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STUDY BY THE STAFF OF THE U.S.

General Accounting Office

Housing Block Grant Activity In Seattle: A Case Study

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

Seattle received about $108 million since 1975 in Community Development Block Grant Program funds, $25.6 million of which was allocated for housing assistance activities. The remaining funds were used for other approved block grant activities, such as economic development projects and park improvements.

This study discusses the housing programs designed by the city under the block grant program, what they cost, and who has benefited.

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FOREWORD

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

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

Unless otherwise stated, the information in this study was provided by the city of Seattle and was not independently traced to original source documents.

Henry Eschwege
Director
Community and Economic
Development Division

STUDY BY THE STAFF OF THE
U.S. GENERAL ACCOUNTING OFFICE

HOUSING BLOCK GRANT ACTIVITY IN SEATTLE: A CASE STUDY

D I G E S T

The Congress is currently considering various alternatives for dispensing Federal housing subsidies. One alternative is a housing block grant program that would consolidate a number of the present categorical housing programs. Issues have been raised concerning housing block grants, however, including overall program design and local capacity to design and implement housing programs.

This case study of Seattle, Washington, is one of several GAO studies examining local housing activities under the Community Development Block Grant Program. Seattle and many other cities are using a significant portion of Community Development Block Grant Program funds for housing needs. GAO believes that these case studies will assist the Congress by describing how cities and counties now use their block grant funds to provide housing for low- and moderate-income families.

Overall, GAO learned that Seattle has used Community Development Block Grant funds to provide minor assistance for a number of housing units. Elderly homeowners with low to moderate income were the primary beneficiaries. Private rental units and renters were less affected by Community Development Block Grant funds.

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

rental properties and has proposed such a program in its 1983 budget. (See p. 10.)

The Community Development Block Grant Program was authorized under title I of the Housing and Community Development Act of 1974, as amended, and consolidated a number of previous categorical programs such as Urban Renewal. Under the program Federal funds are provided annually to certain local governments to assist their community development activities. Major cities and many large counties receive grants for which they are given latitude to set priorities, design programs, and fund projects which meet their local needs in such areas as streets, parks, public works, and housing. (See p. 5.)

OVERVIEW OF SEATTLE BLOCK GRANT HOUSING IMPACT

Seattle has spent $17.1 million of the total block grant funds it has received for housing-related purposes. Of this amount, 32 percent has been spent on owner-occupied housing units and 21 percent on privately and publicly owned rental units. The remaining 47 percent has been spent as follows: 37 percent for administrative costs, which covered the city's costs for administering the housing portion of the block grant program and other city housing programs; 7 percent for housing counseling and workshops on home repairs; and 3 percent for miscellaneous housing activities, such as housing studies and providing furniture to new tenants in public housing. A city official told GAO that with regard to indirect and administrative costs (1) the city's block grant housing programs needed careful management because of the complexity of the programs and (2) block grant administrative funding was used so that more direct assistance could be provided to beneficiaries of other city housing programs. (See p. 42.)

Funds have been expended principally through low-interest loans, deferred loans, and grants to homeowners and landlords to rehabilitate and weatherize their housing units and through city expenditures to acquire land and housing units. (See p. 9.)

Results achieved by Seattle include

--rehabilitation of 896 owner-occupied single-family housing units and minor repairs to

6,560 units at a total cost of $5.1 million;

--acquisition of land for low-rent public housing units, $1.3 million; and

--rehabilitation of 410 privately owned rental units (most of the units rehabilitated were single-room units with shared kitchens and bathrooms); $2.2 million.

The city's most unique program is designed to rehabilitate single-room occupancy units. These units usually contain washstands, and the residents share kitchens and bathrooms. City officials believe that this program fills a need for low-rent housing in the downtown area. Loans and grants totaling $2.1 million have been provided to seven developers to rehabilitate 324 single-room units. Loans and grants ranged from $900 per unit to $15,800 per unit. (See p. 31.)

While Seattle has provided assistance to 7,456 households, most households (88 percent) received less than $100 for minor home repairs. Only 896 households--less than one-half of 1 percent of the city's households--received substantial assistance. (See p. 9.)

CITY VIEWS HOUSING BLOCK GRANTS WITH GUARDED OPTIMISM

City officials told GAO that they believe they have the knowledge and experience to design and operate a housing block grant program but are concerned about the flexibility of such a program and the funding levels that would be provided. (See p. 43.)

One city official suggested that combining housing vouchers with a housing block grant would best serve Seattle's interests. With such a combination, he said, the city could provide a shallow capital subsidy for new housing which could then be occupied by people with vouchers. (See p. 43.)

Contents

ABBREVIATIONS

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

CHAPTER 1

AN OVERVIEW OF SEATTLE's HOUSING PROGRAMS AND PROBLEMS

Seattle is the largest city in Washington. Although it has a diversified industrial base, including major industries involved in timber, aviation, fishing, and maritime activities, its population decreased by 7 percent, from 530,831 in 1970 to 493,846 in 1980. At the same time, minority population increased from about 12.6 percent in 1970 to 20.5 percent in 1980. The largest minority groups are blacks and Asians.

The city has retained a strong residential character, with a major share of its land devoted to residential uses. Almost 60 percent of Seattle's housing units are detached, single-family dwelling units, the majority of which are one- to two-story, wood-frame structures.

HOUSING CONDITIONS, NEEDS, AND GOALS

In 1980 renters represented about 45 percent of all households in the city. While this is about the same proportion as in 1970, the city experienced a large decline in the number of renter households with children. In 1970, 20.8 percent of Seattle renter households had children under 18, compared with only 12.9 percent in 1980.

According to the city's housing plan, the major shortfall with the city's housing stock is the availability of safe and affordable housing for low-income renters. Between 1975-80 Seattle area rents increased 73.3 percent, more than any other major metropolitan area in the West. The city estimates that more than 38,000 low-income families need housing assistance. Thus, most of the city's housing assistance programs are designed to increase the supply of low-rent housing.

Housing conditions

Based on a 1978 exterior survey of housing outside the downtown area and an approximation from a 1974 survey of the downtown areas, the city estimated that 13,100 units are substandard. The total substandard units represent about 6 percent of the 232,500 units within Seattle. The 1978 survey identified only 2,174 substandard units outside the downtown area. Most of the substandard units (88 percent) were renter-occupied. Thus, based on housing conditions, rental units are the most in need of housing rehabilitation.

Housing needs

More than 38,000 low-income households need housing assistance in Seattle. Based on 1978 data provided by the Puget Sound Council of Governments, the following kinds of households need assistance:

Low-Income Households in Need of Housing Assistance

Household type	Owner	Renter	Total
Elderly and handicapped	1,890	10,309	12,199
Small households (1 person, non-elderly)	295	12,767	13,062
Small family (2-4 persons)	341	10,847	11,188
Large family (more than 4 persons)	452	1,225	1,677
Total	2,978	35,148	38,126

The above data shows the renter population having a much greater need for housing assistance than homeowners.

The council defined households needing housing assistance as

--renters with an annual income of 80 percent or less of the annual median income for households of the same size, who were making payments of more than 25 percent of their income for housing, and

--homeowners with incomes of 80 percent or less of the median income and living in houses that were either (1) valued at less than $10,000 in 1970, (2) lacking some or all plumbing, or (3) overcrowded.

In its housing assistance plan, the city cautioned the reader against interpreting the needs data since it contained a number of deficiencies. For example, the city reported that:

--The needs data is based on 1970 census data.

--The needs data is for current residents, although the city is planning and building housing for future residents (10 and 20 years from now).

--The methodology used to estimate needs includes a standard growth factor that does not reflect real population changes.

The city also reported that since the council did not take into account the expenditures that homeowners pay for housing, the data underestimated the number of lower income homeowners who pay a disproportionate amount of their incomes on housing costs.

Housing goals

The major thrust of Seattle's housing assistance plan is to increase the supply of low-rent housing. In 1982 the city intends to continue its assistance to lower income renters--those hardest hit by forces in the current housing market. At the same time, the city plans to continue efforts to reduce housing costs and to assist homeowners in repairing and rehabilitating their homes.

To address its housing problems, Seattle developed major policies specifically designed to assist homeowners and renters. The major policies are to

--prevent or minimize the impact of displacing low-income renters;

--improve the condition of low-income, single-family, owner-occupied housing;

--increase the supply of low-cost housing;

--increase homeownership among renters;

--increase the supply of housing accessible by the elderly or handicapped;

--increase the number of group homes for the developmentally disabled;

--provide emergency shelter for displaced families and transients;

--encourage decentralization of the geographic location of emergency shelter services; and

--increase housing choices for low-income households.

To implement these policies, the city has designed various housing programs using Community Development Block Grant (CDBG) funds plus funds from other Federal housing programs. Chapters 2 through 5 present a detailed discussion of the programs that the city funded through the CDBG Program from 1975 to 1981.

HOUSING PROGRAMS IN SEATTLE

While Seattle has developed specific programs to provide housing assistance under the CDBG Program, other Federal subsidy programs have been used as well. Each program is designed to meet specific needs of a particular population group. The following chart summarizes federally subsidized housing activity in Seattle as of June 30, 1981.

Housing Units Assisted by the Federal Government

Federal programs	Units
Low-rent public housing	6,313
Section 8 (existing)(rent supplement)	2,010
Section 8 (new construction and rehabilitation)	733
Section 236 (rent supplements)	877
Section 202 (elderly or handicapped)	953
Section 221(d)(3) (new construction and rehabilitation)	2,052
Total	12,938

The total subsidized units represent about 13 percent of the city's rental units.

THE DELIVERY OF HOUSING ASSISTANCE

Delivering housing assistance in Seattle involves Federal, city, and public organizations as well as a myriad of private developers and lenders. The major organizations include

--the U.S. Department of Housing and Urban Development (HUD),

--Seattle's Office of Policy and Evaluation,

--Seattle's Office of Housing Development, and

--the Seattle Housing Authority.

HUD's role

HUD provides CDBG funds, housing assistance payments, and financial assistance for constructing, acquiring, rehabilitating and maintaining low-income housing units for both tenants and homeowners. In addition, the local HUD area office is directly involved in reviewing the city's CDBG application, providing technical assistance, and monitoring program activities.

Office of Policy and Evaluation

The city's Office of Policy and Evaluation directs planning of citywide housing strategies to meet housing needs. This office also develops the annual housing assistance plan and recommends block grant funding for housing-related programs.

Office of Housing Development

The Office of Housing Development within the city's Department of Community Development develops and administers the city's housing programs and provides technical assistance to private developers interested in producing subsidized housing for low-income families and for individuals. In 1981 this office was budgeted for a total staff of 39 persons.

Seattle Housing Authority

The Seattle Housing Authority manages the more than 6,000 public low-income housing units in Seattle. In addition, the housing authority manages the HUD section 8 rental program that provides subsidies on existing open-market housing units and administers a CDBG-funded program providing loans to low-income homeowners to rehabilitate their residential property. Seattle's housing authority also modernizes and rehabilitates housing using a permanent staff of carpenters and tradesmen rather than contractors.

THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Under title I of the Housing and Community Development Act of 1974, as amended, certain units of general local government receive Federal funds annually to assist their community development activities. Authorized by the act, the CDBG Program superseded and consolidated a number of previous categorical programs such as Urban Renewal and Model Cities. Under the CDBG Program, major cities and many large counties are entitled to receive a grant, the amount of which is based upon an objective needs formula.

CDBG activity in Seattle

Since 1975 Seattle has received $97.3 million in CDBG entitlement funds and an additional $10.7 million in CDBG special grants. The city allocated $25.6 million (23.7 percent) of these funds to housing-related programs. The remaining funds were allocated for other approved CDBG activities. By June 30, 1981, the city had spent or obligated $17.1 million of the funds allocated to housing programs. The following page summarizes the CDBG-related housing programs and the funds allocated and expended.

Seattle divided the CDBG entitlement funds among three major categories of activities--physical development, public service, and administration. Physical development includes housing, community development, economic development, and parks and community facilities. Housing is the highest priority, and over half the physical development projects fall into this category. Many of the highest priority housing programs are tied into Federal housing assistance funds. The city's community development activities generally complement housing rehabilitation in low-income neighborhoods and efforts to increase the housing choices for low-income people.

In 1975 Seattle designated five community development areas for recipients of the Housing and Community Development Act (block grant) funds. These areas contained high concentrations of low-income families and deteriorated housing. Most of the housing programs were citywide projects, or located outside community development areas. Since then, new regulations have led to defining new, smaller areas for block grant assistance called neighborhood strategy areas. Seattle now has nine neighborhood strategy areas in which CDBG funds can be spent. (See app. I.)

City of Seattle CDBG Funds
Allocated and Spent on Housing-Related Activities
July 1975 - June 1981

	CDBG funds			
	Allocated		Expenditures as of	
Housing programs and projects--direct service	Amount	Percent	June 30, 1981	Percent
Scattered Site Program - Acquisition and Rehabilitation	$ 5,096,999	19.8	$1,268,543	7.4
Neighborhood Housing Rehabilitation Program	3,206,468	12.6	2,965,417	17.3
Emergency and Housing Code Repair Program	2,150,707	8.4	1,910,174	11.1
Housing Support Program - downtown single-room occupancy	2,190,000	8.6	2,071,300	12.1
Multifamily Rehabilitation/Relocation Program	770,000	3.0	86,400	.5
Minor Home Repair Program	420,284	1.6	342,278	2.0
Low-income Weatherization Program	310,603	1.2	180,460	1.1
Stevens Neighborhood Strategy Area Program	225,150	0.9	37,439	0.2
Minor Public Housing Projects	168,000	0.7	168,000	1.0
Total	$14,538,211	56.9 a/	$9,030,011	a/ 52.8
Housing-related activities				
Public housing emergency service	$ 491,796	1.9	$ 437,116	2.6
Housing counseling and workshops	1,512,473	5.9	1,130,955	6.6
Housing studies	124,859	0.5	124,859	0.7
Set aside for housing development corporation in Central area	75,000	0.3	0	-
Total	$2,204,128	8.6	$1,692,930	9.9
Housing program and project administration				
Scattered Site Program	$ 659,500	2.6	$ 327,309	1.9
Neighborhood Housing Rehabilitation Program	701,432	2.7	179,700	1.1
Emergency and Housing Code Repair Program	716,990	2.8	572,356	3.3
Atlas Hotel Project	64,000	0.3	19,292	0.1
Minor Home Repair Program	287,016	1.1	231,279	1.4
Low-Income Weatherization Program	227,417	0.9	115,840	0.7
Stevens Neighborhood Strategy Area Program	43,350	0.2	33,157	0.2
Housing development and administration	4,265,895	16.7	3,224,118	18.8
City direct and indirect charge	1,850,950	7.2	1,680,862	9.8
Total housing program administration	$ 8,816,550	34.5	$6,383,913	37.3
Total housing costs	$25.558,889	100.0	$17,106,854	100.0
Total CDBG funds	$108,010,471			
Housing as a percent of CDBG		23.7		

a/Percentages do not add due to rounding.

Housing interventions in Seattle

Based on our preliminary work on CDBG housing activities, we decided to review data based on housing activity/financial subsidy mechanisms (so-called "interventions") rather than housing programs. We believe this will provide the reader with a better understanding of the CDBG housing activities taking place and the individuals benefiting. For example, a housing rehabilitation program which provides loans and grants would be considered as having two housing interventions. If both renters and owner-occupants were eligible, the program would have four interventions.

As of June 30, 1981, Seattle's nine CDBG housing programs used 10 different housing interventions. About 7,900 housing units received minor repairs or rehabilitation--3 percent of the city's housing units. Ninety-five percent of the housing units were owner-occupied while the remainder were rental units. Primary financial assistance provided by the city was direct expenditures for material and labor for making minor home repairs. The city's 10 housing interventions were:

--Deferred loans, full loans, and a combination of deferred/partial loans totaling $4.7 million to rehabilitate 896 owner-occupied housing units.

--Direct payment totaling $342,278 for labor/material costs associated with making minor repairs to an estimated 6,560 owner-occupied housing units.

--Land acquisition costs totaling $1.3 million for low-income housing sites.

--Subsidy to assist the acquisition and rehabilitation of city housing units for low-income public housing. No funds were spent as of June 30, 1981.

--Full, partial, and forgivable loans and partial grants totaling $2.2 million to rehabilitate 410 rental units.

The following chart summarizes the main housing interventions we identified.

CITY OF SEATTLE'S HOUSING INTERVENTIONS INVOLVING CDBG FUNDING (JULY 1975 - JUNE 30, 1981)

	CDBG funding (note a) (in millions)	Number of loan grant CDBG funded (note a)	Average CDBG loan grant (note a)	Number of housing units	Average CDBG unit financing total	Targeted area	Eligible criteria	Recipient characteristics
Rehabilitation owner-occupied								
Neighborhood Housing Rehabilitation Program								
Deferred loans	$2.4	247	$ 9,742	247 i/	$ 9,742	Citywide	50 percent of area's median income	70 percent with incomes under $7,950
Direct loans	.3	24	13,701	24	13,701	Citywide	90 percent of area's median income	Not available
Combination	.2	14	16,459	-	32,919	Citywide	90 percent of area's median income	Not available
Emergency Repair Program								
Direct loans	1.8	618	4,027	618	4,027 e/	Citywide	90 percent of area's median income	Less than 50 percent of median (56 percent); 61 percent white
Minor Home Repair Program								
Direct expenditures— city provided labor/material	.3 (.5)	- -	- -	6,560	52 (134)	Citywide	Elderly and less than 80 percent of State median income	64 percent white
Total rehabilitation owner/occupied	5.1 f/h/ (.5)	903 (97)	6,527	7,456	699 (773)	Citywide	Less than 90 percent area median income	Insufficient data
Acquisition, Rehabilitation, and Construction of Public Housing								
Scattered Site Program								
Land acquisition	1.3 b/	-	-	-	-	Specific North, Central and Southwest areas	Public housing income limits	Not applicable
Writedown of rehabilitation costs	c/	-	-	-	-			
Minor Public Housing Projects								
Direct expenditures	.2 (.1)	- -	- -	d/	-	Public housing	Public housing income limits	Not applicable
Total public housing	1.5 (.1)	- -	- -	- -	- -	Specific areas	Public housing income limits	Not applicable
Rehabilitation/rental units								
Single-Room Occupancy Program								
Direct loans	1.2	4	306,250	224	5,469	Downtown area	None	No data available
Partial grants	.6	2	317,150	46	13,370		None	No data available
Forgivable loans	.2	2	106,000	81	2,856		Private developers who agree to limit rents/operate units as single-room occupancy for a specified time	No data available
Multifamily Rehabilitation Program—partial and forgivable loans (note g)	.1 (.8)	4 (3)	21,600 (264,283)	59 -	1,464 (14,902)	Citywide	Usually connected with section 312 loans	No data available
Total rehabilitation rental	2.2 h/ (.8)	12 (3)	179,808 (264,283)	410	5,263 (7,196)	Downtown areas	None	No data available
Total	$8.8 ($1.4)	915 (100)	$ 9,341 ($264,283)	7,866	$,942 ($1,115)			

a/Other Federal and State funding.

b/CDBG funds of $3,897,135 were used as interim financing in acquiring land for constructing low income public housing units. However, only $2,628,592 of properties acquired have been assigned to HUD approved projects representing 267 units of new construction. Land values of $1,268,543 remain in inventory.

c/Properties with a total value of $7,714,500 (191 units) have been acquired. However, no CDBG funds have been used as of June 30, 1981. The Seattle Housing Authority estimates 580,254 will be needed to finance the difference between HUD approved development costs and actual cost for one project (76 units).

d/Heating system was replaced at one housing project and three houses moved to new location.

e/Average loan computed on 442 outstanding loans of $1,779,795. Officials indicated an additional 176 loans were closed, hoever, the original loan amount was not available.

f/Does not include $180,460 in direct labor and material costs of the low income weatherization assistance program, and $37,000 for Stevens Neighborhood Strategy Area Program.

g/Partial loans (3) totaled $66,400 and a forgivable loan (1) totaled $20,000.

h/Does not add due to rounding.

i/97 of the 247 borrowers also received bank loans for an unknown amount; therefore, the average unit financing is understated.

J. Michael Marshall, Director Housing Rehabilitation and Development, Seattle Housing Authority.

Ted G. Lagreid, Block Grant Administrator, City of Seattle.

Tom Downey, Acting Director, Office of Housing Development, Seattle Department of Community Development.

James Mohimdio, Acting Planning and Development Manager, Office of Housing Development, Seattle Department of Community Development.

James Jackson, Chief Rehabilitation, Housing Division, Seattle Department of Community Development.

We also interviewed Seattle's HUD area office officials involved in approving and monitoring CDBG funding activities.

We discussed the results of our work with Seattle Housing Authority, city, and HUD area office officials and asked them to verify the contents of the case study. Where applicable, their suggestions were incorporated into the study. We made this review according to GAO's current "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions."

OBJECTIVES, SCOPE, AND METHODOLOGY

The Congress is currently considering the possibility of consolidating a number of categorical housing programs into one block grant program and has directed HUD to conduct a comprehensive examination of the feasibility of a housing block grant program. Also, the President's Commission on Housing is evaluating how best to provide housing to those in need. GAO undertook this case study, as part of an extensive review of housing activities under the CDBG Program, in order to provide the Congress with an empirical base for its deliberations. This review includes three additional cities--Pittsburgh, Dallas, and St. Louis--and the compiling and analyzing of detailed questionnaire responses from over 650 cities and counties receiving CDBG funding. The review should provide the first comprehensive view of all CDBG housing activities--what was done, for whom, and at what cost. Also included are the attitudes of city and county officials concerning housing block grants as a mechanism for providing housing assistance to low- and moderate-income families.

Our approach in this case study of Seattle--the second in a series of case studies--was to look at CDBG housing activities during the first 7 program years. Using June 30, 1981, as our cutoff date (program funds were not always obligated or spent in the year authorized), we reviewed data on the nine CDBG-funded housing programs and various housing-related activities.

The city accumulated demographic data for only two CDBG housing programs--Emergency and Housing Code Repair Program (6 months of data) and Minor Home Repair Program (1 year of data). In order to obtain additional data, we reviewed files of the Neighborhood Housing Rehabilitation Program (July 1980 to June 1981). Except as noted, the raw data used in our tables and charts was provided by the city agencies. We did not verify to source documents that the data was accurate. Nevertheless, we did selectively review case files on all the programs and we visited properties that were or are being rehabilitated. The photographs included in this study were provided by the city.

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

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

William Y. Nishimura, Executive Director, Seattle Housing Authority.

This program started in 1975, when the city established a $4.5 million trust fund with general revenue sharing funds. The city used the trust fund as collateral in obtaining bank financing. A housing authority official said that commercial banks agreed to provide $4 for every $1 in the trust fund, thus providing the housing authority with a potential $18 million in borrowing capacity. As of June 30, 1981, the authority had borrowed $6.8 million from eight commercial banks at tax-exempt rates of 5.5 and 6.5 percent. The bank financing was supplemented with $3.9 million of block grant financing. The housing authority used these funds to assist low-income homeowners in obtaining safe, sanitary, and code-approved housing by providing rehabilitation assistance and financing at terms that homeowners could afford. Most of the block grant financing was used for deferred payment loans (payment not due until the property is sold), whereas the bank financing was used to make installment repayment loans. In addition, the CDBG funds paid part of the costs to administer the program.

Housing interventions of the Neighborhood Housing Rehabilitation Program

The Neighborhood Housing Rehabilitation Program consisted of three CDBG housing interventions involving rehabilitation of existing single-family housing. The three CDBG housing interventions were:

--247 deferred loans costing $2.4 million,

--24 installment repayment loans costing $0.3 million, and

--7 combination deferred and installment loans costing $0.2 million.

In addition, bank financing provided 538 installment repayment loans; however, only 97 of these loans involved CDBG funding.

Deferred loans

The Neighborhood Housing Rehabilitation Program provided 247 deferred loans to homeowners totaling about $2,406,155 in CDBG funds ($9,742 per loan). Included in this total were 97 deferred loans totaling $903,362 which were combined with bank-financed installment repayment loans. (See p. 16.) The deferred loans were given to help lower income families make emergency repairs, make critical maintenance repairs, and weatherize.

To be eligible, the borrower had to

--reside within the city,

--have an income between $7,950 and $15,000 depending on family size,

CHAPTER 2

REHABILITATION OF EXISTING

OWNER-OCCUPIED HOUSING

Seattle assisted in rehabilitating or making minor repairs to 7,456 owner-occupied units during the first 7 years of the CDBG Program. Few units were substantially rehabilitated. The city used CDBG funds and private financing to provide loans, grants, and interest subsidies to rehabilitate the aging housing of primary low- and moderate-income families. In addition, 441 housing units were rehabilitated using only bank financing.

Three of the seven housing programs 1/ involved rehabilitating owner-occupied housing units and used four different subsidy mechanisms. The three programs were:

--Neighborhood Housing Rehabilitation Program--rehabilitation of existing single-family housing structures containing one to four housing units. Low- and no-interest direct and deferred loans totaling $12 million were provided to 719 homeowners. CDBG funding provided 188 loans; bank financing, 441 loans; and joint funding, 97 loans.

--Emergency and Housing Code Repair Program--rehabilitation of owner-occupied units needing emergency or code violation repairs. CDBG-funded, no-interest loans totaling $1.8 million were provided to 618 homeowners.

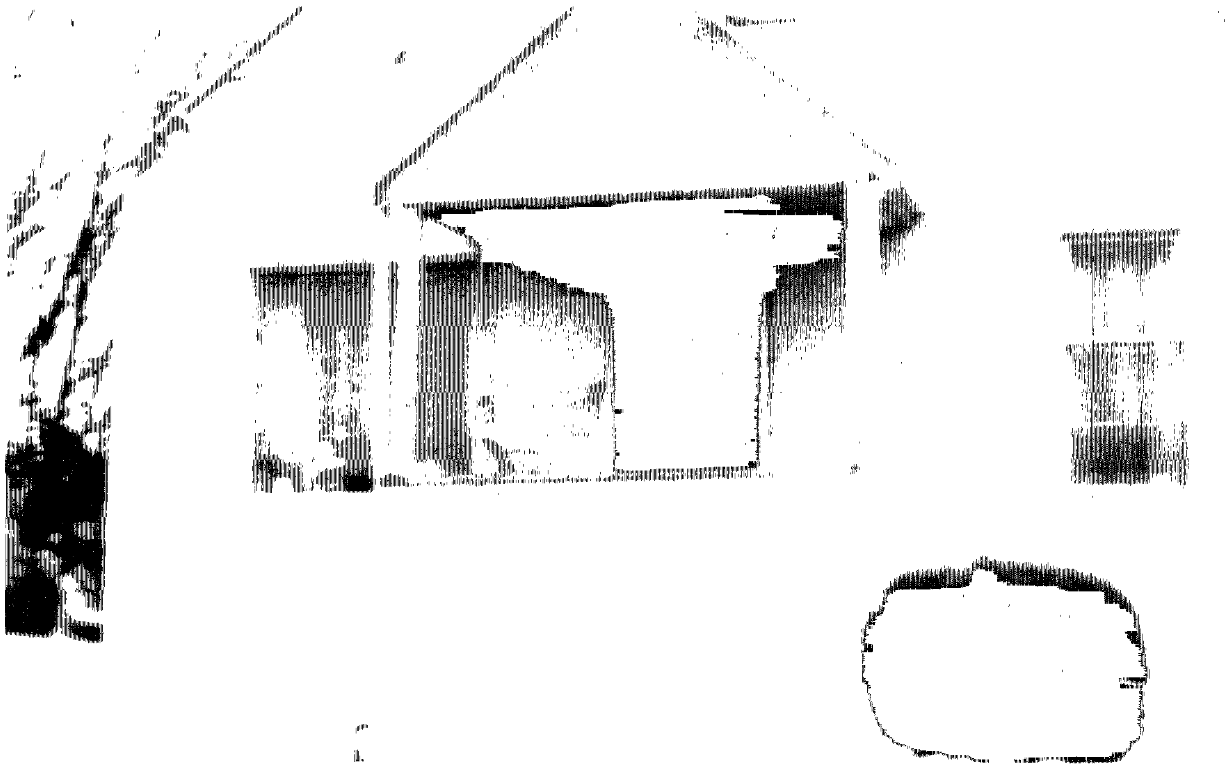
--Minor Home Repair Program--CDBG funds totaling $342,278 paid for the city's labor and material costs needed to make minor home repairs for an estimated 6,560 elderly homeowners.

NEIGHBORHOOD HOUSING REHABILITATION PROGRAM

The Neighborhood Housing Rehabilitation Program has provided financial assistance to 719 eligible homeowners throughout the city for rehabilitating one- to four-family-unit residential properties. Total funding allocated during the 7-year period beginning in 1975 was about $10.7 million; this comprised about $3.9 million of CDBG funds and $6.8 million of bank funds. The 1980 CDBG budget was $894,700, and the 1981 budget was $1,035,400.

1/Two programs are not included: (1) Stevens Neighborhood Strategy Program because only $37,439 had been expended and (2) Low-Income Weatherization Program because of the low dollar per unit costs and limited data of CDBG's impact.

The following photo shows a single-family unit rehabilitated with a CDBG-deferred loan of $21,559. Among the services provided for this house were (1) installation of new cabinets, countertops, garbage disposal, and dishwasher, (2) plaster for ceiling and walls, (3) installation of new windows, (4) repair of gutters, and (5) reroofing with asphalt shingles.



CDBG-funded installment
repayment loans

The Neighborhood Housing Rehabilitation Program has provided 24 installment repayment loans to homeowners at a cost of $328,830 in CDBG funds. In addition, the housing authority made seven combination deferred/installment repayment loans (14 loans) with $230,432 in CDBG funds.

The program director said that the CDBG-funded installment repayment loans were made to homeowners who exceeded the income limits established for deferred loans. These homeowners did not qualify for a bank-financed loan because they had inadequate or poor credit ratings. The authority plans to change these loans to bank-financed loans if the homeowners have a good payment record for 1 year.

--have limited assets,

--live in substandard housing,

--have the financial capacity to repay the housing authority for the rehabilitation assistance provided, and

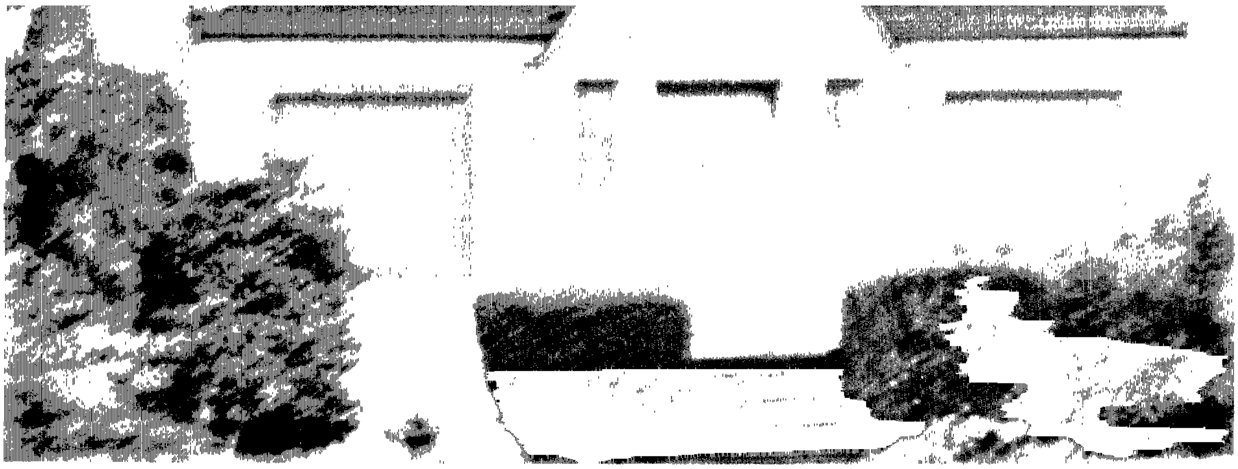
--be reasonably expected to repay the loan at the time of sale of the property.

The maximum amount of rehabilitation assistance allowed under deferred loans was $10,000; however, the credit or loan committee could approve a higher amount pursuant to a special finding of an individual applicant's need and did so on more than 25 percent of the loans. The minimum amount was $500. The indebtedness was due at the time of sale or other transfer of ownership of the property. Liens were placed irrespective of the equity situation. The interest rate on deferred loans was 0 percent.

The housing authority did not accumulate demographic data showing household income, type, size, or ethnic origin on recipients of deferred loans. The individual loan file, however, contained information on the recipient's income and household size, since that data was required to determine the applicant's eligibility.

The loan files showed that the most likely characteristics of loan recipients during a 1-year period ending June 30, 1981, were one-person households (45 percent) with income under $7,950 (41 percent). Overall, 45 of the 64 borrowers (70 percent) had income under $7,950. The following table shows household demographic data for 64 loans made during this period.

Household size	Number of loans	Household income: Under $7,950	$7,950 to $10,000	Over $10,000
1	29	26	3	-
2	12	8	3	1
3	12	7	3	2
4	4	2	2	-
5	5	2	2	1
6	1	-	-	1
7	1	-	-	1
	64	45	13	6



THE HOMEOWNER RECEIVED A CDBG DEFERRED LOAN FOR $6,433 AND A TRUST FUND LOAN FOR $8,600 TO INSTALL NEW CABINETS, DOORS, WINDOWS, AND GUTTERS AND TO REPAIR ROOF, WALLS, AND CEILINGS.

EMERGENCY AND HOUSING CODE REPAIR PROGRAM

The Emergency and Housing Code Repair Program provides no-interest loans to low-income homeowners who cannot afford to complete emergency or housing code repairs. Total funding during the first 7 years of the program was about $2.9 million in CDBG funds. The 1980 CDBG budget was $829,900, and the 1981 budget was $600,000.

Begun in 1975, the Emergency and Housing Code Repair Program was first administered by the city staff in the Building Department. In August 1980 program administration transferred to the Department of Community Development. Under the program, the city provides no-interest loans for emergency and code repair improvements to qualifying low-income homeowners. Loan repayments may be spread over a maximum of 20 years, with homeowners making monthly or quarterly payments during the loan period. The repayment funds will be returned to the program and eventually loaned to other low-income homeowners. Before 1981 the CDBG allocations included funds to pay program staff costs as well as to make no-interest loans.

The program director said that homeowners receiving combined deferred/installment repayment loans had to meet the income limits for deferred loans. These recipients had some debt repayment capability but could not make installment payments on a loan for total rehabilitation costs. In addition, she said that, because of their poor credit rating, these households did not qualify for a bank-financed loan.

Installment repayment loans with bank financing

The Seattle Housing Authority used funds borrowed from banks to provide 538 rehabilitation loans to homeowners throughout the city. The bank-financed loans had interest rates ranging from 1 to 12 percent. The 1981 interest rates on bank-financed loans were 8, 10, or 12 percent, depending on the household's income and size.

The income limits for installment repayment contracts were 90 percent of median income and in 1981 ranged from $14,290 for a one-person household to $25,540 for an eight-person or more household. The gross asset limit for nonelderly households was $5,000, except that, on an exception basis, the authority could waive this limit up to $10,000. The gross asset limit for elderly households was $15,000.

For installment repayment contracts, the minimum loan amount was $2,000. The maximum amount, in relationship to the secured position, was $40,000 for the first lien and $20,000 for the second. Maximum amounts for third liens were established on a case-by-case basis. Another rule was that no more than 40 percent of the total amount of assistance could be used for refinancing of existing mortgages; however, the authority could approve a greater percentage of refinancing on a case-by-case basis. The maximum term was 30 years for first-lien indebtedness and 20 years for second-lien indebtedness, except that the entire indebtedness was immediately due and payable if a sale or other change in ownership occurred before that time.

As of June 30, 1981, the housing authority had provided $8,919,729 of bank-financed loans to 538 homeowners. The average loan was $16,579. The housing authority combined 97 of the bank-financed installment repayment loans with CDBG-funded deferred loans totaling $903,362. The program director said that the combined loans were provided to homeowners who had some debt repayment capability but not enough to cover an installment loan for total rehabilitation costs. (See the next page for an example of a property involving this intervention.)

The housing authority does not maintain demographic data on the recipients of bank financed installment payment loans. The program director said that the authority obtains data on a household's size and income when processing the loan but do not accumulate or maintain the data cumulatively.

	Open loans		
	Number	Loan amount	Average amount of loan
Emergency home repair	206	$ 335,085	$1,627
Housing code repair	236	1,444,710	6,122
Total	442	$1,779,795	$4,027

The program's accounting technician said that an additional 121 emergency home repair loans and 55 housing code repair loans had been closed (or repaid) by June 30, 1981. However, she could not provide us with documentation showing the original loan amounts for all closed loans.

According to the program's rehabilitation loan specialist, the city did not accumulate demographic data in summary format showing loan recipients' income range, household size or type, or ethnic origin until after 1980. However, she stated that in 1981 the city began to develop and report cumulative data on loan recipients' ethnic origin and income level. The following tables show demograhic data reported by the city for the first 6 months of 1981.

Participation by race

	Beneficiaries	
Race	Number	Percent
Black	20	29
White	43	61
Hispanic	1	1
Asian or Pacific Island	6	9
Total	70	100

Housing interventions of the Emergency and Housing Code Repair Program

The Emergency and Housing Code Repair Program consisted of one intervention--direct loans to rehabilitate owner-occupied, single-family units (one to four units per building). The loans are to be repaid, thus providing the city with a continuing source of funds to rehabilitate its housing.

Program funds can be used for either emergency home repairs or housing code repairs to owner-occupied, single-family units. The intent of this program is to correct high-hazard deficiencies that present imminent danger to life and/or property. This could cover an emergency, such as a broken water main, arcing electrical wiring, broken sewer pipes, an inoperative heating system, or water entering the structure, when immediate attention is required. It could also cover a high-hazard condition, such as decayed, broken, or missing flooring, doors, windows, siding, ceiling cover, or interior walls; or a chimney with loose, broken, or missing bricks. Additions, basement and attic improvements, carpeting, unessentials, and general property improvements are to be avoided. Code repair funds may only be used to correct code violations.

The city provided no-interest emergency and housing code repair loans to 618 homeowners as of June 30, 1981. To be eligible:

--The property must be inside the city.

--The property must contain a condition which is either a menace or an imminent hazard to the safety or health of the occupant or to the public.

--The owner must demonstrate some ability to repay the city for assistance provided.

According to a city official in the Department of Community Development, the income limits to receive a loan under this program are 90 percent or less of the area's median income. In 1981, 90 percent of the area's median income ranged from $14,290 for a one-person household to $25,540 for an eight-person household. Qualified owners of buildings containing one to four housing units may be assisted under the program.

The emergency repair loans are limited to $2,500. For housing code repair, the loans must be more than $1,000 but cannot exceed $10,000. The maximum repayment period is 20 years. Most of the emergency repair loans are scheduled to be repaid within 10 to 15 years. The loan period is longer for housing code repair loans--15 to 20 years for most.

The need and demand for the program has been high. During 1978, 1979, and 1980, funds were exhausted by October. On June 30, 1981, the city had the following number of open, or unpaid, loans.

MINOR HOME REPAIR PROGRAM PROVIDES ASSISTANCE TO MANY ELDERLY PERSONS

Since 1976 the city has expended CDBG funds totaling $342,278 to pay direct labor and material costs and $231,279 to pay administrative expenses for making minor repairs to homes of low-income elderly persons. By December 1980 the city had completed over 32,000 jobs, which involved making minor home repairs; weatherizing homes; or installing smoke detectors or security devices, such as locks and solid-core doors.

Under this program, the city finances minor home repairs that enable people over 60 years of age to remain in their homes with safety and some comfort. The city provides services citywide and targets them to low-income, isolated, minority, handicapped, and fragile elderly. Repair services include correcting leaky toilets and faucets and plugged drains; replacing electrical switches, sockets, and fixtures; and repairing broken steps, rotten flooring and porches, and first-floor broken windows. The program also installs deadbolts and solid-core doors and provides aids for the handicapped.

Several sources fund the Minor Home Repair Program. Since 1976 the city has allocated $707,300 in CDBG funds to this program. In addition the city has provided Comprehensive Employment and Training Act workers to perform repair services. The Older Americans Act and the State Senior Citizen Services Act have provided additional Federal and State funds. Based on available data, funds from these sources have amounted to at least $539,000 from 1977 to 1981.

According to Minor Home Repair Program officials, an agency under contract with the city administers the program. The agency's staff performs the minor home repair work at no cost to the recipient. Program officials added that between 1977-80 this agency received $50,000 in CDBG funds to install 2,200 smoke detectors in elderly persons' homes. The agency also administers a "target hardening program" under which it installed security devices, such as locks and solid-core doors, in 1,732 homes of low-income, elderly homeowners. A city official stated that the CDBG allocations for the Minor Home Repair Program included funding for this program.

Income eligibility requirements vary for these programs. The director of the program stated that, in the Minor Home Repair Program, applicants receiving CDBG-funded repairs qualify if their incomes are less than 80 percent of the State median income.

The director of the agency stated that the city did not maintain data on the number of households served by these programs. He explained that program officials record only the number of jobs

Total	70	100

The photo below shows one property rehabilitated with loan funds received under the Emergency and Housing Code Repair Program. The homeowner received a direct loan of $5,022 for housing code repairs. The loan allowed the homeowner to install a new furnace and ductwork, install new electrical service, increase attic insulation, replace plumbing, and replace five windows.

CHAPTER 3

ACQUIRING, REHABILITATING, AND

CONSTRUCTING PUBLIC HOUSING

Seattle allocated about $5.8 million of its CDBG funds to the Seattle Housing Authority for land acquisition and acquisition and rehabilitation of low-rent public housing. The housing authority used the funds for acquiring land that was used in constructing public housing units. The city also allocated an additional $168,000 to the Seattle Housing Authority to rehabilitate or modernize existing public housing units.

SCATTERED SITE PROGRAM-- SEATTLE'S LARGEST HOUSING PROGRAM

Seattle's largest CDBG housing program is the scattered site program. Its aim is to provide housing for low-income families by rehabilitating and/or building units in small groups (ranging from 1 to 15 units) on sites spread throughout the city. Total funding during the period 1978-81 was about $5.8 million in CDBG funding, including administrative costs of $0.7 million. The 1981 CDBG budget of $2.4 million was about $281,000 less than the program received in 1980.

The scattered site program is a public housing program that the Seattle Housing Authority and the city started in September 1978 to provide much-needed units of low-rent public housing. The units are provided by acquiring restorable units and constructing new units.

According to the program's fact sheet, the city had a serious shortage of rental housing for families, which especially hurt low-income families. The city's Office of Policy and Evaluations estimated that 35,000 rental households in the city needed housing assistance. The city requested the housing authority to undertake the scattered site program when Federal funds became available to help the city meet its goal of providing housing to its low-income families. The city established a 5-year goal to develop 1,500 units of low-income family housing, with approximately 300 units per year in the production pipeline from 1979 through 1983.

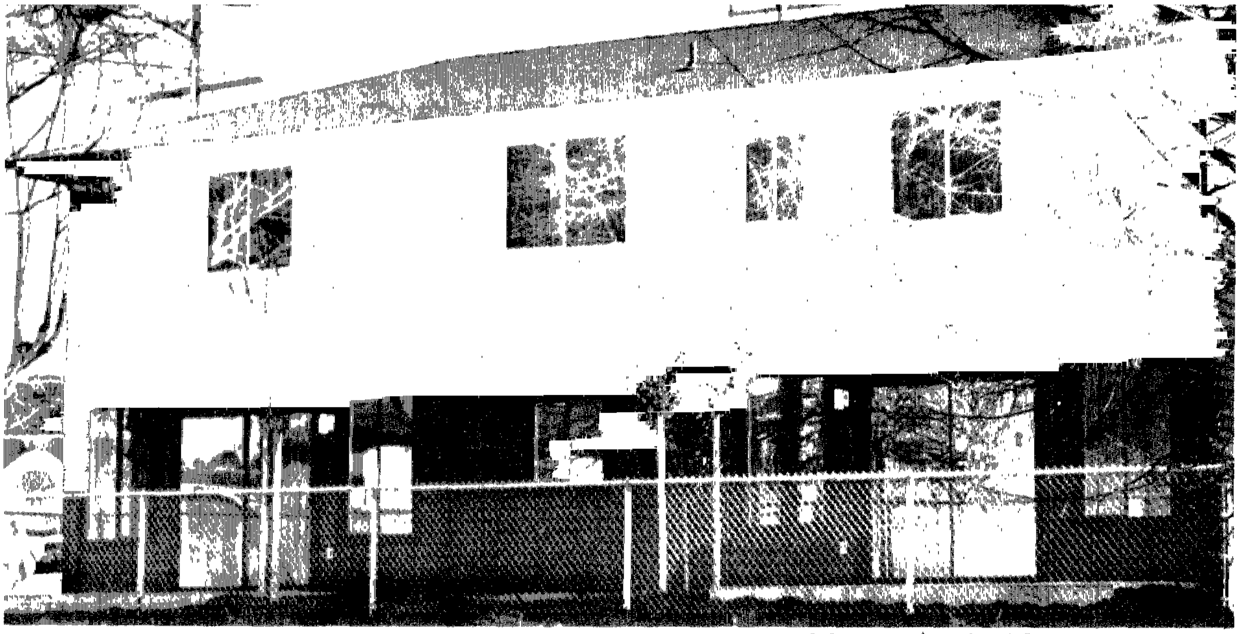
Scattered sites are low-density developments ranging in size from 1 to 15 units. The average size was 5.5 units per site. The city designated high- and low-priority areas within the city where the units could be located. City officials prohibited units in an area that already contained a large percentage of the city's subsidized housing. (See app. II.) The construction of units at scattered sites was designed to reduce the current isolation and concentration of low-income households in the southeast sector of the city.

completed because they make an average of five repairs per household. The following chart shows the number of jobs completed under each program.

Program	Number of jobs completed
Minor home repairs	28,867
Target hardening	1,732
Smoke detectors	2,200
Total	32,799

In 1980, 850 participants received CDBG-funded minor home repairs. All participants were elderly. The following chart shows a racial or ethnic breakdown of these participants.

Black	247
Hispanic	14
White	544
Asian or Pacific Islander	39
American Indian or Alaska Native	5
Other	1
Total	850



THE CITY CONSTRUCTED THIS TRIPLEX AT A COST OF $112,686.

The housing authority had acquired land which had not been assigned to a specific project. As of June 30, 1981, the housing authority had acquired, but not assigned, property costing about $1.3 million. A housing authority official said that the authority planned to use some of the unassigned property on three section 8 projects 1/ which HUD had allocated to it (81 units in 1979 and 53 units in 1980). This official said that the housing authority has had difficulty putting a feasible section 8 project together but now plans to go ahead and construct about 98 units under the two projects using CDBG funds to finance a portion of the projects (about $12,000 per unit). In effect, the housing authority is providing land free to the section 8 developer.

1/HUD guarantees rent assistance payments for a predetermined percent of low-income occupants of new units.

The city and housing authority recognized that costs for low-density, scattered site units would be higher than high-density, concentrated units. To this end, the city agreed to set aside some CDBG funds to subsidize a portion of the costs of scattered site units to cover the differences between Federal cost allowance and the actual cost of developing these units. The city based its CDBG allocation on an average subsidy of $4,000 a unit.

Housing interventions of the scattered site program

The scattered site program consists of two housing interventions involving the development of low-income public housing. The CDBG funds are being or will be used as

--interim financing in acquiring land to construct low-income multifamily housing and

--financing acquisition and rehabilitation costs of low-income single and multifamily housing units.

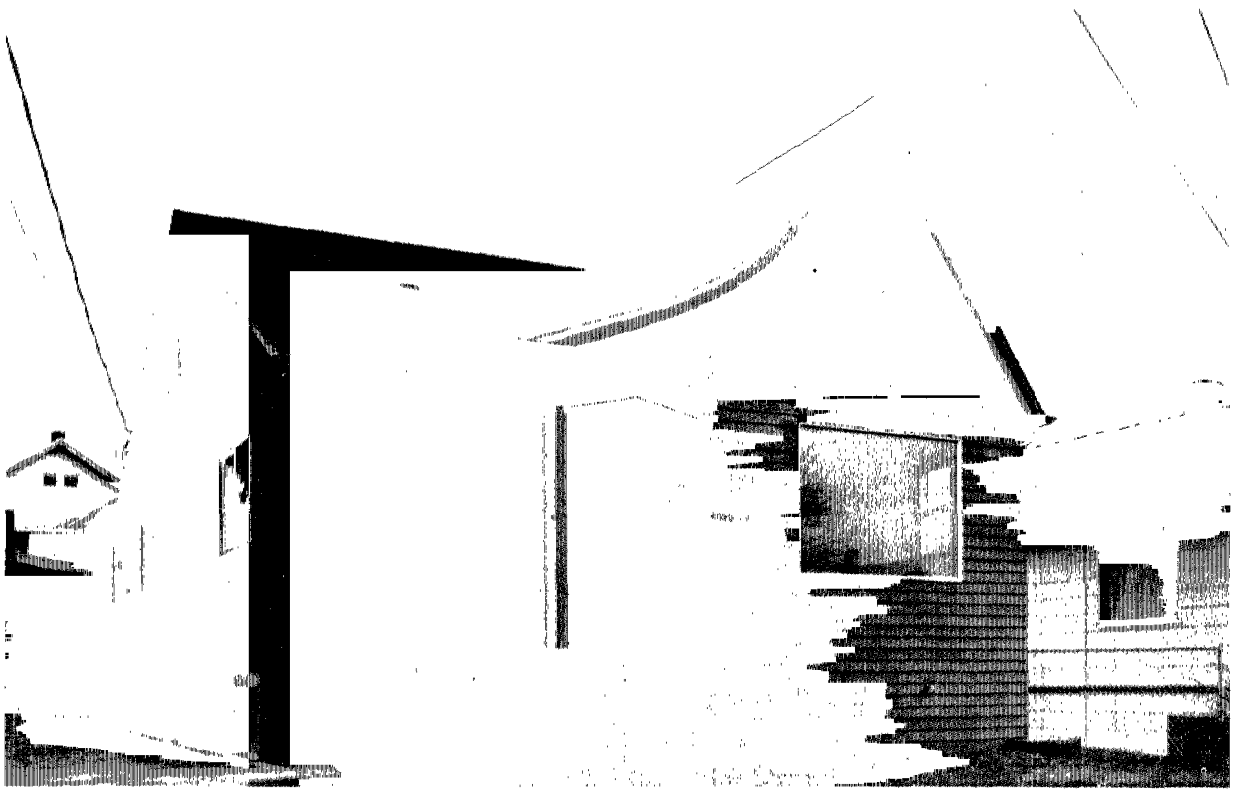
Land acquisition

Initially, the block grant funds were used to purchase vacant land and to pay administrative costs. By June 1981 the housing authority had used block grant funds as interim financing to purchase land costing about $3.9 million. The housing authority plans to construct an estimated 544 multifamily housing units on the land under HUD's low-income public housing and section 8 new construction programs. The housing authority had assigned about $2.6 million of the acquired land to HUD-approved low-income public housing projects. The remainder of the land was acquired for future allocations to HUD-approved projects.

In June 1981 the housing authority had six HUD-approved projects for constructing 332 units under the low-income public housing program. The total HUD loan authority on these projects was $20,901,322. The housing authority had five of these projects containing 266 multifamily housing units in varying stages of completion and had assigned acquired land costing about $2.6 million to these projects. The average land cost per unit was $9,845. The housing authority expects to receive reimbursement from HUD for these land costs once the projects are completed.

A photo of a completed public housing project constructed on land acquired under the scattered site program is shown on the following page. There are three 2-bedroom units in the building. The land cost $10,800. Another $112,686 was spent to construct the building, bringing the total cost to $123,486. The average cost of each unit in this triplex is $41,162.

BEFORE REHABILITATION.



AFTER REHABILITATION.

Financing acquisition and rehabilitation costs

Based on funds HUD reimbursed to the city for land acquisition and unobligated CDBG funds, the housing authority estimates that by 1986 it will have used $6 million in block grant funds to finance the property acquisition and rehabilitation of existing public housing in the scattered site program. This amount is necessary to finance the difference between HUD cost allowances on these low-income public housing projects and the actual cost of developing these units. The city's CDBG allocation was based on an average amount of $4,000 a unit.

A housing authority official said that as of June 30, 1981, the authority had not used any CDBG funds to finance the cost of acquiring and rehabilitating existing housing because the final development costs had not been determined on any project. However, the authority had three such projects in varying stages of completion. The total HUD-approved costs to develop the 196 units under these three projects were $11,824,464. By June 30, 1981, it had acquired existing housing containing 191 units costing $7,714,500, or an average cost per unit of $40,390.

One of the above projects containing 76 units was near completion, and at the time of our review the housing authority was determining the final development costs for the project. On this project, HUD-approved development costs were $4,228,875. The latest cost estimate for this project shows that total development costs were $4,809,129. Based on these figures the housing authority will have to use $580,254 in CDBG funds to finance this project. Thus, the average CDBG cost per unit for this project would be $7,635.

The following pages show photos of two properties acquired and rehabilitated under the scattered site program. The first property is a 3-bedroom, single-family house. Acquisition costs were $60,000 plus rehabilitation costs of $45,500--total unit costs of $105,500. The second property was also a 3-bedroom, single-family house. Acquisition costs were $38,499 plus rehabilitation costs of $34,545--total unit costs of $73,044.

SMALL HOUSING PROJECTS OF THE SEATTLE HOUSING AUTHORITY

The Seattle Housing Authority allocated about $168,000 of CDBG funds on two projects involving public housing improvements and one experimental project designed to create low-income housing. The projects and related CDBG allocations were as follows:

Yesler Terrace Demonstration Project	$31,000
Yesler Terrace Heating System Improvements	$62,000
Port of Seattle Homes	$75,000

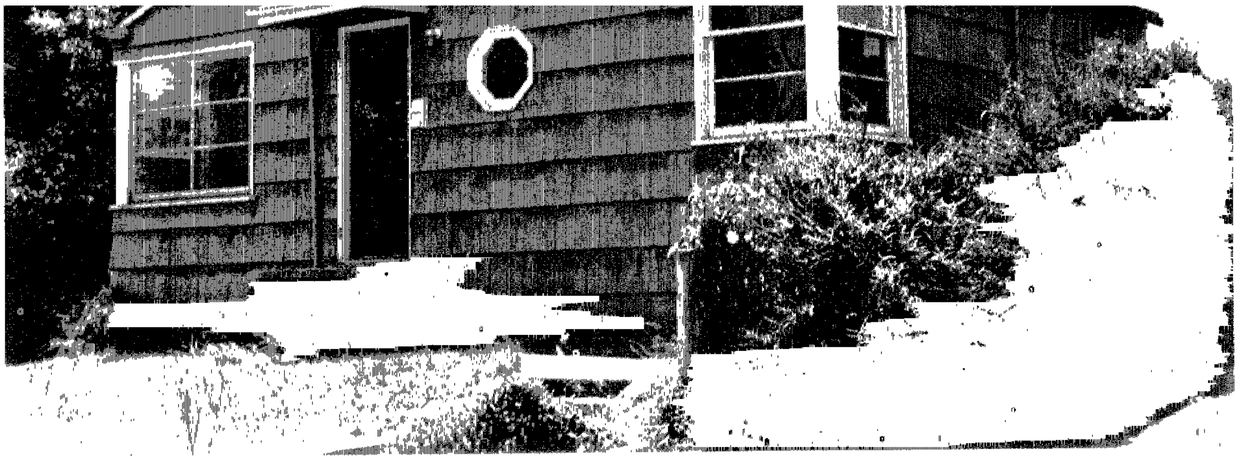
Yesler Terrace projects

The two Yesler Terrace projects involved improvements to public housing. Yesler Terrace is a public housing project constructed in 1939. The housing units were deteriorating rapidly while maintenance costs were rising; however, some question existed about whether Yesler Terrace would be eligible for HUD modernization funds. Therefore, the city funded a $138,000 project to demonstrate that the Yesler Terrace units could be rehabilitated to extend their useful life an additional 25 to 30 years. The eligibility question was resolved when $107,000 became available to Yesler Terrace for a rehabilitation demonstration project in HUD's modernization allocation to the housing authority. Therefore, $107,000 of the CDBG allocation was reprogramed to other projects, including 62,000 for rehabilitating Yesler's heating system.

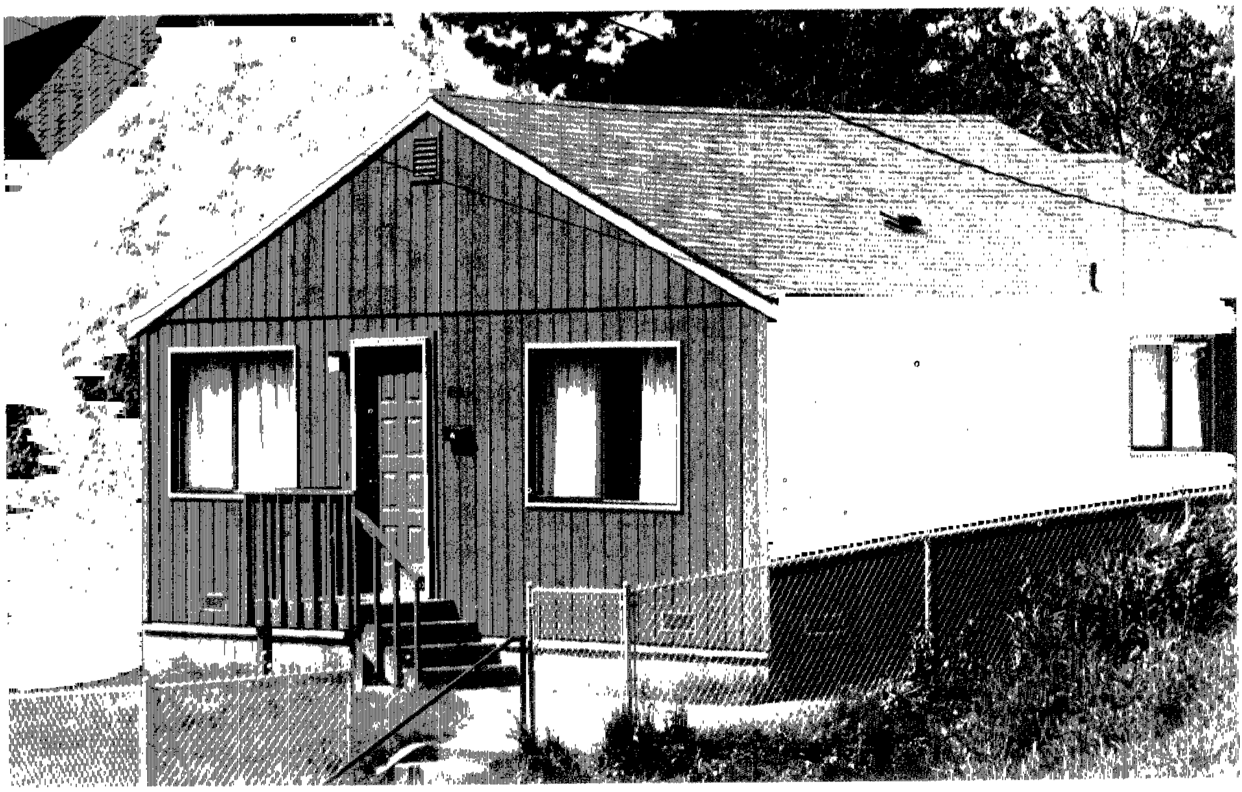
Port of Seattle Project

The Port of Seattle Homes Project was designed to provide single-family housing for low- and moderate-income residents. In 1975 the housing authority received a 1-year, $75,000 block grant to develop and implement a program in which the authority would purchase houses located near the Seattle-Tacoma Airport and relocate them in appropriate sites in the city. After relocation, the authority was to rehabilitate the homes and make them available to low-income families wishing to participate in a lease-option program. The program was expected to become self-sufficient after operating 1 year.

The housing authority estimated that as many as 500 houses near the airport could be used under this project. These homes were exposed to high levels of aircraft noise, and the Port of Seattle was relocating them to create a buffer zone around the airport. The housing authority discontinued the project after purchasing only three houses because the availability of a large number of houses below market rates did not materialize.



BEFORE REHABILITATION.



AFTER REHABILITATION.

units. On three of the seven projects the city provided 3-percent loans, two had forgivable loans if the owners restricted their rents, one had a no-interest loan, and two had grants (one of the grants was combined with a forgivable loan). The following table shows the projects funded and the type of funding used.

Single-Room Units Rehabilitated
Using CDBG Funding

Project	Number of units: Single-room	Number of units: Other	CDBG funding	Type of funding
Lewiston (see photograph, p. 34)	52	-	$ 194,300	City provided a loan for $175,000 at 0% interest and a grant for $19,300. Entire principal to be repaid 8/12/95 unless borrower elects to maintain rents at specific levels until 8/12/2000. The principal is reduced $30,000 for each year rents are maintained.
Alhambra (see photograph, p. 34)	29	15	225,000	3% interest to 6/1/84. 3-3/4% thereafter. Principal and interest due and payable 7/1/96.
Emil	24	-	175,000	3% interest loan; principal to be repaid 6/1/2007.
Wintonia (see photograph, p. 33)	110	-	100,000	Loan was provided at 3% interest; 10-year term.
Seven Seas	29	-	37,000	Loan was provided at 0% interest; entire principal to be repaid on 2/20/91. For each month units rented as required, principal balance diminished 1/120.
Atlas	34	12	725,000	Being negotiated, direct loan.
Pike Place	46	-	615,000	Grant
Total	324	27	$2,071,300	

CHAPTER 4

REHABILITATION OF SINGLE-ROOM AND MULTIFAMILY UNITS

Seattle has developed specific programs to rehabilitate single-room occupancy units and multifamily structures. The city reported that a total of 410 units has been assisted by programs funded under the CDBG Program. Loans and grants totaling $2.2 million were provided to 11 developers.

Two of the seven CDBG housing programs had four interventions involving rental rehabilitation:

--Housing Support Program/Downtown Single-Room Occupancy Fund--rehabilitation of housing structures containing single-room occupancy units. Low- or no-interest direct and forgivable loans and partial grants were provided to private developers to rehabilitate 324 single-room occupancy units and 27 multiroom units.

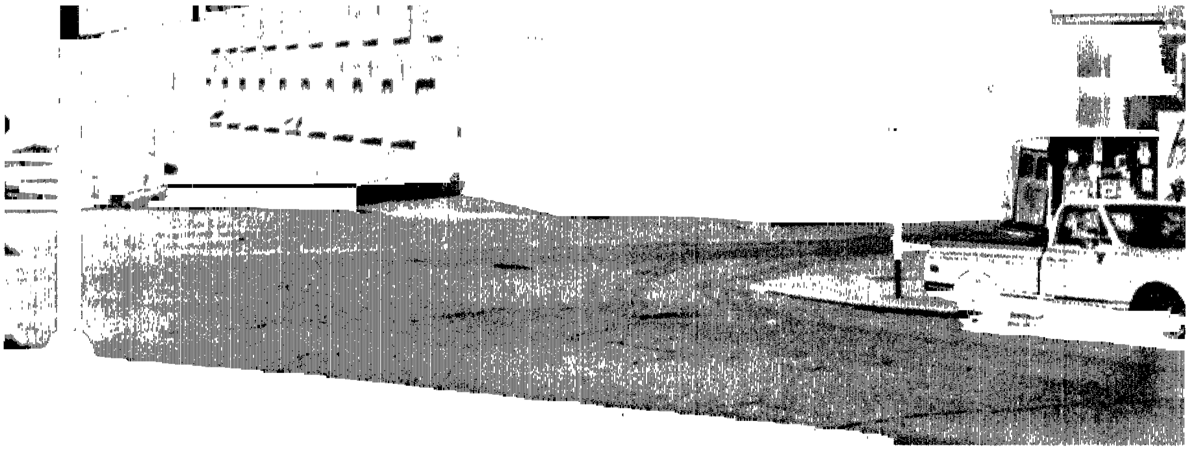
--Multifamily Rehabilitation Relocation Program--rehabilitation of housing structures containing five or more units. Low- or no-interest partial and forgivable loans were provided for rehabilitating 59 multifamily units.

HOUSING SUPPORT PROGRAM/ DOWNTOWN SINGLE-ROOM OCCUPANCY FUND

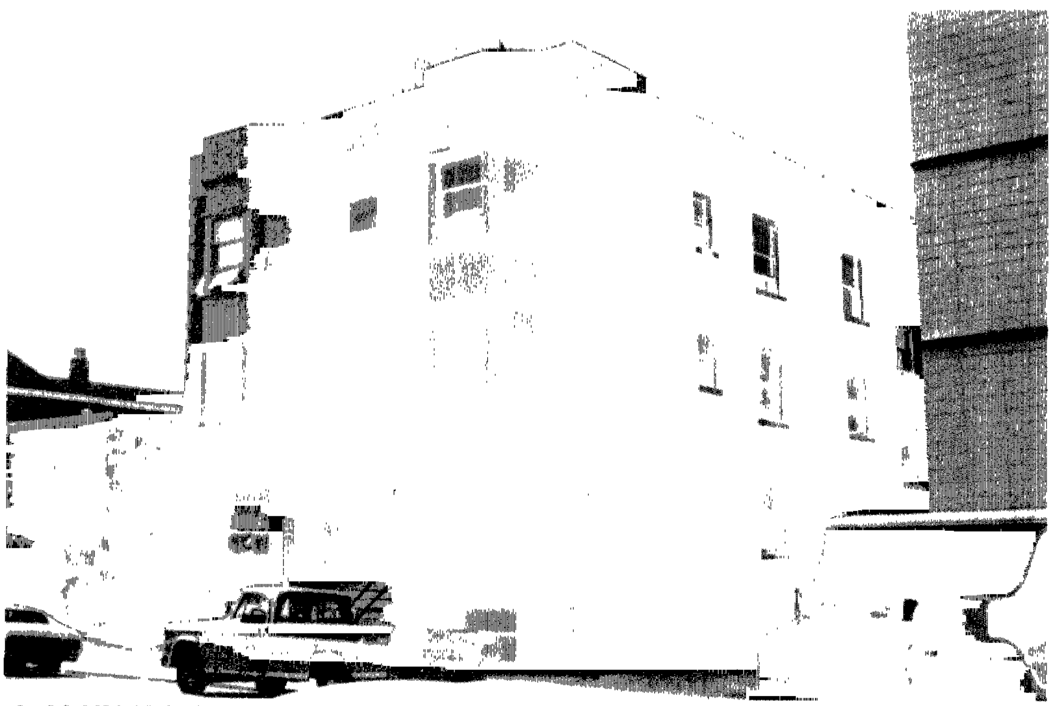
As of June 30, 1981, Seattle had committed funds totaling $2.1 million to rehabilitate 324 single-room units in seven buildings. An additional 27 multifamily units will also be rehabilitated. According to a program official, typical single-room occupancy units are low-income rental housing containing no kitchens or bathrooms.

In 1980 the city had about 5,434 occupied single-room units and 1,815 units in vacant buildings. Many of the buildings containing such units needed rehabilitation. However, according to city officials, assistance under traditional Federal housing programs is not available to the tenants or owners. A single, nonelderly person is ineligible for HUD rental assistance, and owners cannot receive Federal assistance under HUD programs to rehabilitate single-room units. The block grant funds, however, are not laden with similar restrictions on their use. Thus, the city elected to use block grant funds to inexpensively rehabilitate single-room units and directly preserve the only very low-rent housing that the private market provided.

A review of the seven single-room unit funded projects showed cost averaging from $900 to $15,800 per unit with an overall average of $5,900. The cost data also included 27 nonsingle-room



A 52-UNIT STRUCTURE HABILITATED FOR SINGLE-ROOM OCCUPANCY. TOTAL CDBG FUNDING WAS A $175,000 FORGIVABLE LOAN AND A $19,300 PARTIAL GRANT.

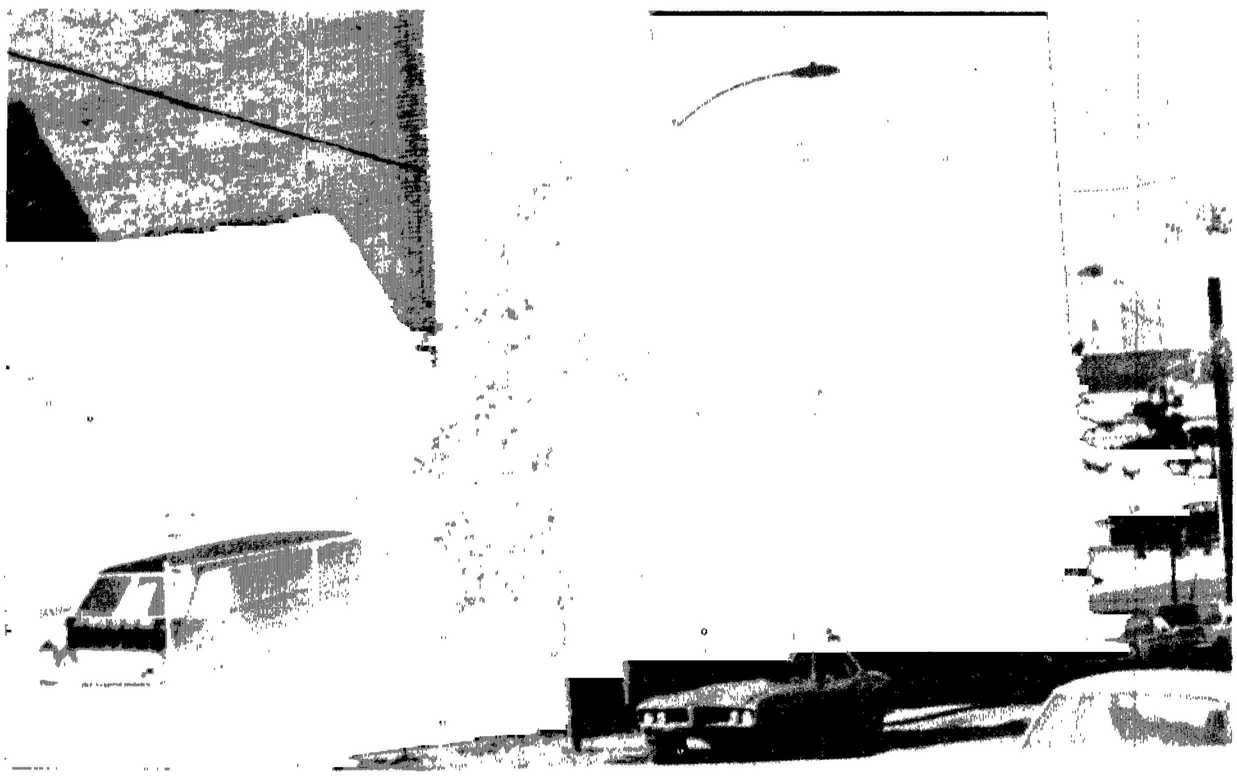


A 44-UNIT STRUCTURE WITH 11 STUDIO APARTMENTS, 4 ONE-BEDROOM UNITS, AND 29 SINGLE-ROOM UNITS. CDBG FUNDING PROVIDED THE DEVELOPER WITH A $225,000 LOAN AT 3-PERCENT INTEREST.

Little data available on who is benefiting

Single-room units are intended to be used by low-income tenants. But, program officials stated, income eligibility is not determined, nor are other factors considered, such as whether tenants are living in substandard or overcrowded housing or are paying a high proportion of their income for rent. A program official stated that the city has attempted to gather this information, particularly when temporary relocations are necessary. Tenants, however, have resisted efforts to gather data. On the other hand, the official pointed out that it is highly unlikely that moderate- or medium-income tenants would choose to rent single-room units and that inspectors have observed that single-room units generally are occupied by low-income tenants.

The following photographs show several of the projects which were being rehabilitated.



A 110-UNIT, SINGLE-ROOM OCCUPANCY STRUCTURE. CDBG FUNDING PROVIDED THE DEVELOPER WITH A $100,000 DIRECT LOAN AT 3-PERCENT INTEREST.

Multifamily Rental Projects
Funded by CDBG as of June 30, 1981

Project	Number of units	Funding CDBG	Funding Section 312	Other
Kuoppamki	8	$ 50,000	$ 56,200	-
Evergreen	16	12,000	532,000	$235,000 (private)
Stevens	15	4,400	204,650	-
Adams	20	a/ 200,000	a/ 640,000	a/ 180,000
	59	$ 86,400	$792,850	$235,000

a/Only CDBG funds totaling $20,000 for front-end costs (forgivable loan) were committed as of June 30, 1981. Remaining funds are not included in the total. (See following photograph.)

MULTIFAMILY REHABILITATION/
RELOCATION PROGRAM

According to a program official, the Multifamily Rehabilitation Fund provides a source of funds for rehabilitating multifamily housing that Federal programs do not cover. The city established the fund in 1980 with CDBG funds. A total of $770,000 has been allocated to this program.

Under this program the city provides loans to private developers to cover part of the costs of HUD section 312 1/ and section 8 multifamily rehabilitation projects that the Federal programs do not cover. The loans bear no- or low-interest rates and can be direct, partial, or forgivable loans. A program official stated that developers can use the loan proceeds for the following activities:

--Small rehabilitation projects if the owner has insufficient resources and does not qualify for a Federal section 312 loan.

--Temporary relocation costs of residents and/or businesses while property is being rehabilitated under HUD section 312 and section 8 multifamily rehabilitation projects. (HUD does not reimburse developers for temporary relocation expenses under these programs.)

--Front-end costs, such as architectural fees, engineering fees, credit reports, under HUD-funded section 312 and section 8 multifamily rehabilitation projects. (Generally, HUD funds are unavailable until after the developer has completed front-end efforts.)

--To acquire multifamily units for rental purposes.

As of June 30, 1981, the city provided partial and forgivable loans totaling $86,400 to four developers who were rehabilitating 59 multifamily rental units. Most of the funds ($50,000) were provided to one developer for refinancing an existing real estate contract. All four projects involved or will involve substantial section 312 funds. The following table shows the rehabilitation projects and funding sources.

1/Direct low-interest Federal loans to finance rehabilitation of residential, mixed-use, and nonresidential properties in Community Development Block Grant, Urban Homesteading, Urban Renewal, and Code Enforcement areas.

grants. On the other hand, the report stated that while some costs could be passed on to HUD, higher development costs per unit ultimately reduced the number of units which could be produced from a given program dollar allocation. The housing authority prefers to pay administrative costs of the scattered site program from block grants so that the maximum number of units can be developed under each allocation.

Neighborhood Housing Rehabilitation Program

The housing authority administers the Neighborhood Housing Rehabilitation Program under a contract with the city. Day-to-day operations (that is, working with homeowners and repair contractors) are carried out by three neighborhood corporations and the city's Department of Community Development under contracts with the housing authority. A joint housing authority/city committee manages the trust funds.

The authority uses the interest income from investing the $4.5 million trust fund and block grant funds to pay administrative expenses for the housing authority and the neighborhood corporations. The program director said that before 1980, the authority had sufficient interest income from its trust fund to pay all admininstrative expenses. However, in 1980 the interest income was insufficient to pay all administrative expenses, and the authority used about $180,000 of block grant funds to help pay administrative expenses. The authority estimated that in 1981 about $522,000 in block grant funds will be needed to pay part of the administrative expenses, which are estimated to total $885,000.

Emergency and Housing Code Repair Program

Since August 1980, the city's Department of Community Development has administered the Emergency and Housing Code Repair Program. Before August 1980, the city's Building Department administered the program. This department received an allocation of $716,990 to administer the program from its inception through 1980. This is 25 percent of the total funds allocated to this program during this period.

The 1981 budget for the Emergency and Housing Code Repair Program did not include an allocation for administrative costs. The costs to administer the program were included in the department's housing development budget. However, this budget included costs to administer several housing programs and did not segregate costs by individual programs.

CHAPTER 5

COSTS TO ADMINISTER BLOCK GRANT-FUNDED HOUSING ACTIVITIES IN SEATTLE

Administrative costs were about $8.8 million (34.5 percent) of the total CDBG housing activities funded during the first 7 years of the block grant program. This figure is an estimate of the funds that the city allocated tc plan, develop, and administer programs providing direct housing assistance (that is, loans and grants) to low- and moderate-income persons.

We developed the administrative cost figure from the city's budget allocations for administrative expenses that were

--identifiable to specific housing programs,

--identifiable to housing activities (but not specific programs), and

--not specifically identifiable to housing programs or activities.

ADMINISTRATIVE CHARGES IDENTIFIABLE TO SPECIFIC HOUSING PROGRAMS

Administrative charges were identifiable for 7 of the 9 housing programs. The seven programs received a total allocation of about $2.7 million to cover administrative costs. The following paragraphs describe the administrative charges under the seven programs.

Scattered site program

The housing authority has received $659,500 in block grant funds to administer the scattered site program. This is about 11 percent of all CDBG funds allocated to the scattered site program since its inception in 1978.

The 1981 block grant allocation for program administration was $395,500, an increase of $235,500 over the 1980 allocation. In 1981 the housing authority had 17 staff members involved in administering the scattered site program, although only 13 staff positions were funded with CDBG funds.

In a 1980 report to the city, a private consultant raised the question of whether some portion of the scattered site administrative costs could be included under various housing program budgets submitted to HUD as legitimate development costs. Thus the housing authority could recover the costs directly from Federal reimbursement rather than from block whether the remaining funds were allocated to cover administrative charges or to provide direct services to homeowners.

Minor Home Repair Program

The agency implementing the Minor Home Repair Program for the city has received an estimated $287,016 to administer the program. This is about 41 percent of the CDBG funds allocated to the Minor Home Repair Program since its inception in 1976. However, the city has also received at least $539,000 from other sources to provide direct services to program beneficiaries. (See p. 21.)

Administrative costs include the salary and fringe benefits of the project director; office supplies; and other services and charges, such as postage, telephone, advertising, insurance, rental, and utilities. In 1981, for example, funds available for the program comprised $137,800 in block grant funds and $43,457 in city Comprehensive Employment and Training Act funds. We estimated that $61,500 of the block grant funds were allocated to cover administrative charges:

--Director's salary and fringe benefits	$22,348
--Office supplies	1,000
--Other services and charges	38,152
Total	$61,500

The remaining $119,757 in program funds was used to provide direct services to program beneficiaries.

Atlas Hotel Project

The city allocated $64,000 of its block grant funds to the city's Office of Housing Development to administer this project (part of the single-room occupancy program). The administrative charges included the salary and fringe benefits of a program coordinator to provide technical assistance to the owner of the building.

Stevens Neighborhood Strategy Area Program

Of the total $268,500 allocation to this program, the city allocated $43,350 for program administration. The administrative cost allocation included the salary and fringe benefits of one staff person.

ADMINISTRATIVE CHARGES SPECIFICALLY IDENTIFIABLE TO HOUSING ACTIVITIES

The city's Office of Housing Development develops and administers the city's housing programs. During the first 7 years of the block grant program, the city allocated about $5.2 million to

In 1980 the city allocated $218,248 for program administrative costs. This represents about 26.3 percent of the program's total 1980 allocation. The $218,248 was allocated to the following three major phases:

	Amount allocated
Inspection	$131,931
Direct charges	27,531
Management/administrative	58,786
Total	$218,248

The inspection allocation included the salaries and benefits of four property rehabilitation specialists and one half-time housing inspector. These people performed all functions related to repairing buildings, from the original inspection through final inspection and acceptance of completed work.

Direct charges included the costs of such items as office supplies, communication, travel, advertising, and office equipment. The management/administrative allocation included the salaries and benefits of a part-time manager and two administrative assistants.

Low-income Weatherization Program

The city has allocated $538,020 of its block grant funds to weatherization activities to supplement the $3.4 million received from other sources. The city uses the block grant funds to cover part of the program's administrative costs, including those of the city's Department of Human Resources and subcontracting agencies.

We could not determine from agency records whether the entire $538,020 was allocated to cover administrative costs. We were, however, able to relate as much as $227,417 of these funds to program administrative activities. The city allocated $168,496 to the city's Department of Human Resources to administer the weatherizing program. These administrative charges included the salaries and fringe benefits of city employees that reviewed and monitored the program, office supplies, and other services and charges, such as advertising, communication, convention travel, printing, and duplication.

We estimated that as much as $58,921 of the $369,524 allocated to subcontracting community agencies was also for administrative charges. Agency records were unclear as to activities include preparing annual grantee performance reports, implementing administrative requirements of the CDBG Program, maintaining monthly expenditure rates, preparing special monitoring reports, and preparing monthly financial reports for all projects. In 1981 Block Grant Administrative Services had 7.1 full-time equivalent positions involved in performing these activities.

The Office of Policy and Evaluation direct cost allocation supports preparation of the mayor's recommendations, the Housing Assistance Program, and the HUD application, as well as planning efforts, evaluations, citizen participation, and proposal review. In 1981, the direct allocation supported 12.3 full-time equivalent positions.

In the city's 1981 CDBG administration budget, about 48 percent ($740,485) was attributable to indirect charges. The city made the indirect allocations by taking 10 percent of the CDBG entitlement, subtracting the direct charges, and apportioning the remainder to departments according to the dollar amount of the projects they administer. Accounting, departmental supervision, and personnel are examples of indirect costs.

A city official told us that with regard to indirect and administrative costs (1) the city's block grant housing programs needed careful management because of the complexity of the programs and (2) block grant administrative funding was used so that more direct assistance could be provided to beneficiaries of other city housing programs.

the Office of Housing Development for administering CDBG housing programs and other Federal housing programs. However, the city does not allocate these funds to specific programs nor does it account for expenditures by program. We estimated that $4.3 million was CDBG related and 0.9 million was for other Federal housing programs.

The 1981 administrative budget for the office included $1,213,410 for salaries and fringe benefits of 39 individuals. The office has three major sections--program development, project development, and single-family rehabilitation. In 1981 the program development section had a staff of four whose responsibilities included developing strategies to fully utilize all available Federal funding sources, encouraging private market activity to create housing, administering various housing development funds, and monitoring the housing authority's Scattered Site Program and Neighborhood Housing Rehabilitation Program. The project development section is primarily responsible for implementing specific multifamily production and rehabilitation projects, administering various development funds, and implementing and administering the multifamily rehabilitation program.

In 1981 the single-family rehabilitation section had a staff of 17 persons, whose responsibilities included the administering and operating of the city's rehabilitation program for single-family homes, including the Section 312 Program, the Emergency and Code Housing Repair Program, and loans through the Neighborhood Housing Rehabilitation Program.

ADMINISTRATIVE CHARGES NOT SPECIFICALLY IDENTIFIABLE TO HOUSING PROGRAMS OR ACTIVITIES

During the first 7 years of its CDBG Program, the city allocated $8,413,411 to various city departments and offices to administer the block grant program. The funds were not allocated to individual programs; however, based on the amount of block grant funds allocated to housing, we estimate that $1.9 million of these administrative charges stemmed from operating housing programs.

The city divides this administration allocation into two types of costs--direct and indirect charges. The direct charges are clearly identifiable expenses stemming from operating the block grant program. Indirect charges are general costs of doing business and are not necessarily identifiable to a particular fund source or program, such as a block grant.

The Department of Community Development and the Office of Policy and Evaluation incur most of the direct charges. In fiscal year 1981 these two organizations' direct administration budgets were about 92 percent of total direct charges of $805,669. The department's direct charge allocations wholly support the Block Grant Administrative Services section. This unit's major

Long-term, all-purpose block grant

Seattle's current housing programs are designed to increase the supply of low-income housing, reduce housing costs, and assist homeowners in making repairs and rehabilitating their homes. If HUD were to begin a block grant program for housing, Seattle officials said the city would continue working toward these goals. They believe a housing block grant should provide a great deal of flexibility. Further, the program coordinator said a long-term, all-purpose block grant would be very appealing in that it would offer Seattle the ability to act on its goals of developing new housing and substantially rehabilitating vacant housing.

The program coordinator finds the idea of having local governments administer long-term subsidy programs less appealing. She believes that if local government were to assume this responsibility, it would require considerable time to develop programs and set up a new bureaucracy to operate them. While the city has the capacity to handle most tasks, a city official believes more work would be required if it were to run all programs itself. Further, because no national secondary market would be available for loans made by financial institutions, this offical believes financing these programs would be difficult. Hundreds of cities would be required to set up different programs; thus no standard program would exist to support a secondary loan market mechanism.

She also said that the city is concerned about funding projects with long-term costs. She said the city cannot use its general funds for housing nor can it use its funds for income subsidies. Thus, it cannot provide a local bailout for long-term project costs if Federal funding is inadequate.

Finally, city officials are concerned that the Congress may include public housing operating subsidies in a housing block grant. Officials believe that the Federal Government should continue to be responsible for providing adequate subsidies to operate public housing. They also stated that the cost of operating public housing is escalating and is a major frustration for the Congress. Therefore, they are concerned that the Congress may shift the financial burden to them and then put a cap on housing block grants.

Short-term, all-purpose block grant

The program coordinator said a short-term, all-purpose block grant appeals the least. She felt that by limiting obligations to a short period of time, this type of block grant would not permit the city to carry out construction programs (particularly if the city could commit only a portion of the funds in any 1 year). Thus, it would prevent the city from making large capital subsidies to projects.

CHAPTER 6

CITY OFFICIALS VIEW A HOUSING BLOCK GRANT WITH GUARDED OPTIMISM

Seattle officials we interviewed have well-defined views regarding their capacity to implement housing programs and regarding the design of a housing block grant. In their view, the city has the knowledge and the experience needed to design and operate housing programs. They are concerned, however, about the flexibility and funding levels that would emerge under a housing block grant. A city official suggested that a fifth option, combining housing vouchers with a housing development block grant, would be in the city's best interests.

Unless otherwise noted, the city officials referred to in the following statements were the CDBG Block Grant Coordinator; the acting planning and development manager, Seattle Department of Community Development; and the program coordinator, Seattle Office of Policy and Evaluation.

CAPACITY TO IMPLEMENT A HOUSING BLOCK GRANT

City officials assess their capacity to implement a housing block grant by referring to the city's efforts in using Community Development Block Grant funds to meet housing needs. They point out that (1) the city has recognized a need to develop low-rent housing, reduce housing costs, and assist homeowners to repair and rehabilitate their homes and (2) the city has developed several programs to address these needs. The city's staff is experienced in operating housing programs and in handling complex development projects. The city has some capacity to evaluate housing programs but lacks the staff to evaluate all its housing activities.

DESIGN OF A HOUSING BLOCK GRANT PROGRAM

Seattle officials are concerned about the design of a housing block grant program. They feel strongly that a housing block grant should not be used for public housing operations or modernizing public housing. They see a need for considerable flexibility, and they are concerned that under any proposed design, funds will be insufficient to adequately address local needs. The program coordinator suggested that a fifth option would best serve Seattle's interests. This option would be to combine housing vouchers with a housing development block grant.

approach, combined with funding reductions under the block grants and other Federal programs, would leave the city with insufficient funds to meet its housing objectives.

Overall, Seattle officials generally support a move toward housing block grants; however, they would prefer to have some long-term funding for new construction and substantial rehabilitation. City officials have always assumed that some sort of modified budget authority would be available under current programs during a transition period from categorical programs to block grants.

Allocating budget authority under current programs

The program coordinator said the option of allocating budget authority under current programs is very appealing, particularly if HUD relaxes or removes some of its regulations. Although the current programs are not ideal, this model would allow local governments to choose a mix of programs based on need, with the Federal Government retaining responsibility for administering the basic subsidy programs.

Limited-purpose housing block grant

City officals said they could not assess a limited-purpose housing block grant--providing funds for only certain kinds of activities--until the Federal Government identifies the types of activities to be funded. For example, a rehabilitation block grant could work, but it would not adequately replace all current programs. There would be little reason to decide that rehabilitation is preferable to new construction nationwide, particularly if unit costs are similar.

Additional housing block grant option proposed by city

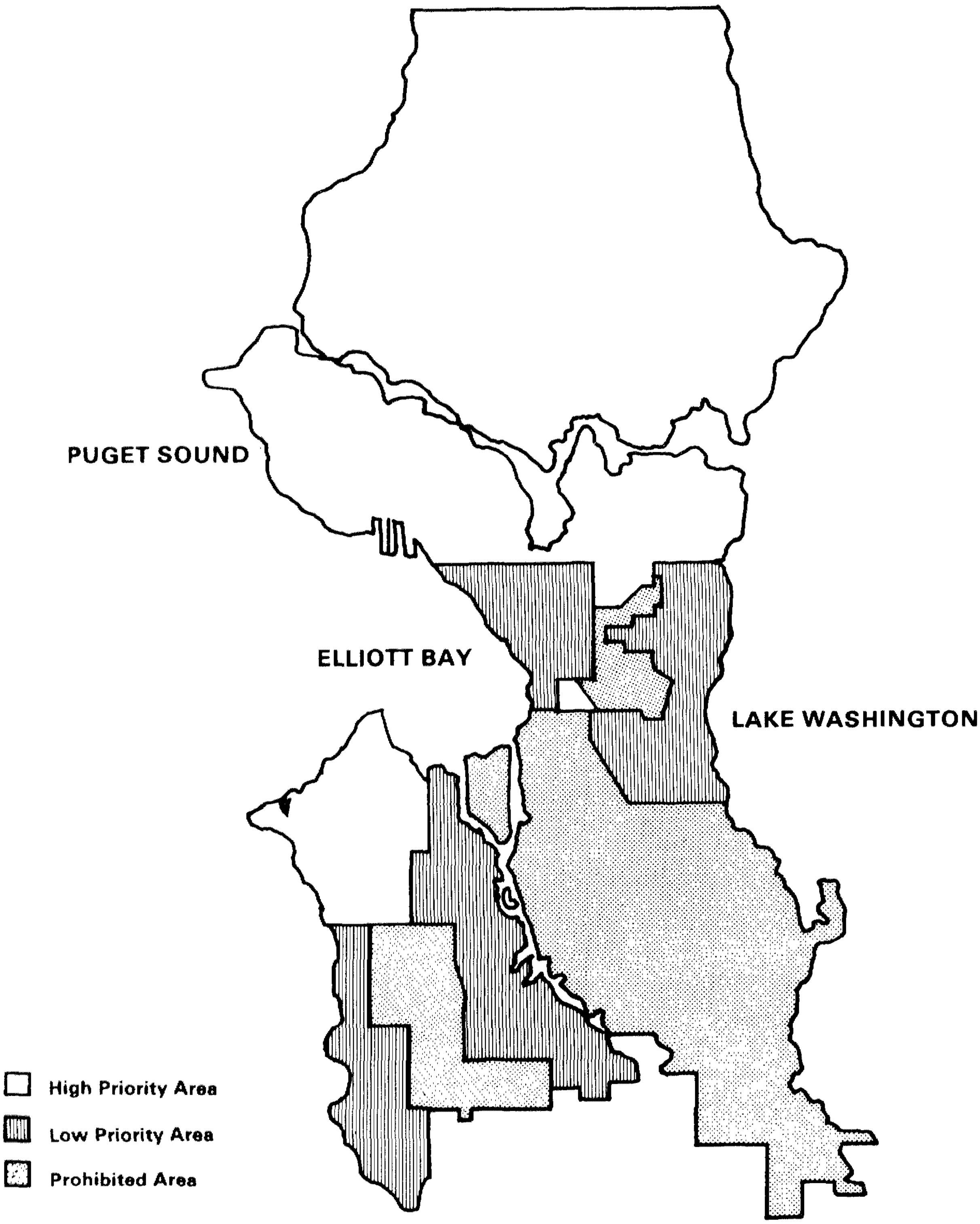
Recognizing that HUD and the President's Housing Commission have recently proposed substituting housing vouchers for present programs, the program coordinator suggested that local governments should also receive a housing development block grant. Under this option, local governments would have no contract or budget authority and would use the development funds as a capital subsidy or invest them and use the interest for mortgage or operating subsidies. Cities would have to commit the funds within a given number of years. With a shallow capital subsidy, the city could finance new housing which could then be occupied by people with vouchers. Because only annual appropriations would be involved, a city official felt that Federal spending would be controlled. Moreover, if authorizations were for 3- to 5-year periods, she believes that cities could predict what their future funding would be.

She said the city favors this tandem approach to housing subsidies and development. The Federal Government would be responsible for administering the income side of the program (vouchers), while the local government would be able to use its block grant to foster the type of development it needed.

She further stated that one approach HUD may take to the development issue is to permit the use of CDBG funds for new housing construction. She said the city was concerned that this

APPENDIX II

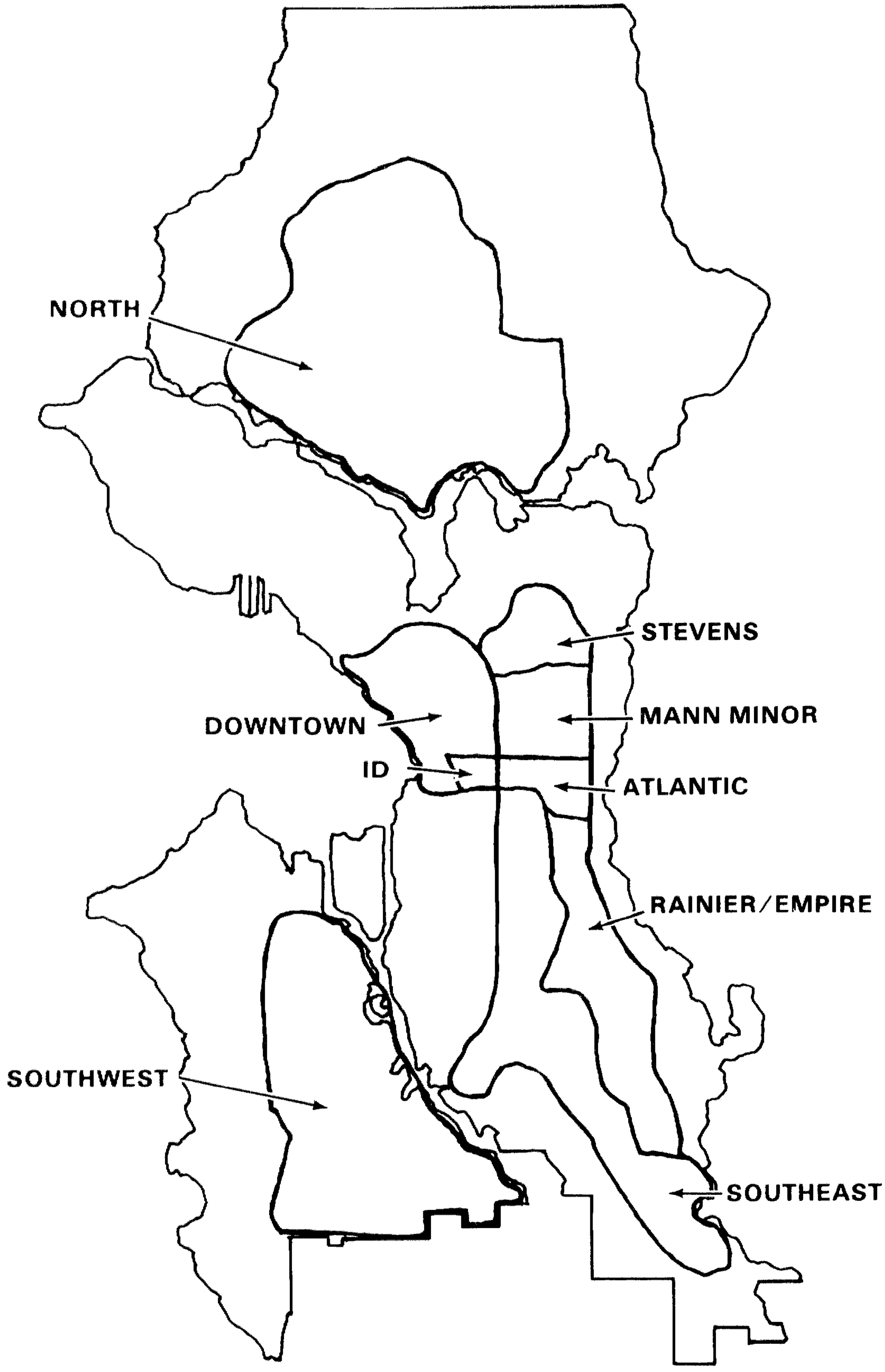
**DESIGNATED AREAS IN SEATTLE
FOR LOCATING SCATTERED SITE PUBLIC HOUSING UNITS**



(382754)

GPO 888-140

SEATTLE NEIGHBORHOOD STRATEGY AREAS



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