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Pell Letters (1978): Correspondence 116

Richard N. Spivack

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BRYANT COLLEGE

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May 4, 1978

*Spirack met with
Sevater Keel and AC
on 5-18-78*

Mr. Alexander Crary
Room 4228
Dirksen Building
U.S. Senate
Washington, D.C. 20510

Dear Mr. Crary:

With the rising costs of housing construction a major obstacle to new home ownership there is a need to look to alternative methods of providing this basic American need. A rehabilitation and recycling of older homes often found in inner cities seems to provide a partial solution. The city of Providence, Rhode Island, as in many other older Eastern and Midwestern cities is faced with a growing housing abandonment dilemma. Currently, there are 350 abandoned homes in Providence clustered into three small geographical areas; Elmwood, South Providence, and the West End. Neighborhood residents are aware that unless these structures are renovated or removed, neighborhood revitalization is impossible. Many feel that HUD funding directed at new construction would be much better spent on rehabilitation of existing housing. They charge that housing rehab would appear to be cheaper than new construction, therefore more units could be rehabilitated for the same amount of money. Many concerned neighborhood residents also feel that rehabilitation of existing housing will go much farther to stem neighborhood deterioration than new construction. Further, they feel that rehab preserves the character and flavor of neighborhoods and saves structures of historical significance in deteriorating neighborhoods from destruction. In short, many neighborhood leaders, organizations and residents feel that much more effort should be devoted to housing rehabilitation than new construction.

The Federal Government, local governments, housing developers and the general public are operating without information concerning the social and economic consequences of new construction versus housing rehabilitation. Under the HUD Section 8 program this may be costing low income Americans dearly in housing as well as having a material effect on the housing stock in our cities and towns.

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In Providence, for example, it is unknown: (1) whether the cost of rehabilitation is in fact cheaper than that of new construction, (2) whether housing could be rehabilitated at a cost which would not raise rents beyond the reach of neighborhood tenants, and (3) whether neighborhood people would prefer new construction or "neighborhood preservation" through rehabilitation. The question of the feasibility of rehabilitation in Providence, if it were answered, could save HUD, save the city and its residents a great deal of money.

Accountants for the Public Interest of Rhode Island in partnership with the New England Training Center for Community Organizers propose a 7 component study of housing rehabilitation versus new construction in Providence to provide objective information on these important issues. The study format is as follows:

- (1) Estimate the cost of rehabilitation of all vacant housing in Providence (individually and totally). This estimate would involve site visits to the vacant houses by architectural students trained to do cost estimated by qualified professionals. Costs would be categorized and catalogued by accountants. Number of housing units created, analyzed by size and number of rooms, would be estimated. An average cost per unit calculated.
- (2) Examine cost to build recent Section 8 housing developments (new construction). Obtain estimates on what such projects would cost to build in the current market. Information relative to apartment size and number of rooms would also be obtained.
- (3) Estimate the cost to demolish all vacant housing in Providence (individually and totally). Project uses of vacant lots and determine the monetary and opportunity costs to the City.
- (4) Survey Providence low income communities on a statistically valid basis to determine housing preferences of residents and present costs for housing.
- (5) Determine rent levels necessary to charge after rehabilitation or new construction. For new construction utilize the HUD formula to calculate rate of return including depreciation allowances. For rehab housing calculate rents on the basis of rate of return used by HUD (including depreciation allowances). For rehab housing also calculate rents based on the average rate of return in the area for conventional housing.

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- (6) Determine what Federal, State, and Local resources are available for housing rehabilitation.
- (7) Compile conclusions and recommendations. Would new construction or rehabilitation be cheaper for HUD? For the developer/landlord? For the tenant? Which is more desirable?

The sponsors of this proposal, Accountants for the Public Interest of Rhode Island and the New England Training Center for Community Organizers (Foundation for Community Organization) are both tax exempt under Section 501 (c) (3) of the Internal Revenue Code. Office space will be made available by the New England Training Center located at 19 Davis Street, Providence. The following is a partial list of the organizations which will be participating in and/or support this project:

University of Rhode Island, Department of Urban Planning
Stop Wasting Abandoned Properties (S.W.A.P.)
People's Redevelopment Corporation
People Acting Through Community Effort
Opportunities Industrial Center
Catholic Inner-City Center
New Homes for Federal Hill
Elmwood Foundation
Neighborhood Housing Services

Student Volunteers from the Following Colleges and Universities will be working on the project:

- University of Rhode Island
- Southeastern Massachusetts University
- Bryant College
- Brown University
- Rhode Island School of Design

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WILL SEND

I ~~have enclosed~~ for your information some organization information about the Accountants for the Public Interest of Rhode Island and the New England Training Center for Community Organization.

I am most interested in hearing from you. I can be reached by telephone at (401) 231-1200, Department of Economics.

Sincerely,

Richard N. Spivack

RNS:dk
Enclosures

Richard N. Spivack