everett which probably already have more than their share of low income resident families.

Chapter 774 has not been totally ineffective, however. In at least four towns (Woburn, Weymouth, Kingston and Beverly) local governments authorized a total of 1075 units of subsidized housing under the threat of the law's appellate review. The law's impact might have been expected to grow with time were not the federally-subsidized housing programs to which it has usually been linked largely eliminated. Until alternative housing subsidies become available, the anti-snob zoning law will have little real impact. Moreover, some Massachusetts legislators are threatening to gut Chapter 774 by allowing cities and towns to designate specific sites for which petitions under its provisions may be requested, rather than enabling potential developers to select sites on the open market. In effect this change is likely to result in the designation of remote unattractive, or over-priced sites, and would probably discourage most developers from ever entering the process. Even in its present form the anti-snob zoning tool clearly will not soon allow very many low income families to move out of the central city into the suburbs, nor is it likely to create a significantly greater mix of housing anywhere within the Boston region.

A second Massachusetts effort to develop integrated housing

has come from the Massachusetts Housing Finance Agency (MHFA), which features deliberate income mixing in all its assisted residential developments. By law at least 25 percent of all units in each MHFA-assisted project are reserved for lower income families;<sup>15</sup> in addition MHFA requires that another 25-50 percent of the dwellings be rented at moderate-income rents. By piggybacking federal mortgage interest subsidies with federally-assisted leased housing or counterpart state housing assistance programs, over 20,000 dwelling units have been completed throughout the state since MHFA initiated operations in 1968. Of these, one-quarter are occupied by low income families, nearly one-half by moderate income families, and the balance by middle income families. Five out of every eight dwelling units subsidized by MHFA are located in densely-populated urban centers; an additional 25 percent may be found in the suburbs contiguous to these centers, with the remainder sited in other Massachusetts towns. Although MHFA can be proud of significant housing production and its record of income mixing, it should be pointed out that less than 6,000 units of MHFA-assisted housing have been

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15. C. 708, Acts of 1966.



added to the housing stock of all suburban communities in Massachusetts.<sup>16</sup> MHFA's impact on economic imbalance has been limited; furthermore, the MHFA construction pattern has done little to balance populations by either income or race since they have attracted relatively few families out of cities containing high concentrations of low income and/or minority populations. Over half the families resident in suburban MHFA projects were originally living either in the municipality where the developments are located or in adjacent municipalities; very few came from inner-city areas. Thus significant shifting of low income populations to the suburbs has not been the result of the MHFA program.

The relative impact on population dispersion of federally-subsidized housing under the National Housing Act of 1968 has been similar to that of the MHFA. In the Boston metropolitan area over 20,000 units had been built or rehabilitated under Section 221 (d)(3) and Section 236 programs by the end of 1973, but almost four out of five of these are located in municipal Boston, most of them within inner-city neighborhoods; only one out of five was developed in the suburbs, including

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16. MHFA, Fifth Annual Report, September, 1973.

close-in cities such as Cambridge and Lynn.<sup>17</sup> An in-depth study of 36 of these projects revealed that they largely replaced demolished housing in urban renewal areas and enabled very few of the residents to relocate outside of inner-city neighborhoods. A conclusion of this report was that "subsidized housing programs have not effected dispersal of low-income families".<sup>18</sup> Neither have they significantly contributed to income or racial mixing within developments. Rather, they exacerbated socio-economic and racial concentrations in inner-city neighborhoods.

Thus not only have relatively few lower income housing opportunities become available through the combined application of the snob-zoning act and MHFA-HUD housing assistance subsidies but these programs have failed individually and collectively to reduce racial or economic disparities between parts of the metropolitan area. Moreover, permits for new construction under Chapter 774 have become increasingly difficult to obtain. As strategies for triggering significant shifts toward economic or racial integration, publicly-assisted new development has

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17. Metropolitan Area Planning Council, Subsidized Housing in the Boston Region as of December 31, 1973 (Boston, 1974).

18. Boston Redevelopment Authority-Boston Urban Observatory, Subsidized Multi-Family Housing in the Boston Metropolitan Area: Analysis and Prognosis (October, 1973) p. 139.

proved to be too arduous, too costly, and the resulting projects are too massive intrinsically while being too limited in total. Not only will publicly-assisted housing diminish in the future as federal production subsidies are phased out, but the relative impact of public action remains dwarfed by recent developments in the conventional housing market. The conventional market has enabled a modest number of lower income and even some non-white families to move into previously restricted neighborhoods, the latter through precedents established by civil rights cases in the mid-1960's. Nevertheless, the typical minority or low income family still has limited chances to find housing in predominantly non-poor and/or predominantly white areas. While some higher income households have moved into inner-city neighborhoods of the central city, their settlement has brought minimum permanent mixing of class and race in these settings. The newcomers either move into newly constructed or converted units, or take over existing neighborhoods simply by outbidding present residents.

We conclude, therefore, that if significant change is to come, new and more effective means must be found to broaden housing opportunities in existing neighborhoods, both within the city and in the suburbs.

Strategies for Reducing Housing Disparities

This final section focuses on future prospects for economic and racial integration. It requires examining the present constraints to progress and requisite changes, both throughout the metropolitan area and within the city of Boston itself for accelerating progress. At least three interrelated issues appear to underlie existing household location disparities:

1. In American society, housing conveys such status that individual households strive to locate alongside their "betters", near those who are just above them on the economic ladder. Housing demand collectively inflates prices and rents in these upwardly mobile neighborhoods and soon gives them an exclusive character. Families with limited incomes find themselves limited to housing that remains, and non-whites face an even more restricted choice of shelter; most of the metropolitan area appears barred to the latter.
2. As a result of clustering together within their own neighborhoods instead of being interspersed throughout a larger area, the poorer households have more limited capacity to press for and



obtain decent city services, better schools, police protection, etc., than if they were mixed with higher income households having greater political influence to secure adequate municipal services.

3. Poorer households together compound their individual problems to the point where the whole situation becomes intractable in a type of critical mass effect. Well-intentioned efforts at ameliorating the worst aspects of their present housing situation frequently exacerbates it instead. For example, calling for conventional code enforcement or organizing rent withholding actions can result in owners abandoning their property rather than fixing it up. The owners lose only money; the poor their homes.

The American system of values, which is supposed to maximize freedom of choice, also allows individual choices to aggregate into outcomes that are not foreseen and frequently turn out to be sub-optimal. Just as the causal connection between individual freedom to drive and traffic congestion may not be apparent to every driver, the links between housing

choice, housing costs and housing problems are likewise not readily evident. Publicly-determined housing allocation formulas, regularly adopted in many nations of Europe, are still beyond consideration in the United States. Income-mixing, which is seen as a radical innovation undertaken by MHFA, has been standard practice in England and Scandinavia. Achieving population integration may not be possible under remedies that would currently be acceptable, but change inevitably will come, opening up new possibilities.

The first section of this chapter suggested that population shifts and mixing strategies are more effective than separate solutions to employment, education, housing credit, and municipal fiscal problems plaguing urban areas. Solving all these interrelated urban problems requires deepening the understanding and expanding the range of options we are prepared to consider. The forces observed by Schelling as propelling toward polarized behavior in racially changing neighborhoods, resulting in either all-white or all-black neighborhoods, also bring about increasingly homogeneous suburbs. As Schelling has pointed out, without explicit rallying points or target mixes, integration will not generally occur in an individual free choice system. If the goal is to ameliorate urban problems, there is no arbitrary threshold at

which a population is adequately balanced, but devices for generating agreement on mixing goals are needed at least to reverse the continuing trend towards greater imbalances. Anti-snob zoning and MHFA income-mixed construction represent somewhat separate efforts in this direction, but they are not of significant enough scale, and they do not directly affect most of the area's housing supply, which is in the existing housing stock. We shall suggest some new approaches for policy makers to consider that can increase integration throughout the city and the suburbs. We recognize that the time may not yet be ripe, nor the public ready to accept implementing programs, but change may become more feasible through further discussion.

Preceding sections examined the household shifts required to achieve integration and discussed the scales at which such mixing must occur if balance is to be attained. Although the shifts are modest in comparison to normal experience in household mobility, they involve many more housing units than specially produced to date for lower income occupancy; and even if assisted new housing production could be expanded tenfold, the additional dwellings would likely cluster within lower income enclaves and miss the educational and daily interaction

objectives which should be part of an integration strategy. Clearly, achieving balance on a neighborhood basis requires affecting the mix within existing neighborhoods, as well as income mixing within new housing developments.<sup>19</sup>

Simple economics dictates an emphasis on the existing stock rather than building new units to bring about greater economic and social integration. Since land and production costs continue to rise, a new housing unit will always be considerably more expensive than an older but sound existing unit. And sociology suggests the desirability of change on a case by case rather than mass scale. Opposition to neighborhood entry is nearly insurmountable when a developer tries to create scores of units earmarked for lower income families, whereas opposition to individual households seeking dwellings at the retail scale is more manageable, and usually disappears after occupancy begins. Legal support for open occupancy

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19. In new housing developments some limited mixing can be achieved through housing density bonuses--allowing builders to construct extra dwelling units (above the maximum permitted by the zoning laws) as a reward for providing some low and moderate income housing within their developments. The economic rationale is that these extra units add only marginally to development costs allowing them to be marketed within the limited means of moderate income households. See Ernest Erber and John Prior, "The Trend in Housing Density Bonuses," in Planning v. 41 #10, Nov. 1974, pp. 14-17.



and fair housing practices have been considerably strengthened through the civil rights momentum of the 1960's although the record of achievement has not been optimal.

Thus strategy to achieve balance must give priority to the existing stock and operate at retail scale. It must include income assistance, counter discrimination and other exclusionary practices and probably involve some concrete targets. Each is briefly discussed in turn.

Since low income households cannot afford middle class prices for housing, either low priced housing units must be created which are interspersed within existing neighborhoods, or the rent gap must be bridged by means of direct household assistance. The latter is probably both administratively easier and less costly, and it avoids the stigma that would inevitably attach to any special housing created for designated economic classes. Supplementary housing or income assistance would average \$1,000 per household per year, reflecting the difference between middle and lower income rental housing expenditures. Providing lower income households with more ample aid for securing better housing is clearly beyond the fiscal resources of the City or the State, but this capacity is available at the federal level. The federal

government has already been experimenting with or giving serious consideration to such concepts as the Family Assistance Plan, housing allowances, and various models of income assistance since the late 1960's. In November 1974, the President of the United States reaffirmed interest in such concepts, instructing the Secretary of Health, Education and Welfare to prepare an income assistance plan for a presidential address to be delivered in January, 1975. Dr. Daniel Moynihan, an astute observer of public policy impact and a long-standing advocate of direct family assistance offers the following guidelines for an income assistance strategy:

The federal government must develop and put into practice far more effective incentive systems than now exist whereby state and local governments, and private interests too, can be led to achieve the goals of federal programs...

...Probably no single development would more enliven and energize the role of government in urban affairs than a move from the monopoly service strategy of the grant-in-aid programs to a market strategy of providing the most reward to those suppliers that survive competition.

In this precise sense, it is evident that federal programs designed to assist those city-dwelling groups that are least well off, least mobile, and least able to fend for themselves must in many areas move from a dependent and deficient status to one of independence and sufficiency. Essentially, this is an income strategy, based fundamentally on the provision of incentives to increase the earnings and to

expand the property base of the poorest groups.<sup>20</sup>

Although there have been gains in open occupancy and equal housing opportunities during the last decade, substantial progress in expanding housing choices for lower income households can be realized only by eliminating "exclusionary" zoning in the suburbs. As suburbs compete among themselves to develop land uses that minimize municipal expenditures, they seek light industry and attempt to zone out households that are likely to add more children to their schools. Two instances of corporate relocation from New York City to large-lot zoned areas of New Jersey and Connecticut illustrate this trend. In each case over a thousand jobs were at stake, two-thirds of which paid less than \$10,000 per year. Whereas upwards of four-fifths of the executives stayed with their companies, only 10 to 25 percent of the non-executive level workers retained their jobs after the move to the suburbs. According to Davidoff and Gold

Corporations such as Western Electric and RCA should refuse to move to suburban communities such as Bedminster and New Cannan, unless they can be assured that adequate land for housing will be available to all their workers, at appropriate rents and prices. As Business and Society put it:

"Until corporations begin to exercise this kind of social awareness, they should stop talking about the do-good ameliorative,

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20. Daniel P. Moynihan, "Toward a National Urban Policy", op.cit., p. 16.



token gestures they are making in the so-called 'inner-city'. For by their actions they are doing everything possible to preserve the wretchedness of urban life."<sup>21</sup>

To the extent that exclusionary zoning restricts housing opportunities, such large corporations represent potentially effective agents for bringing about a reversal of local housing policies. This is not to be confused with an argument for "company housing"--it is not suggested that the corporation provide housing for its employees, but that it use leverage prior to relocation to assure that municipal building code and zoning practices do not serve as deterrents to normal housing market forces.<sup>22</sup>

Obviously the day when municipalities either deliberately or through legal mandate allocate portions of their residential areas for lower income households seems far off,<sup>3</sup> and conscious income mixing to produce clustered heterogeneity may be considered unlikely or even incomprehensible. It is equally clear that an individual free choice system will not dissolve ghettos prescribed by race, poverty or even affluence. As experience with employment and education has demonstrated, affirmative action which concentrates on achieving a housing target mix will be required to produce opportunities for

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21. Paul Davidoff and Neil Gold, citing New York Times, Feb. 28, 1971. "Open or Closed Suburbs: Corporate Location and the Urban Crisis", p.4.

22. Suburban Action, Inc., of White Plains, New York, is currently initiating a series of court challenges to eliminate exclusionary zoning.



economic integration where individual households seek it.

In summary, economic balance in the Boston metropolitan area is quantitatively attainable over a decade if market incentives are altered and sufficient additional resources extended to the disadvantaged. The City can do little, in and of itself, and at present there is neither a higher-level governmental commitment nor a general understanding of the need for such a commitment. The state and federal governments are unlikely to replace the incentives that currently shape market behavior until political consensus emerges that such changes are desirable.<sup>23</sup>

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23. Anthony Downs, Opening up the Suburbs, and the many discussions currently going on among urban theorists all help toward building such a consensus.

The Real Estate Reserach Corporation of Chicago has prepared "Neighborhood Policy Guidelines for 3 Alternative Strategies" for discussion in Cincinnati. The three alternatives represent different models of balance, ranging from Viable Economic Diversity, Non-Interference with "Trickle-Down" to Reinforced Economic Separation. The key variables distinguishing the models are Household Income Mixture in an Area, Racial Composition of an Area, Area's Age and Household Structure Composition, and Mixture of Housing Types in an area. The strategy context is appropriate to Boston, but is not incorporated within the text of this report because the issue has not yet become sufficiently salient in Boston to encourage the public debate and discussion. The three alternative strategies require a fair degree of sophistication as well as the willingness to devote time and effort to thought and analysis; otherwise discussion tends to be rhetorical and emotional.

Strategies for Achieving Greater Neighborhood Heterogeneity

As previously indicated, the City's capacity to influence population shifts and achieve more heterogeneity throughout the metropolitan area is very limited, but it has somewhat greater discretion to influence the market dynamics which contribute to economic and racial imbalances within the City of Boston itself. It has already been noted that these intra-city imbalances are great: most of Boston's non-white population is concentrated within a few neighborhoods, and low income white families also tend to be clustered together, although low income neighborhoods are scattered throughout many sections of Boston. If present population trends continue, however, these imbalances will become even greater in the next decade: the city's black and spanish-speaking populations have been growing faster than its white population which, until 1970, was actually decreasing.

More recent trends hold promise that Boston can intervene more effectively in housing market dynamics. Boston has become increasingly attractive to newly formed middle income households, particularly households that may currently still appear under-financed because they are investing heavily in higher education, or have chosen a vocation in the arts and

crafts. These households can form the backbone of strong, stable and heterogeneous communities. The challenge for City policy is in encouraging such new households to settle within nuclei in a variety of neighborhoods instead of letting them all attempt to congregate in the South End, Back Bay, Beacon Hill and Charlestown. Over-concentration of these households will simply displace lower income households.

Moreover, leaving the poor clustered together in areas of disinvestment renders them very vulnerable to exploitation and overly dependent upon public assistance. Lower income and minority households need better neighborhoods along with decent housing. Virtually all past efforts at improvement or even new construction of residential areas serving predominantly lower income households have failed without economic mixing.

The optimal long-term housing strategy (which must be coupled with income and educational supports to individual households lies in increasing neighborhood heterogeneity. Greater heterogeneity is a function of the extent to which opportunities can open up in the suburbs for some of Boston's poor while more of the newly emerging upwardly mobile groups among Boston's

younger residents are retained within the city.

To reduce present disparities between neighborhoods, Boston must pursue a coordinated, three-pronged long-term strategy.

1. Obtain more adequate direct household assistance for lower income households.
2. Provide effective advocacy for the rights of the disadvantaged.
3. Reintegrate neighborhoods economically wherever possible, using public and private investments to influence this process.

Obtaining direct household assistance is crucial, but the discussion here is only intended to amplify the stress already placed on direct assistance in Chapter III. As elaborated therein, close to \$30 million more in direct payments per year to lower income households is necessary to enable the approximately 30,000 households currently living in the declining areas of Boston to afford the cost of decent housing. Extending such assistance to cover the rent gap of lower income households throughout the city would require an



estimated expenditure of \$100 million per year.<sup>24</sup>

However, direct assistance payment per household would generally be less than the unit cost of publicly-aided housing. Many more households are eligible for such assistance than were served by past production-oriented housing subsidy program. Unfortunately direct household assistance has much less political glamour than facilitating visible new construction, but central cities nationally have a shared interest in obtaining such direct assistance for their lower income population and they should form a national coalition to press for such federal assistance.

The links between spreading disinvestment, housing abandonment and the low incomes of many households, incomes which are inadequate to purchase decent housing, have not been conclusively proven, but evidence is accumulating that it costs as much or more to house a low income family as a moderate income one.<sup>25</sup> The extent to which inadequate income is a prime

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24. From estimates by the BRA Research Department developed in preparation of the Housing Assistance Plan required under federal community development revenue sharing. Fifty-eight percent of Boston's households have less than 80% of median metropolitan household income, rendering them currently eligible for housing assistance under the National Housing and Community Development Act of 1974. Rent gap estimates assume that assistance payments would supplement the current expenditures on the part of these households for housing and not necessarily reduce their housing budget to less than 25% of income as Section 8 requires.

25. BRA and BUO, Subsidized Multi-Family Rental Housing in Boston, op.cit., and interviews with staff of Boston Housing Authority, Planning Department.

cause in the decline of existing residential neighborhoods requires detailed research, but the hypothesis is strong that if such households had the income to pay their way, they would be less likely to be excluded or treated as pariahs in heterogeneous neighborhoods.

How to provide effective advocacy for the housing rights of the disadvantaged is best illustrated by the consumer-supportive counselling services made available to all participants in the experimental federally-assisted Housing Allowance Program (HAP) under way in Springfield, Massachusetts. HAP makes resources available to assist individual households obtain what they are entitled to in the conventional housing market. Participants are informed how exploitation and discrimination can erode their housing dollar, how leases can benefit tenants as well as landlords, what their options are regarding security deposits, etc., but the initiative for action must come from the affected household. Pursuing this approach, HAP has not only aided minority households to enter new residential areas with little opposition but has helped families in securing correction of housing code violations through their increased effective purchasing power. Closer examination of the extent and ways in which the Springfield HAP

avoided simply inflating the price of housing for all households is critical to replicating this approach elsewhere. At this point only the scope of advocacy required can be identified, because ways of assuring its effective application are not yet fully understood. Sponsors or funding for this type of advocacy may be difficult to obtain because such assistance, effectively administered, challenges entrenched interests.

Reintegrating neighborhoods presents a major long-term challenge, but the City, acting in concert with lenders and other large institutions that affect land use throughout the city, is in a position to have substantial impact on future residential patterns. Chapter III discussed neighborhood market dynamics and differentiated areas by strength of housing demand, concluding that supply-oriented investment in housing should be limited to stable and rising areas. In declining areas the public investment should be much larger but directed to the households to maximize free choice on the part of the residents in determining whether to move or remain. The recent national housing policies attempted by and large to gild the ghetto by paternalistically awarding subsidies to housing suppliers, and the failure of the resulting projects is partly attributable to this policy. Early findings of the housing



allowance experiment in Springfield suggest that roughly as many chose to remain in their units as decided to move. Direct income assistance is likely to generate greater mobility in the housing market, and the challenge becomes one of encouraging more heterogeneity in settlement patterns as such assistance is made available.

The city is a dynamic and continually changing system. Many of its parts have been experiencing extensive revitalization--the Back Bay, the South End, Charlestown, the Waterfront, and many pockets scattered throughout the city. Households settling in these improved areas consist mainly of new young households who are of middle or upper income status, rather than households moving back from the suburbs. The disadvantages of this re-settlement process, however, are that its consequences include the displacement of existing lower income and elderly households who could not match the rent increases prevalent in rapidly rising market areas.<sup>26</sup> If re-settlement had proceeded at a slower pace, such households could simply have replaced others who moved out, rather than displaced them as their effective demand inflated the price of

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26. Earmarking new subsidized housing for such lower income families in urban renewal areas has provided much needed lower income housing, but has failed to integrate these households into the rejuvenating community, and herded them instead into projects or enclaves.



occupied housing. The challenge is to allow such rejuvenation to occur more gradually, even while developing critical momentum to "turn the area around" in the public mind.

Neighborhoods with the potential for rejuvenation exist throughout Boston. Convenient location near employment and easy access to transportation are important underlying factors. Architectural character and diversity of housing and neighborhood appears to play a major role; general public image of the area also seems to exert a significant influence. New, young households are currently moving into many parts of Boston. Normally this is the most difficult part of a heterogeneity strategy to attain. But will they come in too big a flood, or will they merely be transients? Many, fortunately, have turned out to be buyers. The critical long-term goal for City policy is to channel this natural process constructively, avoiding the extremes of recent housing market experiences in Allston, the South End and the Back Bay.

Large institutions like the Fenway area medical complex, the educational institutions surrounding Allston-Brighton, the University of Massachusetts harbor campus in Dorchester, and the community college in Charlestown all act as potential magnets for housing revitalization. The basic city

strategy to achieve heterogeneous neighborhoods is to encourage the development of additional revitalization nodes by influencing major institutions to locate in areas where their construction will have maximum impact. The University of Massachusetts at Boston is the best example of such opportunity. However, the city must follow up these institutional decisions with strategies to assure that the new does not simply push out the old--that rising rents do not displace existing residents. These strategies include such measures as facilitating condominium conversions without profiteering characteristics that puts them out of reach of present residents; encouraging new buyers to be resident owners; making sure that a complete range of supporting conventional lending is available; and monitoring rents and conversions to prevent exploitation and inflation. These are the same strategies discussed in Chapter IV as appropriate for rising market areas in good condition. Although the problem of effective administration pervades the several strategies, the new twist lies in carrying out such strategies in ways to promote long-term future heterogeneity actively. Rent control must allow some conversions and evictions for upgrading, but should prevent profiteering and focus on this goal of a population mix, rather than just hearing a succession of individual cases.

Under a broader interpretation of public interest, for the long-term future, a new zoning requirement might be devised to earmark up to a quarter of the existing units in any neighborhood for households with direct income assistance; or federally-provided leased housing could be modified and administered similarly to promote a mix of households within neighborhoods.

There is less consensus behind the long-term goal of racial heterogeneity. Many areas of the city have in the past been characterized by multiple ethnicity. The South End is the most noteworthy example, but Jamaica Plain and Brighton have become increasingly diverse. Ethnic and racial diversity is possible wherever the housing stock is variegated - a quality which many neighborhoods possess. The reaction to the entry of substantial numbers of black families, however, is fundamentally different from the past patterns of ethnic succession. Racial dominance becomes the critical issue. Many residents, including many blacks, believe that areas where blacks predominate are likely to become neighborhoods short-changed in city services and housing credit. A long-term future policy of encouraging the opening of previously all white neighborhoods well removed from the migration path should be pursued if there is public support and commitment behind it, but this would appear to be premature in the current turmoil over forced busing to achieve school integration.



## VI. SUMMARY AND CONCLUDING INSIGHTS INTO THE RELEVANCE OF THIS STUDY FOR BOSTON

This final chapter has three purposes: (1) to link the goals and policies discussed in the previous chapters to the potential for their implementation; (2) to summarize the principal findings of such chapters; and (3) to suggest next steps.

When this study was conceived, two tentative goals of housing policy were posed for consideration: (1) housing upgrading, and (2) achieving greater housing mix and choice throughout the metropolitan area. As the study proceeded, these goals were redefined as improving the quality of existing housing and reducing the disparities in housing opportunities - and it became apparent that the latter - reducing disparities - would take many years and basic shifts in the structure of metropolitan government to achieve. These goals were chosen for analysis by the study staffs of the six urban observatory cities participating in the national study of housing policies. The goals were to be examined on an "if...then" basis; that is, if the quality of housing is to be improved then the following alternative steps must be undertaken; and if greater population mix and housing choice are to be attained, then other strategies and measures should be marshalled. Analysis throughout the study consistently indicated that the improvement of housing



conditions was a more attainable goal than achieving a greater population mix and broadened housing choice. This latter goal requires opening up the suburbs to lower income families. Despite some favorable legislative measures and court decisions, the suburbs have, thus far, in many ways resisted the entry of lower income families. In fact, the very discussion of lower income housing choices and opportunities is difficult to raise freely and objectively since the subject touches on so many hidden and emotion-charged dimensions. Discussion tends to become cloaked behind ambiguous slogans like "individual freedom of choice" or "balance", slogans which impede evaluation of how choice, opportunity and resource allocation really function. Analysis of alternative policies to achieve housing improvement was not similarly handicapped. Housing improvement is a commonly accepted and shared goal. But the examination of forces underlying housing decline must be pursued beyond the analysis of housing conditions and fix-up costs to basic considerations of consumer demand affecting choice of location, neighbors, and the interaction of these decisions on various lifestyles. These interactions are probably the key to future trends in neighborhood patterns and housing conditions.

Before summarizing and evaluating the major findings of this study, it may be useful to insert (1) a brief review of housing conditions and trends and (2) an analysis of the shifts in housing policy that have occurred since the 1960s, and the changes in roles of jurisdictions within the inter-governmental system dictated by such shifts in policy. They provide perspective for recommendations on next steps in housing policy formulation.

#### Housing Conditions and Trends

Estimates were made in Chapter III that \$300 million would be required to bring the city's housing stock into substantial compliance with the standards of the State Housing Code, if incentives to spur private owners to invest such sums proved to be effective.<sup>1</sup> Public outlays to achieve the same level of fix-up would be somewhat larger due to the added costs of laudable but ancillary objectives such as minority hiring, citizen participation, as well as the time lag, greater complexity and frequent red tape characteristic of public programs. The incentive to invest in housing fix-up, however, is not equally present in all

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1. The recent raising of these standards to outlaw lead paint renders widespread attainment and adherence to code standards more problematic. Virtually all the housing stock in the metropolitan area built before 1945 - probably over three-fourths of the current occupied stock - requires prohibitively costly de-leading by this standard, which is not generally being undertaken. Rather, general code enforcement is being avoided or administered more arbitrarily since lead paint became an issue.

neighborhoods. In fact, only about half of Boston's stock is located in neighborhoods where housing supply and demand are in a state of balance, whereas one-third of the stock is affected by strong demand, that is, by forces where prospective buyers and tenants exceed the opportunities coming on the market. On the other hand, one-sixth of the housing stock may be found in areas experiencing disinvestment, reflecting a weak and ineffective housing demand. As housing, and especially heating and labor costs have escalated, many of Boston's less affluent households have been forced to spend increasing proportions of their income on housing. The majority of Boston residents are spending more than one-fourth of their income on housing and it is increasingly true that decent housing costs more than many households can afford to pay. The foremost cause of spreading blight appears to be the inability of households to meet the rising costs of adequate housing. Neighborhood blight tends to set in where too many such households with inadequate income become clustered and the area develops a stigma which adversely affects demand. This has occurred in some predominantly white low-income areas, but is more prevalent in neighborhoods where minorities are concentrated. On the other hand, there are many stable areas where minorities



predominate, rendering the conventional association of minority residential areas with blight an oversimplification.<sup>2</sup>

According to conventional housing theory, as housing stock ages, it filters downward in quality, thereby deteriorating until it eventually is demolished. A more optimistic perspective suggests that people filter upwards toward better quality housing, handing over their currently occupied units to those who may be less fortunate, but who are also in the process of improving their economic status. Federally-assisted urban renewal programs of the sixties were based on this theory of upward mobility: to improve general housing conditions, encourage filtration and add new, high-grade dwelling units at the same time that aged, worn-out structures are being eliminated.

After two decades of such urban renewal policy in Boston, it has become increasingly apparent that this theory has overlooked an important factor. At any point in time a significant portion of the city's housing stock is recycling. Some of the oldest neighborhoods which had become seriously deteriorated - the lower side of Beacon Hill, certain sections of the Back Bay, the South End, Charlestown - have experienced

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2. The National Urban League's study, Housing Abandonment, links minority residence with housing disinvestment.



a strong resurgence in housing demand, due in part to their historical character. At the same time, some of the city's neighborhoods which were in reasonable condition, i.e., Meetinghouse Hill in Dorchester, are undergoing disinvestment, while conditions in a number of the relatively new federally-subsidized housing developments, especially those in the inner city, indicate that some of this newly-created housing already needs "renewal." Clearly housing age or conditions per se do not determine the future dynamics of neighborhoods: there are more subtle forces determining who are the replacement buyers and the new residents, and shaping their impact of housing demand on the maintenance of the stock. We have learned that neighborhoods in which some representatives of the middle class remain are much less vulnerable to blight and disinvestment, and further, that class heterogeneity often encourages a continuous effective housing demand, whereas predominantly lower-class neighborhoods have difficulty replenishing themselves with future residents who can afford to maintain the housing as the current ones move or pass on. These neighborhoods then suddenly find themselves without enough replacement resident owner-buyers and tenants and then the influence of less scrupulous absentee-owners comes to dominate.<sup>3</sup>

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3. See "Working Class Housing: A Study of Triple Deckers in Boston" which examines this pattern in much greater detail.

### Housing Policies and Roles

Housing strategies of the 1960s tended to emphasize physical conditons and attempted complete neighborhood rehabilitation and even demolition/renewal of the housing stock. Often, this appeared to work, particularly where middle- and upper-income groups were re-attracted, as in the South End and Charlestown sections of Boston; but frequently it failed, and it was always very expensive. As a result, there have been important changes in national housing and community development strategies, reducing the overall level of federal support and shifting responsibility for policy and program design to the local level. Although Community Development Revenue Sharing, created in August 1974, will give municipalities greater freedom of local choice in formulating strategies, the price for Boston is a substantially reduced level of federal assistance for the near future. Community development subsidies will shrink by 1980 to only a third of the average annual level enjoyed by the city during the 1969-74 period.<sup>4</sup>

To determine what the public sector can and is willing to do also requires an examination of the city's housing

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4. Federal Assistance varied severely between a low of approximately \$12 million in 1970 to a high of nearly \$90 million in 1972. The average over the six years (1969 through 1974) was around \$37 million per annum, \$4 million more than the \$33 million received in 1975, the first year of community development block grants. The 1980 CDBG allocation to Boston is expected to be \$11.7 million, or only 32% of the \$37 million average in the six years prior to CDBG.

roles. The City of Boston is only one of many institutions which participates in the formulation and implementation of housing policy. In the past national housing subsidy and tax policies have to a great extent determined housing location, types, beneficiaries, and financial arrangements (for both producers and consumers) in Boston, with the city playing both direct and/or indirect roles in providing housing services. Until now, these city roles have been largely those of reactor rather than initiator of housing policies and programs. Moreover, there are several groups of non-governmental institutions--banks, insurance companies, universities, medical centers--which have been generally overlooked as a major influences over what happens to the city's housing stock and over housing choices which residents have, mainly through their investment policies (banks and insurance companies) and through their own development policies (universities and medical centers).

Experience over the past four decades indicates the wide variety of actions which the city carries out, all of which have important implications for meeting community needs and demands in housing. These include roles of: (1) housing investor, developer and manager; (2) provider of housing-related infrastructure and housekeeping services; (3) housing subsidizer; (4) housing taxpayer; (5) housing standards regulator and adjudicator; and (6) housing development/rehabilitation catalyst and facilitator.



In periods of extreme housing shortage (just after World War II, for example,) the City was a direct investor in housing, issuing general obligation bonds to finance veterans' rental housing which were subsequently sold to occupants and other designated eligible consumers.

Related to this role of direct investment is the continuing partnership of the Boston Housing Authority (BHA) since 1937 with the federal and state governments in developing and managing public housing units for low-income families, including the elderly. Under this local-federal-state partnership, local administrative responsibility is combined with federal-state financial participation, including federal-state supervision to ensure adherence to development and operating standards.

Another important City function is that of providing services to housing and its occupants. This housing servicer role not only includes furnishing the tax-supported infrastructure (streets, sidewalks, sewers, incinerators, etc.) so important to the basic needs of occupant households, but also the street cleaning, snow removal and rubbish collection which are essential for maintaining the viability of housing. In fact, the reputation for quality of such municipal services has significant influence on the housing decisions of owners, renters, developers and investors.



The City's role as a housing subsidizer is more indirect than direct, being mainly in the form of a conduit for subsidies from higher levels of government such as housing rehabilitation grants and loans, or in the form of an active participant in publicly-assisted housing processes where the subsidies go directly to the developer or indirectly through a public intermediary such as the BHA. However, land use control powers in eminent domain, whereby the Boston Redevelopment Authority acquires sites in urban renewal areas and sells them at reduced cost to housing developers, makes the City a direct subsidizer of housing since the net cost of the land is shared by the federal government and the City. Moreover, the City promotes housing production and rehabilitation through legally negotiated tax arrangements with corporations granted special tax status under Chapter 121A to renew blighted areas. The city also provides further indirect housing subsidies. Special tax credits for home improvements, authorized through the power to levy property taxes, is a recent example of the use of municipal taxing power used to extend subsidies to housing. Finally, wherever state statutes require property tax abatements for special homeowner groups (elderly, widows, veterans) or excise taxes in

lieu of property taxes on housing developments of limited-dividend developers in order to achieve less volatile and lower taxes, these legislated arrangements represent overt state policy to subsidize housing, at the expense for the most part of the municipal treasury.

The City's power to tax real estate affects housing in a variety of ways. As indicated above, local discretion over property tax assessments can be used to generate indirect subsidies to proposed housing developments by authorizing less than full-value assessments. Conversely, real estate taxing power can be used to discourage private housing initiatives by withholding tax abatement benefits. Because of prevailing high property tax rates, Boston's assessment policies can sharply influence neighborhood futures by their impact on individual owner decisions to buy and maintain existing housing. Moreover, resource allocation decisions on capital facilities (schools, sewers, connector streets, etc.) and on service priorities among equally needy areas also represent major determinants of the future nature of residential neighborhoods.

Powers to regulate housing standards and rents and to adjudicate the enforcement of such standards are becoming increasingly important for shaping the nature and form of the city's roles in housing. The trade-offs between level

of code standards, fix-up costs and resulting rent levels are subtle, yet they are also vitally important to the maintenance of both the housing stock as well as effective housing demand. Local responsibility to regulate the construction and rehabilitation of housing through the issuance and enforcement of building permits, local zoning ordinance administration, the enforcement of minimum state codes in housing occupancy and maintenance, and the regulation of rental levels in much of the City's multi-family housing stock provide basic legal tools for guiding the development of new housing, for affecting the modification and upkeep of existing housing, for controlling the cost of shelter for tenant occupants and for adjudicating unresolved housing regulatory issues. Since much of the City's land is already built upon, these powers become particularly important for encouraging favorable trends in city-wide and neighborhood housing markets and for mitigating the effects of adverse market forces. To the extent that these regulatory powers are not fully coordinated and are enforced haphazardly by municipal agencies tuned to limited approaches and policies, the City may be overlooking a prime opportunity for improving housing dynamics toward beneficial ends instead of letting unchecked market forces shape the outcome. It seems natural for the Assessing Department to



determine taxes and for the Rent Control Administration to "control" rents, but it is less obvious that limiting rents can reduce the tax base of the City or that the tax bite out of the controlled rent dollar can crimp the maintenance budget even if pass-through of last year's costs is permitted on the individual petitions that come before the Rent Control Administration. The regulatory functions jointly generate a climate affecting maintenance and new development which the individual agencies may be largely unaware of, but which the city should monitor and attempt to alter if it impairs resident well-being and housing maintenance.

The planning, construction and maintenance of housing involves many other roles and actors outside the City, and upon which the City has only limited direct influence. Within the public sector, both Beacon Hill and Washington may appear difficult to influence, but a conceptual plan can exert a tremendous influence. Progress can be seen as a succession of steps whose "time has come" and the City can have decisive influence in shaping such steps if it takes the initiative, even though it has no direct control over Beacon Hill or Washington. The concepts and policy considerations contained in this report are intended to aid in fashioning such a plan. The private sector (sometimes termed the real estate industry) includes owners, brokers,



lenders, developers and others who have roles in shaping the housing system. To be effective, any planning process must respond to the inputs and overlap with the interests of these groups. Again, this report can be useful in generating a consensus for particular policy alternatives facing the City.

With responsibility for formulating housing programs and policies shifting from the national to the local level, customary roles and approaches need to be re-examined - a process that has clearly begun in Boston. Whereas in the past, the City largely responded to federal categorical programs, new possibilities and responsibilities have emerged. With the new emphasis on preserving the existing stock, on aiding residents and neighborhoods, the City's roles of (1) provider of housing-related services, (2) housing standards regulator/adjudicator and (3) housing facilitator/catalyst will emerge as the critical local functions. This shift of emphasis in housing policy formulation requires more sophisticated orchestration of the City's roles, finer tuning of each housing program and the more effective coordination of all housing maintenance and development functions, whose objectives may require a restructuring of the present housing services delivery system.

### Summary of Conclusions

This study was undertaken with a focus on two key issues: 1) improving the quality of housing for present residents, and 2) reducing the disparities in the mix of available housing opportunities, both within and between the central City and other communities of the metropolitan area. These issues are closely inter-related, and we have come to realize that strategies for physically improving the housing of lower-income and/or minority households are likely to ultimately remain ineffective as long as these groups are treated in isolation from the general population.

Chapter III proposes strategies for upgrading the quality of existing housing and neighborhoods, whereas Chapter V discusses how greater choice and improved opportunities for housing mix could be attained. Essentially, these two goals interrelate and the same strategies are appropriate to both objectives: income assistance, technical assistance and counselling, and special techniques for overcoming the effects of discrimination. However, there is a significant contrast in perspective between these two chapters. The former concentrates on currently applicable measures, essentially proposing immediate actions to arrest disinvestment and to counteract further neighborhood deterioration until a national policy affecting jobs, incomes,

and economic development can be shaped. Maintaining vitality in the existing housing stock is a function of keeping up effective housing demand so that replacement residents who can afford decent housing are readily available as vacancies occur and structures are offered for sale. Without effective housing demand on the part of the households willing and able to meet the costs of adequate housing, housing deterioration can rapidly set in. The challenge confronting the formulators of housing policy is how to channel this demand in ways that prevent an excess of demand in some neighborhoods (inflating prices therein) and a dearth of demand elsewhere (leading to disinvestment). City policies already include an array of new programs designed to enhance the relative attractiveness of existing neighborhoods to new households, as elaborated in Chapter III. For the longer run, however, maintaining a preponderance of resident ownership throughout each neighborhood is the most effective safeguard against disinvestment and decline. When neighborhoods become too differentiated by economic class, with all young professionals tending to concentrate in some sections and lower-income and minority households relegated into others, a kind of vulnerability sets in. Countless individual and institutional actions exacerbate this contrast, in effect, redlining and curtailing services in the



poorer areas and bidding up the price of entry into the more "exclusive" areas to cost levels in excess of providing such housing. We are unaware of attempts to ameliorate neighborhood conditions which have been successful in the long run without restoring a responsive spirit in which housing consumers and suppliers interact. The concept "middle class" is much maligned, but the presence of middle class attitudes, of "immigrant mentality", the "work ethic", or of the "Protestant ethic" all assure the appropriate responsive spirit. In fact, restoring a middle-class presence has generally been implicit in renewal strategies of the past. The renewal programs in Charlestown or the South End have succeeded in attracting such a flood of middle- and higher-income households that existing residents who cannot afford the rising rents have been displaced. If future public policy is to be effective, the focus must remain on people, not structures; houses and neighborhoods only reflect the well-being of the households themselves.

This shift toward the direct assistance of households rather than housing is only in its initial stages. Although HUD's study, Housing in the Seventies,<sup>6</sup> questioned the advisability of continuing subsidies to the producers of

6. Housing in the Seventies; A Report of the National Housing Policy Review was issued by HUD in Washington in 1974.



housing, the new federal housing assistance program (Section 8) is curiously divided between producer-oriented assistance for new construction and rehabilitation and consumer-oriented assistance for use by households on a "finder's-keeper's" basis in existing housing. But the pendulum of national policy seems to be swinging toward various versions of job creation and income maintenance - jobs, economic development, housing allowances, and the negative income tax. These are all examples of demand/side measures and they are mentioned with such increasing frequency that enactment in some form appears likely within a decade.

Chapters III and IV of this report have presented a set of strategies which constitute immediate actions until such time as adequate demand/side supportive measures become available. Once this happens, the underlying issue of Chapter V, "how to open up the suburbs", will become much more relevant. In the interim, the problems of substandard housing will be shifting in location to communities outside the central City and housing deterioration will remain a continuing issue until our society discovers ways to maintain stable and diverse neighborhoods. This will require a much more serious examination of the roles of jobs, income,

race, and class as well as the way lifestyles interact. Segregation by age, by income, and by race continues, encouraged by ever greater mobility and increased automobile ownership.

There is an increasing awareness that the future of mature urban neighborhoods is determined far more by interactions among past, present, and future residents than by age or condition of the housing stock itself. Identification of "ethnic interfaces" is being undertaken and just as meteorologists map cold fronts, occluded fronts and warm fronts, urbanologists are beginning to map and study ethnic interfaces. The various interfaces among Irish, Italians, Jews, Blacks, and Spanish-speaking groups all have particular and distinctive patterns in impact on housing dynamics and understanding the differences between Irish-Black and Jewish-Black, or Black-Spanish interfaces will shed more light on how housing can be upgraded, preserved, or destroyed by social forces. But this will require new vocabulary, new styles, and methods of field research that are just evolving.<sup>7</sup>

At this stage it is important for planners and policymakers to differentiate housing markets on the basis of

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7. The joint BRA/BUO study, "Working Class Housing: A Study of Triple Deckers in Boston" demonstrates and applies such new research techniques.

their relative market strength, because strategies appropriate to strong and stable markets can prove counter-productive when applied in weak market areas. Strong or "rising" areas, are those where there are more applicants than vacancies, or more households who wish to live in the neighborhood than there are available dwelling units. In stable neighborhoods, supply and demand balance out, whereas in declining neighborhoods there are fewer households seeking to live than available dwellings. Traditional housing programs like code enforcement are appropriate where demand and supply match; that is, they are suitable for about half of Boston's stock. Such innovations as homesteading, rehab counselling, and special loan funds are also beneficial under these conditions. But for the other half of the City's housing where supply and demand are in a state of imbalance, it is critical to determine whether demand exceeds supply or vice versa. Where there is an excess of demand, the housing problems are likely to be spiralling rents caused by appreciation. Often owners refinance to capitalize or convert their increased equity into cash for other investments, and in this process tenants desiring to remain are required to pay more and more rent. If there is



strong demand throughout a neighborhood, owners become tempted to convert or create additional dwelling units within existing structures to gain more rental income to meet their higher expenses and taxes. The casual observer may hear housing needs and shortages discussed in this same geographical area, but the underlying problem is likely to be speculation which is encouraged by the shortage of attractive units in the area. The most effective public policies in such cases are code enforcement, monitoring for illegal conversions, and rent control, to see that only operating cost increases are passed along, not the increased costs of financing generated by capitalization or appreciation.

In the declining areas, on the other hand, the problem is much more basic. Behind the confusing symptoms of neighborhood pathology--poorly maintained structures, scattered housing abandonment, and trash accumulation--is the lack of effective housing demand, the inability to afford the cost of decent housing. Whereas the rising neighborhoods are overattractive, declining neighborhoods are unattractive and the current residents tend frequently to compound the problem by "talking down" the area. As they "talk it down", they destroy confidence in the neighborhood and discourage



whatever investments might otherwise have occurred. This causes an acceleration of the decline until it becomes contagious. Whereas disinvestment in some cities has become a devastating process, Boston is fortunately composed of highly variegated areas, thereby preventing a domino-effect loss of block after block of similar structures, a pattern that has occurred in widespread areas of other large cities. Declining areas in Boston are scattered, concentrated in pockets, and in the aggregate currently contain no more than one-sixth of the housing stock. The loss of confidence which pervades such neighborhoods, however, is a serious threat that can travel with disillusioned residents who abandon one area and shift into healthier areas unless adequate assistance is provided and care is taken to assure that confidence is not undermined in currently stable areas. To achieve this kind of support for disadvantaged households, instead of embarking on futile efforts to "gut rehabilitate" the areas that disadvantaged households currently occupy, requires the formulation of appropriate new, nationally-accepted strategies influencing the migration of disadvantaged as well as affluent households. These strategies are under-developed because such approaches have traditionally been considered outside the realm of public

responsibility. Chapter V is an effort to identify those changes in population mix that are likely to emerge as well as those that are necessary if public policies are to influence the building of more inherently stable neighborhoods.

In ways that at present can only be glimpsed, the problems of substandard housing interrelate closely with the issues of how individual housing choice and opportunity are allocated in our society. Immediate actions to ameliorate housing conditions constitute an important and vital holding action to preserve portions of the existing stock that we can ill afford to lose or replace. In the long run, however, these efforts are likely to prove inadequate and often futile until we have a better understanding of the factors that affect neighborhood attractiveness and stability, and new ways of influencing residential settlement patterns can evolve and attain widespread acceptability. No city, acting on its own, could bring about such a fundamental change. Ironically, this study has shown us that the "housing problem" is less a problem of the condition of the stock or production and/or maintenance of dwelling units, but rather a "people problem" involving jobs, income and opportunity. Housing is perceived as a complex and insoluble issue because we have attempted to look at housing in counterproductive

ways. The concept of filtration precludes recycling and has blinded us that for decades market processes have effectively been recycling much housing in Boston. In fact, the better, more durable parts have been saved because of the workings of such processes. Instead of blindly trying to add brand new units in the heart of areas that have lost confidence or simply demolishing abandoned structures without wondering where the residents moved or what their job and income potential is, we should deepen our understanding of the processes that shape housing market dynamics so that public policies can shape and channel those forces that encourage the recycling and preservation of housing.







