Housing Deterioration and the Maintenance Decision

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HOUSING DETERIORATION AND THE MAINTENANCE DECISION

by

Peter J. Conlin

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VITA

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Chapter I
INTRODUCTION.

The influence of housing upon the quality of life is very much a part of the tradition of urban sociology. A major component of the quality of housing is its condition. One of the primary determinants of the condition of housing is maintenance.

Maintenance is properly viewed as a series of continuous decisions regarding the upkeep and repair of property. The identification of those forces that specifically discourage maintenance comprise one of the major topics of this thesis. A consequent consideration is the effect of poor maintenance. Although the distinction between maintaining and not maintaining is not properly dichotomous, the present analysis employs a model in which a decision to maintain or not maintain serves as the dependent variable.

The primary goal of the thesis is to develop a comprehensive model in which the causes of poor maintenance in the inner city may be examined. The review and integration of various literatures comprise the data and general methodology of the thesis. The legal, economic, and social spheres
are seen as crucial factors affecting the maintenance decision.

According to the model developed in this thesis, the independent or causal variables are seen in terms of these spheres. These three systems are interdependent and operate together in their impact upon the maintenance decision.

The maintenance decision also has an impact upon the community. Because the legal, economic, and social spheres influencing maintenance may be included as part of community, a recursive framework is implied. The community influenced by the maintenance decision is the same as the community that originally influences that decision. Because social (both personal and institutional) and ecological (demographic and geographic) variables affect the maintenance decision (and vice-versa), a purely causal model is not possible. This does not invalidate as much as complicate the argument and model to be presented.

The community and the economic and social systems reinforce one another positively during periods of stability and upgrading. During periods of decline, the origin of the decline may be either social or economic. Regardless of the cause, the economic system responds in a way that (at least

\[ \text{-------------------------} \]

\[ ^1 \text{For example, although lending practices (especially in regard to rehabilitation loans) affect maintenance, the level of neighborhood maintenance in turn partially defines the success or failure of investment in the area.} \]
initially) further exacerbates the problem. Disinvestment (at least in terms of prior investment levels) is the natural market response in declining areas.²

Although the maintenance decision (as made by the individual property owners themselves) is a basic object of the analysis in this study, the economic, legal, and social forces affecting that decision occur at a higher level. Thus, an attempt to examine housing maintenance must include consideration of both individual and aggregate factors as these influence individual motivations and behaviors. The social, economic, and legal forces have varying impacts upon the individual decision maker(s).³

Despite these difficulties, if the structure of those institutional arrangements which negatively affect the maintenance decision are laid bare, the primary goal of this thesis will be accomplished.

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² The chicken or egg argument involving disinvestment and decline is discussed later.

³ Community vitality is often considered in terms of attachment and/or participation. Such activity is often a function of length of residence (Kasarda and Janowitz, 1974). It is later argued that community attachment is one of the primary determinants of maintenance. The influence of community attachment upon maintenance varies from person to person in any neighborhood -- based largely on such things as place and length of residence. A national impact upon maintenance is made by the structure of income tax laws, especially those regarding depreciation. The importance of depreciation allowances is directly tied to the presence or absence of other substantial sources of income.
All forms of property need maintenance at some point; it is therefore important to establish the context within which the maintenance decision is to be examined in this thesis. The thesis emphasizes the maintenance decision in older inner city urban areas characterized by multiple unit buildings. The primary focus is to examine how the specific social, economic, and legal forces which operate in such neighborhoods affect maintenance and how they (jointly with such decisions) constitute complex interrelated spheres. This thesis is an attempt to promote a much needed synthesis in a field that has been dominated by myopic overspecialization. Hopefully some of the scattered threads making up the fabric of professional thought on urban housing can be fruitfully examined within this larger context. I have tried to let the direction of my work be guided by what F.S.C. Northrop (1949: ix) has termed "the primacy of the problem and attendant relativity of scientific methods."

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Squires, DeWolfe, and DeWolfe (1979) make a plea for a "structural-disinvestment" approach which examines those structures which encourage inner city disinvestment and uncover how and why they operate.
Chapter II
EXPLANATIONS OF HOUSING DETERIORATION.

Economists, planners, and community activists have been the major contributors to the literature dealing with the topic of housing deterioration. Policy makers have attempted to develop solutions to the problem of deterioration from various fields. Policy analysts have studied the impact and effectiveness of various programs intended to halt, reverse, or minimize deterioration. Sociologists have emphasized the correlates and effects of deterioration without paying a great deal of attention to their causes.

Factors directly involved in deterioration include: (1) the quality of construction (both materials and workmanship); (2) "aging;" (3) poor maintenance; and (4) use (or "abuse").

The quality of construction is very often a product of the housing market itself. During periods of prosperity (in which the demand for housing far exceeds the available supply) a decline in construction standards is more likely to

5 More recently, the emphasis of "seeding" (such as in the requirement of matching funds) by both HUD and private foundations has engendered greater cooperation between diverse groups in this frequently fragmented field.
occur. It can be assumed that the relaxation of code restrictions may very well be necessary in order to satisfy increased demand. In general, the cost/quality relationship is largest in a period of high demand (in which case there would be a surplus -- or backlog -- of construction work.) Correspondingly, in times of low demand (in which higher quality materials and even workers are in more "abundant" supply) quality should rise relative to cost. On the other hand, there may be greater temptation to covertly substitute inferior materials in order to recoup some of the profit margin lost due to low demand conditions.

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6 In Chicago, for example, a certain type of multi-unit dwelling known as the "four plus one" became popular as building code requirements were minimized to allow such structures to be quickly and cheaply constructed during the housing shortage of the sixties. It cannot be determined from available evidence whether the single family residences or multiple unit dwellings are most susceptible to such code relaxation.

7 This expression refers to the cost or price of housing in constant dollars (controlling for inflation or its opposite) against quality (for instance in terms of size, condition, construction materials, and even popularity of style.)

8 These relationships are posited as operating according to a purely supply and demand market situation. Historically however, when extreme market conditions have existed in the United States, government has intervened. The first "tenement house laws" in New York were a response to overcrowding which was due to a very tight, high demand low income market. The federally sponsored construction pro-
Either poorly constructed or ill-planned (in terms of future use) buildings are far more susceptible to a premature "death" (in terms of the useful life of the structure) than well planned and better made structures. Some of the more dramatic examples of poor future planning and examples of the potential negative impact of very high demand markets are boom towns. Popper(1978) reviews the conflict of interest between the rapid development of such areas and consequent detrimental impact, especially in regard to long term planning interests. Structures are feasible as investments because return roughly corresponds to outlay. The low future demand of poorly planned structures often means a decrease in value and/or cash flow which may be exceeded by minimal operating expenses based on a higher anticipated demand.

Another factor that dramatically affects housing deterioration is the amount of use (in terms of wear and tear) of a structure. While outright abuse (such as that caused by destructive tenants) is the most obvious example, there are a variety of market based factors that ultimately affect the type and amount of use to which a building will be put.

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Projects of the Thirties were in response to the low demand conditions of the Depression.
Lowry (1960) notes the importance of physical deterioration due to wear and tear as a product of overcrowding; such crowding is a natural response by the poor in trying to economize in housing. This adaptation may, in fact, be most dramatic at the bottom of the housing market where rents are cheapest. I argue this because rent is already minimal; sharing an apartment (as students frequently must do -- for the very same reason) is one of the few alternatives left in reducing expenses.

Leinwald (1970: 30) reviews the correspondence between minimal maintenance outlays and the landlord's acceptance of apartment crowding. Torgerson (1974) found that increased use and abuse of deteriorating buildings occurred at the point at which owners could least afford to provide the increased maintenance necessary to keep the building from deteriorating further. Sternlieb (1966) found that in a weak market (Newark, NJ in the 1960's) the landlord is forced to take whoever he/she can get as tenants.

Along a more purely social dimension, Duhl (1963) and Wurster (1963) mention the acceptance of crowded conditions in the ghetto. This is in basic agreement with the ethnic

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9 Wurster (1963: 84) notes: "The crowded slum offers a semblence of security to the recent arrival and the disadvantaged..." In many ways this is similar to the idea of the "defended community" (Suttles, 1968) in which the close quarters and ability to identify others are key components. Duhl (1963: 137) observes: "There is security in
village concept of Herbert Gans which is supported by prior research such as that by Firey (1945) and Whyte (1955). Later research (Abu-Lughod, 1961, Suttles, 1969, and Kornblum, 1972) confirms the persistence of the ethnic community within cities, both in the U.S. and abroad. These views are in contrast to the traditional sociological perspectives along the lines of Simmel (1900) and Wirth (1938), which saw size and density as having a negative impact upon social life.

Deterioration that is unrelated to maintenance can include poor construction and bad planning in general. In terms of construction and workmanship, the maintenance decision is only fully avoided in the worst cases where maintenance cannot prevent or reverse extensive deterioration (thus making the decision irrelevant.) Poor planning is perhaps best exemplified in cases of inappropriate building location. Porous base construction in flood zones is one of the more common examples of location problems. In general, crowding and closeness to people with similar religious views, values, recreations, family patterns. The degree to which the slum or ghetto resident acknowledges the more "positive" functions of his/her situation is highly debatable. While an existential position may be preferable, it has often been to left to the functionalist sociologist to find the "good" in an otherwise bad situation. In grudging support of my colleagues on this point, it should be noted that as ghetto residents are exposed to alternative residences, -- such as in the case of relocations -- the positive aspects of ghetto life are often confirmed as their absence elsewhere is discovered.
the maintenance decision fails to be the major factor in housing deterioration in only a few cases. Lowry (1960: 342) describes deterioration as follows: 10

Physical deterioration has always an ambiguous meaning and strikingly so in the case of housing. The roof may sag, dry rot may undermine the foundations, the building may settle. These are difficulties not easily remedied and involve a real decline in structural quality. Deterioration of this type is either implicit in the structure from the beginning as an incident of fraud or miscalculation or it is the inevitable or unpredictable consequence of the passage of time.

For the most part, maintenance may accurately be seen as a decision on the part of the owner.

It must be remembered, however, that social costs and benefits come into play also. Not only are dollar values placed on socially defined aspects of housing (ranging from neighborhood exclusivity to popular styles of housing), but social costs and benefits may supercede economic considerations. A social cost could be the price paid by someone who is known as a slumlord. The willingness to maintain a property that is a losing proposition can be a product of neighborhood attachment (or loyalty) or perceived social obligation. 11

10 He cites physical deterioration as the major factor involved in substandard housing. (He discusses style and technological obsolescence as the other factors affecting decline.)

11 Rolf Goetz (1977) stereotyped the "blue bloods" in the Boston as being some of the traditional owners of urban
Chapter III

THE MAINTENANCE DECISION.

The individual decision to maintain or not maintain a structure is perhaps the most basic level in the analysis of housing deterioration. Two problems immediately present themselves in this approach: (1) the dichotomization of the maintenance decision, and (2) the elimination of causes of deterioration not related to maintenance. A further problem exists when maintenance cannot be seen as a product of a decision by the owner.

While maintenance is properly regarded as a continuous series of decisions, the orientation of the owner toward regular maintenance can be characterized as positive or

rental housing. This group was also seen as being the best group of owners as far as the tenants and the building itself are concerned. While the tax shelter advantages for this group cannot be denied, social obligations seen as a responsibility to those worse off are documented in research on American communities. Warner noted not only the better treatment of workers by local factory owners in this class, but also the informal social pressures operating on the elite to do so and the later idealization of past treatment by workers after absentee ownership moved in. Under certain situations (apparently smaller towns with an established upper class) and certain times (relative prosperity) it appears that social class may have an impact upon maintenance. While the relationship between class and maintenance is unclear, it deserves mention.
negative. Torgerson (1973) sees the psychological abandonment of property (the point at which the landlord stops caring) as one of the later stages in the process leading to the abandonment and eventual destruction of buildings. The identification of the point at which a structure is not maintained and the reasons for the change is central to the analysis. Gradations of maintenance and even rehabilitation are not specifically considered; the identification of non-maintenance (and consequently, by default, maintenance) is actually the assignment of two very distinct values (representing maintenance versus non-maintenance) to the dependent variable, the maintenance decision.

While it is necessary to further define the dependent variable, it is not necessary to provide a single operational definition that would uniquely specify a certain form of non-maintenance. In trying to isolate the systemic factors that allow or encourage non-maintenance, the broader

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12 A continuum over a temporal dimension ranging from adequate to inadequate maintenance is implicit at this point in the analysis. The weaknesses of this approach are discussed in a later section in which Lowry's decision model is examined.

13 A more definite specification would prove very useful in an empirical approach designed to identify those who engage in forms of real estate practices that produce irreversible deterioration. The precipitants of deterioration could be isolated in a discriminant analysis distinguishing between types of building condition (e.g. abandoned vs. well maintained) using earlier practices or building characteristics as "predictors."
the scope of the non-maintenance becomes, the greater the identification of the "causal" factors. While this could be expanded to the point of absurdity, the use of the individual owner's orientation toward maintenance as criterion provides some degree of protection.

While a variety of levels of non-maintenance exist, the orientation of the owner toward maintenance may provide the best indicator of the start of deterioration for any given property. In the analytical framework of this thesis, this orientation is dichotomized and serves as the independent variable. The "fuzziness" or indeterminacy of this approach may be most appropriate given the early stage of the study of housing deterioration.

Components of the Maintainence Decision.

A variety of external factors beyond those directly involving the individual owner(s) and the property itself are relevant to the maintenance decision, whether the owner is aware of them or not. The property owner's awareness or cognition of a parcel's market value varies greatly. Besides varying from person to person, an owner may not be particularly concerned about such matters except when taxes are due or the possibility of sale becomes real. 

14 This is obviously related to both individual changes in the life cycle, at least minimally in terms of changes in the household size. On another level, broader demographic changes in the neighborhood as a whole (e.g. in
subjective level, a cathetic attachment to the property may exist. On a more objective level, market conditions play a large part in determining monetary value. Neighborhood or community attachments play a major role in the subjective evaluation of property while the housing market defines the objective value of residential property. It is useful to consider a framework in which the maintenance decision is broken down into these cognitive and cathetic components. ¹⁵

The cognitive components of the decision include those made on a rational, calculating basis. This is mainly the economic basis of the maintenance decision. The cathetic component is subjective -- emotional rather than rational. The evaluative component is actually the product of the cognitive and cathetic components; the cognitive and cathetic forces involved in the situation are weighed in reaching the final evaluative decision. While the evaluative component corresponds to the maintenance decision itself, it must be analyzed as a product of its cognitive and cathetic components. ¹⁶

¹⁵ This is very much the same as the approach to action that was elaborated by Talcott Parsons.

¹⁶ If the decision itself is not analytically separated from these components, a tautological analysis in which the explanation (the cognitive and cathetic components) and the outcome (the decision) are one and the same.
The cathetic component of land use has traditionally been ignored. Ground was broken in this area largely as a response to a market dominated approach to urban development offered by the classical ecologists (especially Burgess, MacKenzie, and Park at the University of Chicago.)

In the late 1930's a movement away from the market dominated approach of the ecologists was begun. Alihan (1938) provided a fundamental theoretical critique in which she argued the necessary unity of both cultural and physical properties of an area. She further noted an apparent bias against the discovery of cooperation; slum organization was overlooked in favor of disorganization because of an overemphasis of competition and conflict. ¹⁷ Walter Firey (1945) studied land use in Boston and found that factors beyond the economic were operating on a large scale. He cited the Commons and the Beacon Hill residential area (both by the center of the city) as long standing arguments against purely economic market-defined land use. Firey further noted the preference of many Italians (both nationals and ethnics) to live in their North End ghetto enclave despite better and cheaper housing available in other sections of the city. Jonassen (1949: 269) studied the movement of the New York Norwegian community from one area to another concluding:

¹⁷ Feagin (1973) and even Mills (1942) make similar critiques.
The movement of these people must be referred to factors that are volitional, purposeful, and personal and that these factors may not be considered as mere accidental and incidental features of biotic processes and impersonal competition. Abu-Lughod (1961) stressed the importance of emotional supports and personal bonds in the rural migrant enclaves of Cairo, specifically disputing the depersonalizing effects of the city offered by Simmel (1900) and Wirth (1938).

In general, the recognition of the importance of cathectic attachments to community has been made by subsequent developments in the field of ecology. Theodorson (1955) in perhaps the seminal collection of ecological material, devoted a major section to the "sociocultural" theorists featuring the work of such authors as Firey. In sum, these studies demonstrate an emotional and sociologically significant, albeit economically irrational attachment to particular areas at a local community level.

The cognitive component of the maintenance decision includes the "economic man" model. Very simply, costs and benefits are evaluated in order to either maximize profit or minimize loss. Profit maximization (the maximin criterion) is often characteristic of the speculative investor; the minimization of greatest possible loss (the minimax criterion) is the characteristic approach of the conservative investor.18 The economic approach has its modern origins in
Jeremy Bentham's utilitarian theory. The more "social" conceptions of costs and benefits were lost in the elimination of much of Bentham's felicific calculus in its consequent development and politicization of the theory as it became the foundation of a newly developing and pervasive (by today's standards) laissez-faire economy. "Happiness" and "good" became redefined solely in terms of the successful pursuit of personal profit. A purely economic man model presupposes the existence of perfect information which rarely, if ever, exists. Furthermore, practical economic research has been unable to document the existence of una-dulterated economic motives.

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18 The "slumlord" is a popular characterization and can serve as an ideal type or "exemplar" (Ritzer, 1975) of the speculative investor. In 1929 Zorbaugh noted the negative impact of such investors upon Chicago's near north side community. He observed the decline of residential properties in the area connecting it to speculative investors. He believed these people would minimize upkeep because their interests was not the preservation of the existing residential building as a capital investment, rather it was the property location itself -- a gamble on changing land use. The minimax criterion is most characteristic of financial institutions, especially banks and savings and loans. There are signs that this is changing and reinvestment is beginning to take place within deteriorated sections of the inner city. At this point, the degree of reinvestment has not been documented. A further problem will present itself in trying to untangle whether the financial institutions have initiated the reinvestment or whether they are simply responding to an equilibrating property of the market in which earlier disinvestment was exagerated. Although this is primarily an economic analysis of the market
In spite of such shortcomings, the economic model of man has often been applied to the slumlord. As Sternlieb and Burchell (1974: xiii) point out:

This is an individual who popularly is supposed to dominate the low income private housing stock and who has not only grown wealthy historically because of his tenure, but is currently securing a more than adequate return on his properties.

As one author (Leinwald, 1970: 25) states, "absentee landlords prey on slumdwellers... make few repairs and encourage overcrowding and the sharing of bathrooms and kitchens... give little heat or hot water... their profits are high... from the misery of the people." A zealous reformist orientation dramatized the greedy slumlord as the cause of deterioration; research suffered because of the overemphasis on

situation, the influence of community activists in lobbying for legislation encouraging inner city reinvestment must be noted. Both the Home Mortgage Disclosure Act of 1975 and the Community Reinvestment Act of 1977 are products of such efforts. Bundy (1980) discusses the opportunities for lenders that have been opened up as a result of the new legislation. O'Loughlin and Munski (1979) review extensive rehabilitation in two very different New Orleans neighborhoods and the South Shore Study Staff (from the University of Chicago) documents successful (for both the neighborhood and the bank) intentional reinvestment over a 4 year period by a local lender in that Chicago neighborhood. Unfortunately reinvestment has not been the panacea for the poor and "underhoused" that it was expected to be. The 1979 U.S. Department of Housing and Urban Development Displacement Report reviews that latent function of reinvestment. The problem was further underscored by Patrick Hare (1979) who argued the extent and the problems of displacement far exceed those mentioned in the HUD report.

19 In his calculus, Bentham applied values to social and
of this "larger than life" slumlord.

Sporn (1960: 28) notes that "While the subject of slum profiteering has received almost limitless journalistic coverage, seriously documented studies of the economics of owning and renting of substandard housing are rare." There has been little substantial investigation of the structure of profit mechanisms in slum ownership in particular or housing deterioration in general. The lack of access to individual tax records (which usually itemize major expenditures and summarize everyday maintenance costs as well as income) creates a nearly insurmountable difficulty in a financial analysis of the situation.

Although deplorable conditions admittedly exist, there is some question as to how much is exactly a product of the legendary "slumlord". Martin Mayer (1979) discusses the link between accelerated depreciation and tenement trading, which leaves little motivation for the owner to maintain a high risk building that will be sold in a short time. The investment in slum property is seen as a very speculative venture in which a high return is expected to offset moral goals; the weaknesses of his specific arguments were abandoned by his followers for the summary conclusion that a free market economy provides the greatest good for the greatest number.

The notion of social costs and rewards was reunited with the more easily seen economic motivations largely in George Homans' social behaviorism.
potential loss.

Mayer expands the theoretical and potential exploitation of the poor resident permitted by tax laws (which were largely passed in order to stimulate construction in the 1950's and 1960's.) Because of the general unavailability of records documenting actual landlord investment and return, there are few empirical studies against which Mayer's contentions can be evaluated.

Arthur Sporn (1960) conducted one of the few studies that was able to access income, depreciation, investment and return examined health code violating and renewal targeted buildings in the Milwaukee area.\(^\text{21}\) No relationship between the type of depreciation schedule used and length of tenure was found. Sporn found (for the years between 1949 and 1957) an average return of 19.8% on the properties. Sternlieb (1966) found a 12% arrearage rate of return in Newark. Although such ownership does yield a fairly high profit, the major benefit to low-income residential property investors seems to be in terms of tax abatement.

Abrams (1965) and Starr (1977) see the tax shelter as the most solid (at least in terms of reliability) advantage to such investment. It is most effective when the investor

\(^{21}\) This is because Wisconsin law allowed access to state tax returns for certain research purposes. Wisconsin in general and Milwaukee in particular has a long liberal and even socialist tradition.
has other substantial personal (as opposed to "capital gains") income since the depreciation can be directly applied against personal income. One of the least obvious advantages is that the depreciation is against the full purchase value of the entire property rather than against equity (the actual amount already paid.) In other words, even though a lending institution may still be 75% "owner" of a property after the first year (assuming a 20% down payment and 18 year mortgage), the investor is able to calculate depreciation against the entire 100% rather than the 25% already invested (equity).

In sum, although the economic or cognitive components are important in the owners' treatment of both building and tenants in rental housing, the social elements of the maintenance decision are no less influential. It appears that the less contact the owner has with the occupants, the greater the chance that non-maintenance will occur. Owner occupancy, residential attachment, and perhaps simply greater accountability (to tenants, peers, or both) are probably the most important non-economic variables influencing the maintenance decision.

Lowry's Decision Model.

A model identifying the points at which nonmaintenance and abandonment occur was offered by Lowry in 1960. Alt-
hough he equates demand with the cash flow (in dealing with rental housing), a variety of "social" characteristics are represented within the context of "demand." Both subjective and objective criteria of neighborhood quality come into play. A "safer" neighborhood is also a more expensive one. To a certain degree (largely dependent upon social class), both the public and private service sector also have an impact upon demand (or the price one is willing to pay for an equivalent unit) by local areas. Both life cycle position and popular styles affect choices in where one wishes to live. Definitions of an area, whether accurate or not, are formed by media, assigned by adjacent residents and to a large extent, those who work in the area -- especially those that have alot of public exposure such as the police and even teachers. Although neighborhood quality is an important ingredient in determining the value of housing, other more specific economic factors must also be considered. Several types of costs are involved in the operation and maintenance of real property.

Fixed costs are those incurred regardless of residential occupation of the property. (Lowry gives property tax and insurance as examples of fixed costs.) User costs, on the other hand, are those due to occupation of the building. Heat, electricity, water, janitorial and scavanger services,
Figure 1. Demand Price and Costs in Rental Housing.
(Adapted from Lowry, 1960.)

Legend:
UC = User Costs
FC = Fixed Costs
DP = Demand Price
repair, and maintenance are the common costs of this type. The demand price is that which the occupants are willing to pay. It corresponds to the cash flow generated from rent.

The demand price is very dependent upon market conditions. In a declining market, Lowry (1960: 344) states "undermaintenance is an eminently reasonable response of a landlord to a declining market." At a certain stage, profits no longer occur. This happens when the demand price (which corresponds to the incoming cash flow) no longer supports user costs. This convergence of outgoing costs and incoming monies occurs at point T1 in figure 1. (At this point, expected profits have ceased.) If profits are to be regained (or, according to the apparent direction of change, losses avoided) costs must be decreased. Lowry assumes that the reduction of costs is first made upon user costs. It is at T1 that undermaintenance enters the picture as a response to deteriorating economic circumstances.

Fixed costs are pictured as part and parcel of ownership and, according to Lowry, cannot be reduced or eliminated except at the point of abandonment. While user costs are flexible enough to match demand, fixed costs identify the basic amount of cash flow necessary to keep a building
afloat. When the cash flow or demand price declines to the point where even fixed costs can no longer be met, the building is no longer profitable to keep -- nevermind maintain. This occurs at the intersection of the fixed costs and the demand price.\textsuperscript{22} Unfortunately his specification and evaluation of fixed costs is debatable.

Although Lowry sees such items as property tax as a fixed cost, this is very dependent upon local regulations. If assessed valuations or even the tax rate itself is particularly high, nonpayment may be encouraged -- especially if the buildings are allowed to operate freely for a number of years in delinquent status prior to acquisition of the property by local government. Tax delinquency and even nonpayment of utilities may be profitable alternatives to what could otherwise be seen as a premature abandonment by the owner.

While Lowry's model provides a clear example of the "economic man" approach, it is neither complete nor can its inferences (concerning the points of abandonment or razing and nonmaintenance) be uncritically accepted.

To start with, normal maintenance can be expected to increase with the age of a building.\textsuperscript{23} Secondly, user costs

\textsuperscript{22} This is point T2 in the figure.

\textsuperscript{23} A major exception to this is presented by great variation in the original quality of the building. Some 100 year
in general increase (if the condition of the property is to be maintained) in a depressed market because of increased willingness to accept "worse" tenants. (For example, crowding and consequent wear and tear upon the property may increase.)

The change in status of a given property also dramatically affects its demand. Neighborhood change is one example of external change that is largely beyond the control of the owner. Such change can affect the demand potential of the property to such an extent that it is actually redeveloped. This phenomenon can be observed in either direction, change upward or change downward in the housing market. In other words, when a neighborhood is "rising," the properties in the area are positively affected. On the other hand, as an area declines, so do the value of properties within it.

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old buildings may be sounder (at least structurally) than many newer ones.

24 Loft conversions in declining commercial areas (frequently in Burgess (1925) "zone of transition" -- at least in the northeast and midwest) and condominium conversions in popular apartment neighborhoods are examples of such redevelopment.

25 While this argument does not hold true for every property in an area (nevermind areas that are neither rising or declining) it generally holds true. The relative homogeneity of building type by area is probably the major reason for this. A more sophisticated analysis (and one well beyond the scope of this thesis) could develop a dimension of neighborhood demand. Goetze (1977, 1979) provides a good start in this direction. Property could then be classified (using any one of a number of multi-
In the former, as upward filtering ("filtering" at least according to one of the definitions of the term) occurs, a building with small apartments may be converted into larger ones. More commonly, especially in recent years, apartment buildings in increasingly popular areas may be converted into condominiums. On the other hand, as a neighborhood declines, one of the ways of maximizing the cash flow may be to subdivide into smaller units. Zorbaugh (1929) noted the downward filtering of townhouses and mansions into rooming and boarding houses. There may be little demand for large apartments; also, the cost efficiency of larger units may be substantially less than that of smaller ones -- especially with increases in utility costs, whether borne by the owner or the renter.  

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A further complication is a product of tenant mobility -- older tenants may be willing to pay a price above the true market value of the unit. (Also, if older tenants have an inflated image of the market value, they can easily be "overcharged;" on the other hand, if they are unwilling to pay the market price, they can be replaced or forced to reevaluate their image by their "search.") Young and Willmott (1957) document the negative impact of forced relocation upon older residents of Bethnal Green, an old deteriorated section of East London. Marc Fried (1963) argues the existence of a grieving syndrome that affects many relocated individuals.
An alternative to user cost reduction is an elimination of many of the fixed costs. Insurance can be reduced or dropped and, depending on local enforcement policies, tax arrearage may be an available option at T1. Additionally, user costs (specifically in terms of tenant benefits) may be increased in order to make the property more competitive in hopes of offsetting declining demand. The movement of a given property within the housing market (either up or down) is ignored by Lowry's model. (Such movement can dramatically affect the demand price.)

The value of Lowry's model is its simplicity and clarity. The questions raised by the model include the origins and status (in terms of the degree to which they are really necessary) of various costs and how they are influenced by demand considerations. The neighborhood (in terms of the spatial definition of demand) is a particularly important influence upon the value of (or demand for) residential structures. Lowry's model may be nearly as appropriate to neighborhoods as it is to the individual investor. To develop the model further, it is necessary to identify the institutions which affect demand (and perhaps costs). The identification of these institutions and their operations is

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27 An interesting research project could examine the relationships between tax arrearage, insurance payments, and arson.
necessary for an adequate understanding of the dynamics of housing.
Chapter IV

THE NEIGHBORHOOD COMMUNITY AND THE HOUSING MARKET.

The Neighborhood Community.

Much of the housing market operates at the neighborhood level. Kain and Quigley (1975: 34-37) look at this local area as the basic market unit. They see the local community as: (1) an aggregate of individual consumer decisions, (2) the product of investment decisions by housing suppliers, and (3) a product of the interaction between (1) and (2). Hempel and Tucker (1979) examine the metropolitan nature of the housing market as a whole, but regard the neighborhood as the basic unit in the "search space" in residential relocation. In this sense, the community itself (rather than a given dwelling unit in particular) is the object of demand (or preference.) Because of this, the community itself has an economic "value." In the search process, neighborhood imagery is of primary importance. This may be one of the reasons why extreme neighborhood decline (with obvious signs of disinvestment -- such as abandoned buildings) is so rapid and difficult to check. In the same way that "better" houses and apartments are translated into higher costs, so are communities.28
The "natural area" (Park, 1916) has served to identify the local neighborhood since the time of the University of Chicago ecologists. Basically, the natural area is a combination of both natural and man-made boundaries. Rivers, railroad tracks, major streets and the like may serve as boundaries for such areas. The natural areas exerted a certain attraction drawing similar types of people together. This relatively homogeneous group in turn creates (especially over time) a unique social life in which the natural area becomes "fitted" to its residents.

Janowitz and Kasarda (1974) analyzed community attachment in Britain. Two components of community attachment were used: (1) community attitudes and sentiments and (2) local social bonds (networks). Length of residence was found to be far more important than SES, density, community size, or even the age of the respondent. They concluded that Toennies and Wirth's arguments did not sufficiently

28 This does not mean that neighborhood dominates dwelling unit or vice-versa. Most neighborhoods are fairly homogeneous in terms of their housing stock. In fact, changes in types of buildings often serve as the boundaries distinguishing neighborhoods.

29 London was excluded from the analysis for apparently the same reasons as New York City on the other side of the ocean -- the uniqueness and extreme degree of urbanization creates a situation in which findings using these cities are not generalizable to other urban areas. (Also, because of their size, these two cities, especially London, would bias results simply because of their "weight.")
explain variation in community attachment. They argued for an alternative explanation emphasizing the work of Thomas, Park, and Burgess based on friendship, kinship, and local associational networks. The importance and existence of such local ties is dramatically revealed in the softer methodology of Abu-Lughod (1961) who argued vehemently against Wirth's position correlating disorganization (which saw correlating disorganization with density) in her closing statements. Such bonds were found to be even stronger in the migrant city enclave than in the village they left.

Although such findings support the notion of the urban neighborhood as a closed system, it must be recognized that this local area is not self sufficient -- especially in a modern industrial economy. The neighborhood itself is an open system; although it has definite boundaries, they are far from being either impermeable or always fixed. A large number of factors outside the neighborhood (including both adjacent neighborhoods and larger scale structures) clearly affect and interact with the neighborhood. Definitions of boundaries are assigned by outsiders as well as the local residents. The image of a neighborhood (especially in terms of its "status" or prestige) is in many ways an ascribed characteristic. While the neighborhood itself may or may not be safe, wealthy, poor, a "good place to raise kids,"


the reputation of any given neighborhood can very easily fail to correspond to the reality it purports to represent.

The Housing Market.

The housing market can be pictured in terms of the supply of available dwellings and the demand for them. Because of variations in housing quality (largely as specified by consumer preference) and consequent variation in the amount spent on housing, there is a stratified market. Various types of dwelling units (in terms of age, size, style, and location) exist with their own particular supply and demand characteristics. (The low income urban rental market is one of particular interest to this paper.)

Population change is a major factor affecting the balance of supply and demand. The overall regional market can be expected to expand or contract as a product of population change. A shortage of housing can be expected in areas with rapid population growth. Goetze (1979b) looks at the relation of demographic change to consequent changes (and the lag) in construction of new units. Sternlieb and Burchell (1980) review the changing rate of household formation to multi-family housing. Increasing singles and generally smaller households have increased demand for smaller units.
One response to this situation has been increasing subdivision of once large apartments. An unexpected consequence of this may be a minor demographic transition in areas with a preponderance of such units which foster the outmigration and discourage the immigration of those families with children. Additionally, the service sector of areas characterized by singles and childless couples eventually begins to cater more and more to the new population. Local commercial establishments should start to respond to the changing demands and needs of the new residents. The availability of baby products (such as food, diapers, etc.) may be severely restricted. The characteristics of local parks may be changed -- sandboxes, children's swings, and the like may be removed in favor of materials more adaptable to adult uses. Children's clothes, pediatricians, perhaps even schools may cease to be found in such areas; those establishments which remain and develop may be those least conducive to popular images of things to which children should be exposed.

In terms of inner cities, demand for smaller and more economical units by increasingly smaller households has limited new construction of larger units in recent years. As the "cohort" of older and larger units continue to disappear, increased demand for such units is potentially build-
ing. Because of the low production of new housing (not exceeding 2.5% of the total stock -- even in peak years) this trend may lead to a drastic shortage of larger units if there is any return to larger households. The lack of recent construction of larger units will lead to a shortage of these units even if there is no increase in demand. This is because as the housing stock ages, the older units (which make up the greater proportion of the larger units) are disappearing. Such units will make up a smaller and smaller proportion of all housing units in the inner city.

In sum, the nature of housing within an area may draw specific populations which create a unique social life which may even further narrow and "specialize" the characteristics of those drawn to the area.³⁰

Along different lines, changes in the population makeup itself (for instance in terms of a redistribution of wealth) can also affect the market. An overall downward shift in the economic condition of a specific area's population loosens the market at the top, but tightens it at the bottom. The housing market can, and perhaps should be seen in terms of levels paralleling social strata. The literature of sociology has consistently noted the relation between class and residence. In the following chapter (on filtering) race

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and ethnicity are reviewed as major determinants of the structure of the housing market. Residential segregation along these lines provides substantial evidence of the existence of racially and ethnically defined markets.

The largely supply and demand makeup of the housing market is checked to some degree by the discretion of lending institutions. While such funds very directly influence new construction, they may not be as crucial in the second-hand market. The availability of funds will more likely have greater impact upon the decision to build new housing than the sale of already existing stock. During periods of recession or depression the amount of money available for housing (especially new or more expensive housing) is diminished. Also, the price of existing housing can (and generally does) fall below replacement cost; the price of new housing is usually defined as the replacement cost -- it cannot (at least for any length of time) regularly fall below the value of land, materials, and labor. In this sense, lending institutions and the economy in general heavily influence new construction. Because of this direct impact, lending institutions have a strong influence upon the overall housing supply.

The Financial Institutions.
The policy of disinvestment in poor risk areas by various financial institutions (such as banks and insurance companies) is known as "redlining." The decision to not invest (disinvest) in an area is often illegal. Racial segregation has made the redlining of many neighborhoods de facto discrimination. The Community Reinvestment Act of 1978 requires all banks and savings and loans to demonstrate local investment practices. There is increasing evidence of the potential profitability of inner city reinvestment. In an investigation of an inner city neighborhood of South Shore in Chicago, a University of Chicago research team documented the positive impact and profitability of reinvestment by a local bank.

The Act is specific as far as requiring the geographic detailing investment and the compilation of public statements on this subject. It is unclear, however, as far as specifying unacceptable levels of disinvestment and appropriate penalties for violations. Bundy (1980) reviews the rediscovery of investment potential in previously forsaken areas that has been stimulated by the act. The use of storefront offices in California and the joint venture of a number of banks into inner city rehabilitation in Chicago (as RESCORP) are two of the more novel recent approaches to reinvestment.

The South Shore Study Staff reviewed the changes in that neighborhood as a product of a change in control and policy (away from previous disinvestment) of the major local lending institution. It was discovered that with selective reinvestment in particular segments of a community that decline throughout the entire community is slowed.

While this is actually practicing disinvestment in those other segments, blind reinvestment with a large number of consequent foreclosures would be even worse.
One of the dangers of such reinvestment is the displacement of the original population -- quite possibly into worse housing. This can easily occur as the newcomers are willing to offer more money for the same dwellings. This is the traditional invasion-succession pattern in reverse; the middle and upper classes are reclaiming sections of the inner city that were abandoned to the poor long ago. The displaced are forced into a tighter and tighter spot at the bottom of the housing market. The shortage of decent housing at this end of the market allows even worse conditions to exist as demand at the bottom increases.

The danger to financial institutions' lending in changing neighborhoods is that they may lose their investment. As property values fall below the remaining mortgage payments (or the insured value of the property), default or arson (through either explicit commission or implicit permission) become more likely. The diversion of potential investment funds from an area causes a substantial fall in property values. (This is because buyer demand is formally curtailed by the lending institutions while those wishing to get out try to sell, thereby creating a surplus.)

(All this is apart from the fact that banks and savings and loans are not charitable institutions.)
A neighborhood that is redlined is often also beset by arson and abandonment. All of these factors lead to extremely rapid additional deterioration. Torgerson (1973: 38) quotes a HUD official:

The threshold for an avalanche can be as little as 5 percent abandonment in a neighborhood. The streetwise people move out as soon as they see it start. They know crime, fires, rats, and all will follow.

The increase in vacancy rates leads to a lowering in tenant quality as worse and worse tenants are accepted in order to maintain some occupancy and at least a minimal cash flow. In many ways the toleration of bad conditions by poor tenants unable to afford better accomodations and landlords unable to afford maintenance pairs the two worst possible partners together. This is a deviation amplification model (Maruyama, 1963) in which the quality of the tenantry declines to a point at which the landlord "gives up." Utility and other bills are no longer paid and, depending on local regulation, essential services such as water, heat, and electricity may be cut off. The building is then abandoned by all but the urban "squatters."

In terms of the market approach, the problem for the slum becomes the absence of demand. It has become impossible even for the management firms specializing in this area to continue operating. Tax delinquency has begun to go hand
in hand with abandonment (Sternlieb and Burchell, 1974). Despite generous income tax incentives, additional investment in declining neighborhoods is minimized by extreme instability. Also, many of these incentives fail to operate in deteriorated neighborhoods at anywhere near the same levels that they do in stable areas. The absence of provisions encouraging long term investment in deteriorating areas leads to progressive decline. The short term "make a buck and run" operator of slum housing is a far from fictitious character. Hidden ownership (in which the owner of a property is not publicly available information) allows operation of slum housing without the assignment of the slumlord stigma to the owner. Corporate ownership and the use of management companies also reduce owner accountability. As long as stable responsible ownership is not actively encouraged in an area, decline is inevitable. This encouragement can be provided by other owners, residents, and local groups. Government intervention is doomed to failure as long as it is the isolated program that deals only

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33 Sternlieb and the CUPR staff (1980: 64) argue that the effect of depreciation allowances is significant only for newer and higher cost structures. In a deteriorated area the cost of a building is very close to the land value which does not depreciate. "Thus, the present results of depreciation policy as embodied in our internal revenue codes are to require a greater level of pre-tax profitability from the operations of low value buildings than the equivalent from relatively highly depreciable peers."
with surface symptoms ignoring a more holistic approach.

**Filtering.**

The upward and downward migration of both population and dwellings can be observed in the stratification of the housing market. There is a general correspondence between the position of the dwelling and that of its residents. This correspondence is largely based on the economic position of the residents and the market value of the dwelling. Filtering essentially examines the upward or downward movement of a dwelling unit either in terms of its position in the market as a whole or in regard to the status of its residents.

Filtering theory has its origins as a defense of laissez-faire policy. A filtering down argument has traditionally been used to support the market's "natural" ability to provide adequate housing for the poor without the government involvement. Simply stated, filtering means that homes

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34 The explicit development of the upper class market is in many ways to the advantage of the major investors, that is, the developers and financiers. If a higher income group can be consistently stimulated to make new purchases, the investment is not only probably safer, but it also involves less overhead per dollar invested. Additionally, territorial expansion may create a need for further services, thus stimulating further investment and perhaps even increased power and control by the investors.

35 This explanation follows the earliest descriptions of filtering. It should more properly be termed upward filtering, however I believe that the directionality is a
that are left behind when the upper classes move into newer or better dwellings become available to the next lower class, and the homes that they leave in turn trickle down to those below, and so on.

While early theory supported the existence of the filtering down phenomenon, more recent authors seem to have taken a special interest in discrediting the filtering down approach. On the other side of the coin, former U.S. Senator Edward Brooke (who presently heads a low income housing research group) has professed a belief in the greater efficiency of "trickle up" approach (Brooke, 1980). He suggests that housing at the lowest levels be improved and expanded because as better housing created specifically for the poor will have a beneficial effect upon housing for all.

Filtering is essentially a byproduct of normal market operations, although not necessarily a particularly pervasive or effective mechanism for securing adequate housing later addition. The history of filtering as a theory is not very well documented. As Lowry (1960: 340) observes: "Because the analysis of filtering is largely an oral tradition the meaning of the concept itself is fuzzy."

A major portion of housing research in this area has been funded by the government agencies. It is a very real temptation to these agencies (simply as bureaucracies) to support those projects most likely to recommend government involvement that would very likely result in the most significant increases to their own budgets. Also, additional pressure is exerted by the construction industry toward developing programs in which new construction dominates.
for the poor. An orderly market does not operate in areas of residential segregation and certainly not in the presence of panic peddling and redlining. Sternlieb (1966) found that filtering down was seriously impeded by racial segregation in his study of Newark. He further noted that additional difficulties are presented when lower income minority owners are unable to afford basic upkeep. (This is most dramatic in areas of sudden racial change where the new residents have substantially lower incomes.) Higher down payments and monthly payments (due to assumed higher risk and shorter term mortgages) are required in such areas and are typical of lower priced multiple unit inner city buildings (Grigsby, 1967; Sternlieb, 1966). In any neighborhood where prices have declined substantially, the new, less well off owners often may not be able to keep the same standard of maintenance. Lowry (1960: 370) states:

The price decline necessary to bring a dwelling unit within reach of an income group lower than that of the original tenants also results in a policy of under-maintenance. Rapid deterioration of the housing stock would be the cost to the community of rapid deterioration in the price of existing housing.

Other writers (Beyers, 1965; Grigsby, 1966; and Smith, 1970) add that new construction for the middle and upper income groups never quite filters down to the worst housed segments of because of the pyramid-like structure (few at
the top, many at the bottom) of the housing market. Because of this, a very large percentage of the best housed would have to move into better housing in order to have any impact upon the large numbers of people that are poorly housed. Additionally any top to bottom impact is further minimized because of absorption by the layers in between. The natural tendency of the market is to avoid surplus which decreases filtering (Smith, 1970).

**Maintenance in Declining Areas.**

What are the advantages to maintaining a building in a deteriorating area? If the building is owner occupied, the condition of one's own dwelling is then affected by maintenance. 37 Two popular explanations of this phenomenon are: 1) the closer relations between the landlord and tenant, and 2) the owner is interested in the quality of his dwelling for purely personal reasons. Also, for the most part, the larger the structure, the greater the investment. Correspondingly, the emphasis on economic motives could be assumed to increase with a structure's size. 38

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37 Owner occupancy seems to be the single most important variable in predicting maintenance versus deterioration in a "changing" neighborhood. Sternlieb (1966: xvii) concluded "the prime generator of good maintenance is owner residence" in his study of Newark, New Jersey.

38 In addition, the owner of a large number of buildings can only reside in one.
Maintenance and perhaps even upgrading may be required in order to compete with similar structures in the market. The cost of maintenance, however, may be seen strictly as an additional investment. In shifting from the economic man to the social man, the cathexis of or the attachment to a property or neighborhood must be considered. Neither the economic nor the social approach is necessarily dominant on an a priori basis. (I.e., without knowledge of the owner and his/her connection with a particular parcel.)

The social factors relating to maintenance are most important in areas in which owner occupancy dominates. This is very much the case in areas dominated by single family homes -- especially outside the South where single unit rental structures are most common. Length of residence is also positively correlated with community attachment. Social considerations could be expected to play a very important role in stable areas.

According to the pure economic man model, continued maintenance must be perceived as a worthwhile reinvestment. One possible function of maintenance is to protect the initial investment. If the initial investment is not worth saving (i.e. if it is more profitably abandoned), maintenance would have no utility. If maintenance costs do bring about an adequate return (either in terms of protect-
ing the initial investment or the cash flow from the build-
ing) they are unprofitable. Also, this return must be com-
parable to that offered by other investments of comparable
risk. In this sense, those who have invested a substantial
proportion of their savings in a residence in a declining
area may tend to maintain "losing" properties while those
for whom such parcels are either not personal residences or
substantial personal investments are more likely to stop
maintaining their buildings. A number of owners of the
former category could easily form the nucleus about which
neighborhood stabilization (if it is to occur) will form.

The protection of the initial investment (even if it's
a losing proposition) may be a major factor influencing the
maintenance decision of the small investor with a substan-
tial portion of his/her money tied up in the property. In
such cases the minimax criterion is operating. Larger, more
diversified investors suffer comparatively lesser losses in
"pulling out" via practices of abandonment or undermainte-
nance. Sternlieb and Burchell (1974: xxv) have noted the

39 Alternative investments may be severely limited if a
large portion of the owner's capital is invested in the
building.

40 The smaller investor is more likely to get stuck with the
lemon for a longer period of time -- simply because
he/she cannot afford to take the loss. In continuing to
maintain, the ability to recoup at least some of the loss
(perhaps through a change in market conditions) is at
least possible.
better upkeep of recent (and lower income) minority owners when compared to their white counterparts in deteriorated sections of Newark.

The new owners of the sixties may have had little romance about their prospects, but they had great confidence in their capacity to maintain and improve the properties they acquired, to secure good living within them, both for themselves and their children. Their buildings are better maintained, their hopes for the future still more considerable than for longer-term white holders in the same areas, but the positive feeling is fast ebbing, based on experience within the city.

Thus, close relationships between landlord and tenant and between resident and community (whether or not the latter are acknowledged) provide a local social base upon which a healthy economic atmosphere fostering maintenance may be built.
Chapter V

THE MAINTENENCE DECISION MODEL.

In isolating those factors that influence the decision to maintain or not maintain, we must return to the social and economic spheres already discussed. Further, the levels at which these factors operate must be clarified if a more determinate analysis is to be possible.

Lending and insurance companies operate to a certain degree on a neighborhood level. The decision to lend mortgage money is based upon much more than the credit worthiness of the applicant. Not only the characteristics of the individual applicant, but characteristics of the individual property (for example in terms of age, condition, buying price versus appraised value and location) affect the lenders' decisions. The definition of the community by residents themselves (and those neighbors who are familiar with the area) is commonly on a neighborhood basis. Federal guidelines governing insured loans once included neighborhood criteria which were above and beyond applicant and building considerations.
Attachment is largely at the community level, although the reasons for and strengths of attachments vary greatly between individuals. The emphasis of the media, however, is at the neighborhood level. The media's portrayal of an individual's neighborhood constitutes one of the major sources of self image (though publicly defined) via a "looking glass self."\(^{41}\) The local government has impact both in the provision of local public services and through the real estate taxes. While services and taxes are ostensibly on the municipal level, a differential allocation of services (that is based more on politics than need) by neighborhood frequently exists.

Federal income taxes affect the national housing market as a whole -- although specific allowances or regulations may differentially apply to particular types of neighborhoods. New housing versus old housing may have different allowances or schedules. Multiple unit or single family structures and primary as opposed to occasional (e.g. vacation) residences may be taxed differently. Population shifts affect the housing market on both a local (e.g. from one neighborhood to another or from city to suburb) and a regional (e.g. from the Northeast to the sunbelt) level.\(^{42}\)

\(^{41}\) Cooley (1909).

\(^{42}\) Glazer (1979) offers a succinct commentary spelling out the effects of regional shifts upon the housing of the
The model that is developed attempts to take most of these factors into consideration and views maintenance as a generalized investment decision. It is clear that a number of factors affect the decision at a variety of levels. Figure 2 is an attempt to outline the ways in which particular factors already discussed operate.

The lending institutions affect the flow of funds into the neighborhood. Insurance is often a prerequisite to securing a mortgage. When combined, these two institutions almost entirely determine the intra-metropolitan housing market. Financial institutions geographically define areas (on the neighborhood level) of possible demand; locationally defined lending practices have a substantial impact upon poor in regions of declining population. An empirical model designed to forecast urban change developed at MIT employed job shifts as a regionally defined factor affecting consequent housing demand. Goetze (1979) discusses some inadequacies (especially formalism) of the MIT model as well as relevant facets (such as who moves and the impact upon the departed community) of such migration to the overall dynamics of neighborhood change.

In many ways the dependent variable could just as easily be the decision to stay or sell. There is a close correspondence between that decision and whether or not to maintain -- in fact it may even be the same decision except under slightly different circumstances.

The financial institutions do not affect neighborhoods solely in cases of redlining. Any differential practices by neighborhood may have a profound effect upon the structure of the local residential market. The higher down payments and/or shorter term mortgages characteristic of older inner city areas are an example of this kind of local influence. Differential credit conditions
Figure 2. The Maintenance Decision Model.

- Insurance
- Lenders
- (programs-building) Government Housing
- Tax Structure (income-property)
- Government Policy (services-regulations)
- Community-social Local Attachments
- Owner
  - Maintenance Decision
the economic life of the local community. This is done not so much by the active marketing of high demand areas as by the natural resistance to lending in less "sure" areas. Although such decisions appear to be discretionary on the part of the financial institutions, the condition of the housing market as a whole further constrains and guides the institutional policies on investment. (If, for instance, the lower quality, single family market is terrible, and the potential for further deterioration is indicated, the institutional lenders would probably not support any investment in neighborhoods characterized by such housing.)

When a certain segment of the housing market experiences decreasing demand, the financial institutions may be well aware of the negative trend. In order to protect their own interests, lenders may project existing trends; conclusions leading to a consequent limitation of investment in an area may well be a product of a self-fulfilling prophesy

(especially concerning type of credit and degree of availability) affect the local community at its economic heart.

It should be noted that newer forms of financing are coming to exist. Alternative sources of financing and unconventional or "creative" approaches to financing by more progressive lenders are becoming more and more popular every day. At this point in time the impact of these newer forms of reinvestment has not been very well studied.
(Goetze, 1977). In doing so, it must be remembered that these lenders exercise considerable foresight, but may actually be reifying their suspicions. In many ways the financial institutions, while attempting to be guided by the housing market, are in fact defining it. Again, while it is the potential investor who is the recipient of the favor (or disfavor) of these economic institutions, the basis of the decision is largely the market condition as applied to the neighborhood.

In redlining, the credit of the potential purchaser is a necessary but not sufficient condition of the loan approval. Additionally, the decline in property value brought about as a product of the situation is further exacerbated by decreasing values drawing lower income and higher credit risk buyers. (This situation is paralleled in the rental market as tenant "quality" correspondingly declines.) In larger multiple unit buildings, decreased prices draw not only simple speculators, but "operators" (Goetze, 1977) whose approach results in a definite decline in maintenance. Once a neighborhood is characterized as unworthy of credit, it can easily fall into a downward spiral of increasing speed. The separation of the social and financial causes of the decline become impossible once the spiral begins.
Another institutional factor, namely the federal income tax structure, operates directly upon segments of the housing market itself. The law provides different taxing provisions for different segments of the housing market. The financial situation of the potential investor determines the usefulness of housing as a worthwhile investment. Alterations in the federal tax structure can be used to specifically target private investment in line with federal policy.

Similarly, local taxing bodies emphasize the commercial/residential difference as far as differing tax rates go, but residential real estate taxes are basically similar (no matter what the housing type or neighborhood) within the tax district. Local political involvement may be more strongly felt by the housing market when zoning, building, and health laws are concerned. Because of a relative homogeneity within neighborhoods, these local political influences are felt largely at the neighborhood level.

Specific regulations that affect maintenance would include those specifying who could make repairs (in terms of license requirements) and code restrictions on remodelling. Although it is in the interest of most established cities to preserve their housing stock, their regulations regarding renovation seem to work toward pushing inner city housing further and further behind the suburbs.
On another level, the activities of local government vary a great deal from both across governments (one city or town to another) and from one neighborhood to another within the same governmental district. Local governments differ in terms of specific services provided and areas within districts differ in so far as how well these services are carried out. Building and health code regulations vary from city to city. Differential enforcement on a neighborhood level adds further variation. Such regulations and their enforcement may have a profound effect not only upon new construction, but even upon the maintenance of existing dwellings. Also, services can vary from one section of a city to another. This may be most evident in times of crisis or scarcity of publically allocated goods or services.

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45 Rolfe Goetze (1977) argues that flexible enforcement of such regulations is a reasonable and necessary approach. The increased cost necessary to bring marginally operating buildings in declining areas into full compliance creates a substantial economic problem for those least able to afford it. "Overenforcement" can easily be counterproductive as owner abandonment, tax delinquency, etc. may be the result.

46 The Metropolitan Housing and Planning Council of Chicago (1980a, 1980b) has reviewed the negative impact of red tape and excessive restriction upon residential rehabilitation in that city.

47 In Chicago for instance, under two different mayoral administrations, services to predominantly black sections of the city were severely curtailed to minimize the impact of severely limited resources for other sections of the city. The two instances were a major snowstorm knocking out major transportation lines and a strike by
In more normal times, the differential allocation of services can be observed by neighborhood in such things as where the new busses and trains run, how old schools and libraries are, how old classroom books are, and in general, what resources are made available.

Emotional attachment constitutes the major social component in figure 2. Attachment is the "social" value of an area to a resident. The image of the neighborhood (created by insiders' self-definitions and outsiders' assigned definitions) also plays a part. While the specific image may or may not be strongly related to the resident's attachment, it is the major portion of the possible resident's definition, both objectively and subjectively. This is especially important when demand is considered. 48

As Janowitz and Kasarda (1974) argue, residential attachment can be seen as a product of length of residence, participation, (and perhaps even dependence.) Besides attachment to the neighborhood as a whole, individual, personal attachments to friends, home, and family at least as

firemen; in each case, only limited services could be provided to the city and those areas with the most "clout" (or those most likely to hold current officeholders accountable) received what few resources were available.

48 It should be pointed out that not all those who remain in a neighborhood are necessarily very attached to it. Those who remain in a neighborhood may simply be unable to afford to leave.
important. 49

In sum, the major strength of this particular model is the integration of diverse components into the same field. A formal difficulty is presented by the mixing of various levels of analysis -- however this simply reflects a more realistic representation of how the maintenance decision is reached. In order to explain or understand the causes of housing deterioration in the inner city, one is forced to adopt an eclectic approach. 50 I have frequently overridden disciplinary boundaries in trying to present those factors that have the greatest impact on the maintenance decision. The weaknesses inherent in a model of such breadth are outweighed by the potential power it has to explain one of America's long standing urban problems. The model offers a dynamic perspective adaptable to changing situations which, after all, constitute reality.

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49 It could be argued that community attachment is actually just the spatial definition of these personal attachments.

50 The limitations of prior sociological approaches lie in their failure to consider fully the economic origins of social change. The economic approach pays lip service to the social aspects of demand characteristics, however the work sociologists and the economic implications of their work is largely ignored. Policy makers and analysts attempt to integrate both, but usually on a superficial level. Their emphasis is on present problems while future expectations and an understanding of the past are nearly absent. The model presented here integrates important elements from all of these perspectives.
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