Politics of low and moderate income housing in Missoula Montana

Marsha Joan Wohl

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THE POLITICS OF LOW AND MODERATE INCOME
HOUSING IN MISSOULA, MONTANA

by

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[Signatures]

Chairman, Board of Examiners

Dean, Graduate School

Date Dec 10, 1970
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INTRODUCTION

This study focuses on several aspects of political decision-making related to federally subsidized low and moderate income housing projects. First, it looks briefly at the outcome of decision-making at the national level where disputes are resolved in federal legislation. Next, it examines the relationship between the Federal Housing Administration and project sponsors. It will be clearly pointed out that this relationship is dominated by FHA because it both bestows advantages and is buttressed by federal legislation. Third, the conflicts of project sponsors with other people connected with the project and with other corporation members are reviewed. Finally, the conflicts between project sponsors and the local community are analyzed. In these conflicts several kinds of participants including local legislators, citizens and sponsors have been actively engaged, to a greater or lesser degree, in asserting their preferences.

In this study politics is broadly defined as the distribution of advantages and disadvantages among people. The distribution of advantages and disadvantages is dependent upon two factors: a) the type of decision-making
process used; b) the people involved and the type of resources they have available. To be influential in the outcome of political decision-making people must be able to influence the behavior of others.\(^1\) How successfully they are able to bring their influence to bear on decision-making is largely determined by the intensity of their preferences, or how strongly they desire a particular outcome, and the skill with which they utilize the resources at hand for influencing decision-making.

In the mid-1930's the federal government developed the concept of public housing to meet the housing needs of low income families. Although numerous other federal housing programs have been developed since that time no other programs were developed to meet the housing needs of low income families until the early 1960's. During the last decade two important innovations in the federal housing program have been introduced to assist private developers in building housing for low and moderate income families, the 221(d)(3) and 236 rental housing programs which offer assistance to private developers in the form of interest reduction subsidies and mortgage insurance and provide rent supplements to tenants.

Several projects financed under these programs are now being planned or are under construction in Missoula. Two projects in particular have been selected for this study. The first is the Council Groves project which is sponsored by a nonprofit corporation and financed under the 221(d)(3) program. The second is a project sponsored by Dale Collins and financed under the 236 program.

In this study several problems relating to these projects have been posed for resolution. First, an attempt will be made to determine how the 221(d)(3) and 236 programs are designed and implemented. Second, an assessment will be made of the need for governmental participation in the low cost, rental housing market. In analyzing this problem several areas of investigation have been delineated. These are: a) an investigation of the effects of substandard housing on physical and emotional well-being and social adjustment; b) a determination of the components of adequate rental housing; c) the problems of the private investor in the rental housing market; d) the need for low and moderate income housing in Missoula. The third problem is to ascertain the problems, motivations and objectives of each sponsor and to compare them. The fourth problem is to discover the reaction of the local community to these projects and determine how and why restraints have been imposed on them.
A GUIDE TO FEDERAL HOUSING PROGRAMS
REFERRED TO IN THIS STUDY

<table>
<thead>
<tr>
<th>Program</th>
<th>Date of Enactment</th>
<th>Provides for:</th>
<th>Kind of Federal Assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td>221(d)(3) A) BMIR</td>
<td>1961</td>
<td>Multi-family rental and cooperative housing (construction and rehabilitation)</td>
<td>Interest reduction of project mortgage to 3%; Mortgage insurance: 100% of replacement cost for nonprofit mortgagors. 90% of replacement cost for limited distribution mortgagors.</td>
</tr>
<tr>
<td>B) MR-Sup</td>
<td>1965</td>
<td>Multi-family rental and cooperative housing (construction and rehabilitation)</td>
<td>Rent Supplements to tenants; Mortgage insurance: 100% of replacement cost for nonprofit mortgagors. 90% of replacement cost for limited distribution mortgagors.</td>
</tr>
<tr>
<td>236</td>
<td>1968</td>
<td>Multi-family rental and cooperative housing (construction and rehabilitation)</td>
<td>Interest reduction on project mortgage to 1%; Mortgage insurance: 100% of replacement cost for nonprofit mortgagors</td>
</tr>
<tr>
<td>Program</td>
<td>Date of Enactment</td>
<td>Provides for:</td>
<td>Kind of Federal Assistance</td>
</tr>
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<td>---------</td>
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<td>---------------</td>
<td>---------------------------</td>
</tr>
</tbody>
</table>
| 235     | 1968             | Single-family homes (construction and rehabilitation) | Interest reduction on mortgage to:  
1% for developer  
1% for homebuyer;  
Mortgage insurance: nearly 100% to homebuyer;  
Mortgage assistance payments to homebuyer. |
| 106(b)  | 1968             | Financial assistance to nonprofit sponsors of low and moderate income housing | Interest-free loans for 80% of preconstruction expenses. |
In attempting to determine the need for low and moderate income housing in the United States the task is made difficult by a lack of information on the extent of substandard, overcrowded housing conditions. The National Commission on Urban Problems, known as the Douglas Commission, concluded that there has been neither a satisfactory analysis of present housing needs nor a similar estimate of probable future needs. Furthermore, there are no adequate definitions of what constitutes a decent home and a suitable living environment for shaping a national housing policy.²

The Bureau of the Census, which has compiled the most comprehensive data on housing conditions, measures visible defects but not features of dwellings such as light, ventilation, and neighborhood environment which greatly affect the livability of the dwelling. Moreover, it does not evaluate whether a building is soundly constructed.³

Another problem related to the evaluation of poor quality housing is confusing statistics. For example, The National Housing Conference has stated that we will need 3 million new units a year, including 1 million for low and moderate income people, for the next ten years, while the Douglas Commission states that we will need 2 to 2.25

³Canty, p. 5.
million units a year, including 500,000 units for low and moderate income people. On the other hand, the President's Committee on Urban Housing, known as the Kaiser Committee, has put the figure at 2.5 million units a year, including 600,000 subsidized housing units. The differences in estimated needs reflect the use of different criteria in gauging needs, different data gathering techniques and lack of agreement about what constitutes good housing as opposed to bad housing.

In spite of the confusion over the extent of poor housing, and the estimated future demand for adequate housing, the Douglas Commission, the Kaiser Committee and The National Housing Conference clearly point out that the United States has a serious housing problem which is growing in proportion. The problem of adequate housing is particularly acute because it is a major factor in physical and emotional health and contributes to one's feelings of participation in the life of the community. If one's housing is of inferior quality, it facilitates the spread of communicable diseases and increased the risk of accidents; his health will suffer accordingly. Moreover, if one lives in an overcrowded dwelling unit his emotional health will suffer due to stress induced by

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4 Canty, pp. 32-33.
unnecessary interruptions, inconveniences, noise, and the necessity of having to continually adjust to other people. The housing environment also contributes to feeling of inferiority and alienation from the rest of society if it is below the society's acceptable housing norms. Therefore, housing quality can be regarded as playing an important role in the health and happiness of a nation's people.

Although there is widespread recognition of the need for more decent housing units for low and moderate income groups there are formidable barriers to providing the millions of units that are and will be needed. The private housing industry has generally been unwilling or unable to build for these groups because of the high costs of construction, high interest rates, low return on capital investment and high risks. To make rental housing profitable the private investor must realize a fairly high return on his investment. In the past the federal government has not been adept at providing favorable inducements to the private investor in rental housing. This is largely because government policy has focused on the encouragement of homeownership which favored more affluent Americans and left those with low incomes out of the competition for housing.

Low income people have not been able to acquire
the kind of housing which is necessary to their well-being and the well-being of their children because they have not been effective as consumers. Because they cannot afford to shop for housing in the private market new devices must be utilized to guarantee their opportunities to obtain housing suitable to their needs. Governmental assistance is an inescapable requirement for an adequate volume of rental housing to meet this need.

In the 1960's several federal programs have been developed to aid the private builder of rental housing by reducing investment risks and reducing interest rates. Investment risks have been reduced through FHA mortgage insurance. An investor is able to acquire a mortgage loan from a private lending institution which may be as high as 90 per cent of the project cost for profit motivated sponsors and 100 per cent for nonprofit corporations. When the mortgage is insured by the federal government much of the reluctance of private lending institutions to invest their money for up to forty years is overcome. Moreover, the high ratio of debt capital to equity capital is attractive to those who do not want to invest heavily in a high risk enterprise. Reduction of interest rates

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from the current rate of approximately $8\frac{1}{2}$ per cent on
the mortgage loan to from 3 per cent to 1 per cent
is also an attractive inducement to private builders.

While these programs lower the cost of housing to
tenants by reducing mortgage interest rates they also
provide rent supplements which make it possible for many
tenants to afford adequate housing without paying more than
25 per cent of their incomes for housing. The amount of the
supplement may be for up to 70 per cent of the rental cost.
Another interesting feature of these programs is that,
unlike public housing, tenants are not forced to move when
their incomes exceed certain limits. Consequently, people
with a diversity of incomes may live together in the same
project without knowing their neighbors' incomes.

In the next ten years 4.2 million housing units
are slated to be provided through the 221(d)(3), 235, and
236 programs. In fiscal 1969, $70 million was funded by
Congress for interest subsidies linked with these programs
and $30 million for rent supplements. These programs can
be expected to continue and expand over the years. 6

6William B. Ross, speech before the Annual Con­
vention of The National Association of Real Estate Brokers,
Inc., Aug. 19, 1969, St. Louis, Missouri, HUD NEWS
(Washington: U.S. Dept. of Housing and Urban Develop­
ment).
How successfully sponsors under these programs are able to meet the needs of low income people depends upon numerous contingencies. Among them are management skills, social services provided for tenants, proximity of the site to jobs, schools and community services, and interest in maintaining the project. The success of projects under these programs is also dependent upon their acceptance by the local community. Projects can be thwarted by the exercise of zoning ordinances which bar projects from certain neighborhoods. When projects are located in less desirable neighborhoods because they are restricted from better neighborhoods tenants may not have adequate community services or find the location ill-suited to their needs.

Projects under these programs may be substantial assets to the community. Not only do they increase the supply of available units and provide adequate shelter for those who suffer from inferior housing but they also provide jobs and stimulate local businesses. This is because sponsors are expected by FHA to hire low income people to construct projects and award contracts locally for building materials and furnishings.

The materials for this thesis were gathered from a variety of sources. The bulk of the information for the first chapter was obtained largely from FHA handbooks
and publications. This chapter describes the 221(d)(3) and 236 federal housing programs and points out how they assist both the private developer and low and moderate income tenants. It demonstrates that these programs are viable solutions to the housing problems of low and moderate income tenants. The bulk of the information for the second and third chapters was obtained from books and newspaper articles. This information is used to support the thesis that there is a need for low and moderate income housing in the United States, and Missoula in particular. These chapters also support the thesis that the private, unsubsidized investor cannot profitably build for these income groups.

The material for chapter four was procured largely from personal interviews with local sponsors of federally subsidized housing projects. This chapter is directed toward discovering how these programs are being implemented on the local level as well as examining the problems, motivations and various advantages of different forms of sponsorship. The sources of information for the fifth chapter are books dealing with zoning and interviews with members of the city council and citizens involved in zoning disputes. An attempt was made to contact a number of citizens involved in the zoning disputes surrounding the Collins project to determine their views on low income
housing projects and their motivations for protesting. In addition, members of the city council were questioned about their reasons for voting for or against zoning the sites selected as multi-family residential. This chapter is aimed at gauging the local climate of opinion toward subsidized housing projects.

Other materials used in this thesis are correspondence, unpublished reports, census housing data, and data collected by the Office of Economic Opportunity and Missoula-Mineral Human Resources, Incorporated, and documented cases of low income people with housing problems.
CHAPTER I 

THE ROLE OF THE FEDERAL GOVERNMENT 
IN LOW INCOME HOUSING 

Since the early 1930's the federal government has launched a multiplicity of housing programs designed to meet the needs of people for adequate shelter. The first programs included public housing and mortgage loan programs which were developed to stimulate homeownership. Although there was concern for the housing problems of low income people, most programs were focused on helping middle-income people obtain private homes. In the 1960's new programs were produced to supply privately owned low income housing. These include the 221(d)(3), 235 and 236 programs which feature interest subsidies, rent supplements and mortgage subsidies. The 221(d)(3) and 236 programs provide rental housing while the 235 program provides single-family homes for sale to low income people. These programs have introduced many innovations and have resulted from the reshaping of the ideas of policymakers since public housing was first introduced.
The federal government became officially interested in housing problems in 1892.

In response to local interest in tenement and slum problems during the 1890's congressional hearings were conducted on problems of slums and blighted areas in the major cities of the country. These hearings reflected a livening of national concern, but they did not lead to any governmental programs.

The first federal experiment in housing was the Emergency Fleet Corporation which was authorized to build housing for war workers near major shipyards. Later, the U.S. Housing Corporation was created to build additional houses for munitions workers. The units built by these corporations were sold at the end of WW I.

The Emergency Relief and Construction Act of 1932 was the beginning of federal involvement in public housing. This act was designed to provide mortgage money to corporations formed to build housing for low income families. However, it was unsuccessful because the return on investments was too low and the housing ended up being more expensive than intended. In 1933 direct federal action in the construction of public housing was inaugurated with the National Industrial Recovery Act. Under this act low

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income housing was built in 37 cities by the Public Works Administration.

In 1931 several groups interested in low-cost housing began to organize to promote federal housing legislation. These groups included the National Public Housing Conference which strongly supported the program of Harold Ickes to induce slum clearance and build low-rent housing. Another group was the National Association of Housing Officials which formed in 1933 to assist national, state and local housing officials develop programs for slum clearance and low-cost housing. The Labor Housing Conference was also organized as a lobby group which exerted extreme pressure on federal legislation, and it was actively supported by several labor organizations.  

The demand for low income housing led to the Housing Act of 1937 which introduced public housing for low income people. The social philosophy behind public housing was a composite of ideas originating in England, the settlement houses of New York, and Congress. It was believed that if slums were torn down and replaced by self-contained projects large enough to create their own environment, crime, delinquency and tuberculosis would be reduced. The projects were to be owned by public agencies.

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and built at minimum standards and at a limited cost per room. They would be rented to poor people who had incomes under a maximum income limit. If a tenant's income rose beyond this limit he would be forced to move.\(^3\)

Public housing, as it was conceived in federal legislation, had numerous deficiencies. Although some projects were successful and were well maintained, racially balanced, and favorably located the public housing program as a whole was unsound. Income limits forced out those who were more productive and contributed leadership to community life, and the limits made tenure uncertain. Moreover, progressive rent increases with rising income discouraged others from aspiring to positions with higher wages. One tenant in a public housing project in Chicago reported that many people in the project could not afford a pay raise because it would mean an increase in rent which would be equal to or more than the raise.\(^4\)

Low income limits also brought in large numbers of blacks creating racial imbalance in schools. In addition, 


by limiting occupancy to the poorest people they became heavily concentrated with families that had severe problems. These included a high proportion of families on relief, a high proportion of broken families, and a large proportion of families without a wage-earner. When concentrations of families with these kinds of problems became too great more secure families avoided them and high vacancy rates developed.  

Other problems resulted from the cost limitations of projects. By cutting standards and emphasizing massiveness of structure instead of livability an institutional and deviant form of architecture was created which stigmatized occupants. Projects symbolized that tenants were set apart from the rest of society and became targets for tenant aggression. They were also frequently built in dilapidated neighborhoods which severed contact with middle-class areas. The development of projects often resulted in the demolition of homes owned by low income families who preferred ownership to renting even though it meant living in substandard housing.  

Other programs which came into being about the same

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6 Glazer, pp. 250-270. See also Abrams, p. 36.
time as public housing were intended to provide mortgage money to home-builders and owners and not to help the poor. These included the Home Loan Bank System, the Veterans Administration, the Federal National Mortgage Association and the Federal Housing Administration. The Home Loan Bank System originated with the Home Loan Bank Act of 1932. The purpose of this act was to strengthen savings and loan institutions and provide them with funds to reduce the rate of foreclosures. In 1933 the Home Loan Bank System was put under direct federal control in the Home Owner Loan Act. This act was designed to provide emergency relief to homeowners and to mortgage and lending institutions. Under this act the federal government guaranteed the security of deposits in local savings and commercial banks and empowered the Home Owners Loan Corporation to buy mortgages threatened with foreclosure.

The National Housing Act of 1934 created the Federal Housing Administration and the Federal National Mortgage Association. FHA was implemented to provide mortgage insurance, stimulate employment, and stimulate long-range expansion in residential construction. While it was designed to stimulate both rental and sales housing

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7Meyerson, p. 222.
its impact on rental housing was small. FNMA provided direct government loans to mortgage investors.

Several factors prevented them from helping poor families. First, the mortgage market did not generally operate in areas occupied by poor families and they were not able to benefit from the aids provided by these agencies. Second, FHA did not reduce interest rates on homes, making them accessible to people with low incomes. Third, FNMA assured lending institutions that the government would buy-up defaulted mortgages but did not offer assistance to the poor. The lack of aids to low income people stemmed from the attitude of Congress that social welfare was not the purpose of these institutions.

The Housing Act of 1949 was the next major federal housing legislation. The act espoused the goal of a decent home and suitable living conditions for all Americans and focused on urban renewal. In achieving this goal Congress declared that private enterprise would be encouraged to serve as large a part of the total need as possible and governmental assistance would be extended to help it serve an even larger part. The National Public Housing

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9 Abrams, p. 37.
10 Banfield and Grodzins, p. 35.
Conference, the National Association of Housing Officials and the Labor Housing Conference were reactivated to support the act. They were joined by five leading veterans' organizations, organizations representing major religious denominations, the U.S. Conference of Mayors, the NAACP and many related groups. The act was drafted by Senators Ellender of Louisiana, Taft of Ohio and Wagner of New York. They realized that increased planning and government intervention were necessary for a complex economic, industrial and social order.

The Housing Act of 1954 also focused on urban renewal and introduced several major advancements. It emphasized the conservation and rehabilitation of houses and neighborhoods rather than total clearance and introduced the concept of spot clearance. The act required local communities to develop responsibility and public support for urban renewal by meeting the requirements of a "workable program," a plan for attacking slum problems on a community-wide basis. (See Chapter V)

Federal housing policy has overwhelmingly been directed toward the goal of personal homeownership and has largely benefited families with middle-incomes and above. A study by Warren Vinton of income and new housing in the years 1947 to 1958 concluded that it was families with
incomes over $6,000 annually who were served. In 1967 approximately 600,000 units of public housing, 80,000 units under the urban renewal program and 5,000,000 under the FHA home mortgage program had been built.

Federal policy of single-family homeownership has been reinforced by the preference of most Americans for familial privacy and individual privacy within the family. However, it has been criticized because it has lost the ability to help the average wage-earner and can now benefit only the affluent. Moreover, programs for the poor have been non-existent or paltry and demeaning. Another criticism of this policy is that it has destroyed urbanism by encouraging levels of density too low for people to meet frequently on a face-to-face basis and fostering homogeneous neighborhoods which do not include groups with diverse incomes and racial and ethnic backgrounds. Federal policy has also been criticized because it does not provide for the creation of a valid form of community expansion and community building. Moreover, aesthetic and socially satisfying forms of housing do not provide an adequate environment for families.


12Glazer, p. 242.

13Ibid., p. 246.
In the early 1960's an alternative to public housing was presented to private builders. The first below-market interest rate program, 221(d)(3), was adopted in 1961. It was followed by a rent supplement program begun in 1965 under 221(d)(3). In 1968 the Housing and Urban Development Act provided for the establishment of the 235 and 236 programs. These programs signified a reawakening to the need for low income housing and provided new solutions for meeting it.

The 221(d)(3) and 236 Federal Housing Programs

Both the 221(d)(3) and 236 programs are administered by FHA. Although they are very similar in design there are a few important differences. Both programs are designed to assist in the construction or rehabilitation of low and moderately priced rental housing. Aid in the form of direct and indirect subsidies is extended to limited dividend, nonprofit and cooperative sponsors. A limited dividend or limited distribution sponsor is a corporation, trust, partnership, individual or other legal entity which is restricted by law or by the Federal Housing Commissioner as to the distribution of income and rate of return on investment. A nonprofit sponsor may be a corporation or association which is organized for the purpose of providing housing and cannot make a profit from its rental units.
Moreover, it cannot be controlled or under the direction of persons or firms seeking to derive profit or gain from the project. A cooperative sponsor is a nonprofit cooperative housing corporation which is approved by the commissioner.  

The 221(d)(3) program offers two different kinds of subsidy plans to tenants. The first offers an indirect subsidy by way of a reduction in interest payments on the project mortgage. The second offers a direct subsidy in the form of rent supplements. The below market interest rate plan reduces the interest on the mortgage from the current market rate of interest to 3 per cent per annum. The sponsor obtains a loan from a bank, mortgage loan company or similar lending institution for an amount equal to 100 per cent for nonprofit sponsors and 90 per cent for limited dividend sponsors of the replacement cost of the project. The replacement cost is the cost of land, financing and organizational expenses as well as legal and architectural fees, construction costs, FHA fees and charges and other items normally incurred in construction of multi-family projects. This mortgage loan is insured by FHA against certain losses the mortgagee may incur in event of default. When the project is

14"Rent Supplement Program," distributed by FHA, Helena, Montana, p. 2.
completed a final closing is made and the interest rate is reduced to 3 per cent. The mortgage is purchased by FNMA with funds set aside by Congress for this purpose.\textsuperscript{15} The reduction of interest rates enables the sponsor to substantially lower rents on his project. The mortgage is usually for forty years or three-quarters of the economic life of the project, whichever is less.

The below market interest reduction program is becoming obsolete because it is a direct government loan and the government does not want to continue in its role as a mortgagee.\textsuperscript{16} It is being replaced by the rent supplement program which provides for a mortgage loan bearing a market rate of interest which is not reduced at final closing. FNMA may buy the mortgage but is not required to do so, and it may be held by a private lender during the term of the mortgage. The mortgage is insured by FHA at .5 per cent of the project mortgage which is paid by the sponsor. The average lending institution would not be interested in a 40 year mortgage, but if it is government insured lenders are given a greater incentive


\textsuperscript{16}Ed Schroeder, Multifamily Coordinator, FHA, Helena, Montana, June 26, 1970 (interview).
to invest. If the owner defaults on the mortgage FHA pays the mortgagee and assumes ownership of the project.  

Under the rent supplement program rent supplement payments are made to the project owner on behalf of the tenants. All tenants in the project must pay 25 per cent of their incomes for rent which must be at least 30 per cent of the rent for their units. The difference between this amount and the full rent required for dwelling units is the amount of the supplement. On the average, tenants in these projects pay 40 per cent of the full rent. FHA may pay up to 70 per cent of the rent for a maximum of 30 per cent of the tenants in any project. The amount of the supplement is decreased if the tenants' income rises. Part of the units in a project may be occupied by those who are able to pay the full rent of their units. The number of units in a project for which the full market rent is paid is not fixed and varies from project to project. This plan makes possible the residential integration of people with different levels of income. 

To be eligible for a rent supplement prospective tenants must have incomes within the income limits for public housing in the area. For Missoula County these

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17 Ibid.
18 Ibid.
limits are:

<table>
<thead>
<tr>
<th>Number of Persons in Family</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>Annual income limit</td>
</tr>
<tr>
<td>$3,300</td>
</tr>
</tbody>
</table>

In addition to these income limitations a prospective tenant must qualify under one of the following categories:

1. He has been displaced by governmental action.
2. Either he or his spouse is 62 years of age or older.
3. Either he or his spouse is physically handicapped
4. He now lives in substandard housing destroyed or extensively damaged by natural disaster in an area determined by the Small Business Administration to be a disaster area.

In addition to income, assets are also considered in determining tenant eligibility. Total assets cannot exceed $2,000 unless the applicant is 62 years of age or over, in which case they may total $5,000. Assets do not include the estimated value of an automobile and real estate, less indebtedness.

Tenants are selected by project owners. However, owners are not allowed to discriminate on the basis of race, religion, sex or national origin. They are also

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19 Income Limits for Rent Supplement Housing, distributed by FHA, Helena, Montana.
expected to help tenants file for rent supplements, make monthly statements for rent supplement payments, and obtain a recertification of income from tenants every two years. FHA makes the final determination of tenant eligibility. 20

Maximum limits are set on monthly rentals for units of different sizes. These are:

<table>
<thead>
<tr>
<th>Size of Unit</th>
<th>Maximum monthly rental</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 bedroom</td>
<td>$ 85</td>
</tr>
<tr>
<td>1 bedroom</td>
<td>105</td>
</tr>
<tr>
<td>2 bedroom</td>
<td>120</td>
</tr>
<tr>
<td>3 bedrooms or more</td>
<td>140</td>
</tr>
</tbody>
</table>

In high cost areas these limits may be increased up to 25 per cent. The amount of the units rental includes all utilities except telephone. It also includes cooking stoves and refrigerators.

The project owner is responsible for assigning units for rent supplement tenants which do not exceed their needs. The size of the unit needed by a household is determined by the number of persons, their relationship to each other, and sex. FHA has established maximum and minimum limits for unit occupancy. These are:

\[\text{20"Rent Supplement Program," p. 3.}\]
<table>
<thead>
<tr>
<th>Number of Bedrooms</th>
<th>Number of Persons Minimum</th>
<th>Maximum</th>
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<tbody>
<tr>
<td>0</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>1</td>
<td>1*</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
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<td>6</td>
</tr>
<tr>
<td>4</td>
<td>6</td>
<td>8</td>
</tr>
</tbody>
</table>

*"Only if no single rooms or efficiencies are available and only until such a unit becomes available for transfer of the tenant."*

"These limits are intended to provide for varying needs without overcrowding."21

To be eligible for the rent supplement program a project must contain at least five or more units which may be designed as detached, semi-detached, row, walk-up or elevator structures. It must also be built to meet or exceed FHA minimum property standards. The design of the project must be modest and appropriate to the market and locality. Certain features such as swimming pools, two bathrooms per unit and air conditioning are not permitted. Both economy and livability are emphasized. Project owners are encouraged to design projects that will not become prematurely obsolete and use construction materials that will reduce building costs as well as maintenance and operating costs.22

Projects may be designed specifically for handicapped

21 Ibid., pp. 5-12.

22 Ibid., p. 2.
and elderly people. These projects may include facilities such as a central dining area, lounges and infirmaries.

Rehabilitation projects may also be eligible for the rent supplement program. "In many downtown urban areas, rehabilitation of sound existing buildings may be the only way to produce good housing within the cost and mortgage limits permitted." These projects must involve major repairs and improvements or the reconversion of substandard dwellings to standard dwellings.

In selecting eligible sponsors FHA uses stringent criteria. It examines the character and integrity of sponsors as well as their motivations for providing low income housing. It strongly considers the background of sponsors in the housing field and in social improvement activities related to housing. Sponsors must demonstrate financial ability to provide housing as well as be able to provide for necessary professional services, legal and organization requirements, experienced architectural and engineering personnel, and adequate knowledge of housing finance.

Sponsors must also be able to provide for competent management of the project. A management program should be submitted to FHA at least 30 days before initial endorsement of the mortgage note. The program should include

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23 Ibid., p. 9.
provision for the organization and development of the relationship of the sponsor to the property manager, personnel including property manager, assistants and accountants, and a method of handling initial occupancy. It should also provide plans for the determination of rent supplement requirements and a monthly statement and voucher for rent supplement payments, certification and recertification of rent supplement tenants, landlord-tenant relationships, collection policies and actions and a maintenance and repair program.\textsuperscript{24}

When potential sponsors are unable to demonstrate a capacity for organization, continuity, or capacity to provide financial resources, professional services and management FHA may assist them in overcoming these difficulties. Nonprofit organizations may overcome financial problems relating to lack of capital for planning and preliminary expenses by obtaining a 106(b) loan. This loan is used to pay 80 per cent of expenses incurred before mortgage money is available for FHA application and commitment fees, the option on the project site, legal, consultant, and architect fees, preliminary site engineering fees and organizational expenses. The loan money is put in a trust fund separate from other accounts. The sponsor must contribute 20 per cent of the amount of the

\textsuperscript{24}Ibid., pp. 3-4.
preconstruction expenses to the fund. If the sponsor is unable to obtain an FHA insured mortgage repayment part or all of the loan may be cancelled. Generally, the loan can be repaid when mortgage money becomes available.  

Nonprofit sponsors who lack knowledge and expertise in constructing housing may wish to utilize the services of a housing consultant. The consultant is generally familiar with FHA policies and procedures in rental housing development and is experienced in the planning and legal requirements of project development. The duties of the housing consultant required by FHA are to assist sponsors in an analysis of market reports and other data to determine the suitability of the project to the neighborhood where it will tentatively be located, assist in determining the number of rental units appropriate to the site under zoning restrictions, assist in determining unit rental and assist in collecting all information required to determine the feasibility of the project. The consultant must also help select a site and obtain an option to purchase the land, or a long-term lease, and arrange for purchase of the property. Other responsibilities of the consultant are arranging for the selection of an

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architect, attorney, manager, and interim and permanent mortgagee. He must also help negotiate construction contracts, establish management procedures and record keeping and accounting procedures, organize a legal non-profit entity, arrange for the project mortgage and obtain site approval and feasibility approval.

For his services the consultant receives a percentage of the project mortgage which is usually around 11 per cent. To assure that there will be no conflict of interest between the consultant or any members of his staff the consultant must sign a certificate stating that he will neither employ sponsors nor receive any compensation from anyone connected with the project other than the fee specified in his contract. 26

To assure continuity and financial and social responsibility for the project a nonprofit sponsor must be incorporated. The corporation must have historical roots or be allied with an organization that has a long background of effective organization as a precaution against default. A separate corporation must be established for each project. This allows the owner to separate projects, and if one project fails, other

projects will not be affected. 27

All nonprofit corporations must be approved for sponsorship by FHA. They must guarantee in writing that no part of the net earnings of the corporation will be distributed to any member of the corporation, and if the corporation is dissolved no corporation member will receive a share of the assets. If the corporation is sold it must be for the fair market value and to another nonprofit sponsor.

Restrictions are also made by FHA on the income and income distribution of limited dividend sponsors. First, they can only receive a 6 per cent annual return on their equity investment. Second, they cannot receive any compensation from borrowed funds or before the completion of the project, and third, all outstanding repairs on the project must be made before they receive any income from the project. 28

Another FHA requirement for all sponsors is that they establish a reserve fund for replacements. The sponsor contributes a fixed amount each month to the fund which is under the control of the mortgagee. The


fund is used for replacing structural elements of the project and other expenses. If the sponsor defaults on the mortgage, the Federal Housing Commissioner may apply the amount in the fund to the unpaid balance on the mortgage. While the reserve fund is the only source of ready cash in emergencies, it also protects FHA in the event of default.29

At the time of initial closing the sponsor signs a regulatory agreement which defines the duties and obligations of the mortgagor and specifies the rights of FHA in regulating him during the term of the mortgage.30 This agreement, which includes regulations described above, also includes the following:

1. A sponsor may not adjust rents without approval of the Commissioner.
2. He cannot rent units for more than one year or less than 30 days.
3. He cannot transfer property, assign, dispose of or encumber any personal property of the project, including rents, or pay any funds except for reasonable operating expenses and repairs.
4. He cannot demolish or remodel the project without the consent of the Commissioner.
5. He cannot require any other deposit than prepayment of the first month's rent and a security deposit not to exceed the amount of the first month's rent as a guarantee of the unit lease.
6. He cannot permit any use of the project dwellings other than for the use they were intended.

29Winnick, p. 188.
30Gallagher and O'Donnell, p. 17.
7. He cannot go bankrupt.
8. He cannot engage, except as a separate entity, in any other business, including operation of any other rental project, or incur any liability or obligation not in connection with the project.
9. He cannot enter into any contract or contracts for supervisory or managerial services.
10. He must keep the grounds, units and equipment in repair and in good condition.
11. He cannot pay for services or supplies above their usual cost.
12. He must, at all times, keep the project, its grounds and equipment and records in condition for inspection by FHA.
13. He cannot rent commercial facilities for less than the approved rental unless authorized by the Commissioner.
14. He cannot discriminate against tenants because they have children.
15. He must furnish a complete financial report of the project within 60 days of the end of each fiscal year.
16. Rents and other income of the project must be deposited in a bank insured by the F.D.I.C. and can only be withdrawn for expenses of the project.
17. Upon request he must furnish monthly occupancy reports and give specific information relative to income, assets, liabilities, contracts, operation, condition of property and status of insured mortgage.
18. He must assign to the Commissioner the rights to any income from the property, excepting the amount due on the mortgage payment, as security for obligation under the regulatory agreement, mortgage insurance and payments to the reserve fund for replacement.
19. He must establish a residual receipts (surplus money remaining after all expenses are paid) fund which is under the control of the Commissioner.
20. If the terms of the regulatory agreement are violated the Commissioner can:
   a) Declare the whole mortgage due and proceed to foreclose if he holds the mortgage.
   b) Request that the mortgagee foreclose at his option.
c) Collect all rents to pay the mortgage.
d) Apply for an injunction from a state or federal court for the appointment of another party to take over and operate the project.

One requirement not provided for in the regulatory agreement is the equal employment opportunity certificate. The sponsor must guarantee not to discriminate against employees, including those involved in the construction of the project, on the basis of race, creed, color, sex or national origin.

The processing of a project begins with a pre-application conference. At this time the sponsor discusses with FHA officials the types of information he must assemble concerning acquisition and cost of land, location, existing market needs, design and composition of project, rents to be charged, total annual income anticipated and the approximate amount of mortgage money required. At this time FHA officials determine the general soundness of the proposed project and also the ability of the sponsor to meet FHA requirements.\(^3\)

The next steps involve acquiring a legal interest in the land and selecting a mortgagee. If an option is purchased it must be long enough to allow for the completion of FHA processing.

The sponsor must submit several forms to FHA to

\(^3\)Ibid., p. 12.
determine the feasibility of the project. First, he must submit a form for pre-application analysis which helps FHA determine the suitability of the site and the market for the proposed project in the area. Second, he must submit an application for project mortgage insurance which contains detailed information concerning unit cost, unit composition, construction cost, financing charges, fees, operating and maintenance expenses, rental charges and annual income. Rents must be sufficient to pay all operating and maintenance expenses as well as monthly principal and interest on the mortgage. However, they cannot be excessively high and cannot exceed 20 per cent of income limitations established for eligible tenants. Nonprofit sponsors must also submit a request for preliminary determination of eligibility as a nonprofit sponsor.  

If FHA concludes that the project is eligible under the 221(d)(3) program it goes on for final processing. During this phase of the project the sponsor obtains final plans from the architect and submits cost estimates. FHA determines the exact amount of mortgage money needed and issues a commitment for insurance of advances to the mortgagee who will finance the construction of the project. At the initial closing the first advance

\[32\text{Ibid., pp. 6-7.}\]
of mortgage money may be authorized to cover certain expenses incurred during the processing of the project loan. Actual construction begins and is closely inspected by FHA.

When the project is completed the mortgagor and builder must supply detailed information about the actual costs involved in constructing the project. When these amounts have been approved by FHA it notifies the prospective holder of the permanent mortgage that it will insure the mortgage. This is followed by the final closing.\textsuperscript{33}

Turning now to the 236 program, great similarities exist between it and the 221(d)(3) rent supplement program with respect to FHA building requirements, regulation, eligible tenants and sponsors and project processing. However, the important difference between the two programs is that the 236 program offers an indirect subsidy to tenants in the form of a reduction on the interest of the project mortgage to one per cent. The sponsor obtains a mortgage commitment from a private lender. Monthly payments are made by FHA to the mortgagor to bring down the payments on the mortgage from an amount required for principal, interest and mortgage insurance on a market rate mortgage to an amount required for principal and interest if the mortgage bears an interest

\textsuperscript{33}\textit{Ibid.}, p. 10.
Two rent schedules are developed for each project. The basic rent schedule for units is determined on the basis of operating the project with mortgage payments and interest payments on the mortgage at one per cent. All renters must pay the basic rental or 25 per cent of their incomes, whichever is greater. The second schedule is the fair market rental of units and is based on project operating expenses with payments on the mortgage, the full rate of interest on the mortgage and mortgage insurance. Tenants who have incomes greater than the income limits qualifying them for the basic rental may pay the full rental. Tenants who pay the full market rental are not bound by occupancy restrictions. Rental charges collected by the owner in excess of the basic rental are returned to HUD and deposited in a revolving fund for the purpose of making further interest reduction payments.  

Occupancy of projects under this program is generally limited to families whose incomes do not exceed 135 per cent of the income limits for public housing in

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the area. For Missoula 236 project income limits are:

<table>
<thead>
<tr>
<th>Number in Family</th>
<th>Income Limit</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>$4,455</td>
</tr>
<tr>
<td>2</td>
<td>4,860</td>
</tr>
<tr>
<td>3</td>
<td>5,400</td>
</tr>
<tr>
<td>4</td>
<td>5,805</td>
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<tr>
<td>5</td>
<td>6,075</td>
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<tr>
<td>6</td>
<td>6,345</td>
</tr>
<tr>
<td>7</td>
<td>6,615</td>
</tr>
<tr>
<td>8</td>
<td>6,885</td>
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<tr>
<td>9</td>
<td>7,155</td>
</tr>
<tr>
<td>10</td>
<td>7,425</td>
</tr>
</tbody>
</table>

In addition to these income limits, two other plans for admission are used in conjunction with 236 projects. Up to 20 percent of funds authorized for 236 projects may be used to contract for interest reduction payments during the initial rent-up period for families with incomes which exceed the above income limits but are not above 90 percent of the limits for 221(d)(3) below market interest rate projects. These limits for Missoula are:

<table>
<thead>
<tr>
<th>Number in Family</th>
<th>BMR Income Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$5,700</td>
</tr>
<tr>
<td>2</td>
<td>6,950</td>
</tr>
<tr>
<td>3-4</td>
<td>8,150</td>
</tr>
<tr>
<td>5-6</td>
<td>9,350</td>
</tr>
<tr>
<td>7 or more</td>
<td>10,600</td>
</tr>
</tbody>
</table>

Under these exception limits an individual who has an income of more than $4,455 but not more than $5,130 could qualify for the basic rental. This plan is utilized for those who cannot pay the fair market rental within 25 percent of their incomes. The proportion of tenants who
qualify for the exception income limits is not fixed and varies from project to project.

Another alternative plan for admission involves rent supplements. Twenty per cent of the occupants in a project may receive rent supplement assistance. The assistance is for the difference between 25 per cent of the tenant's adjusted family income and the basic rental for the unit. For a project to be eligible for the rent supplement program it must either be part of a workable program or approved by local authorities for participation in the rent supplement program.  

In determining income for project tenants adjustments are similar to those for 221(d)(3) rent supplement projects but with two differences. Three hundred dollars may be deducted for each person under 21, excluding the tenant and his spouse, and income of minors is not included as part of the total family income.  

In selecting tenants, preference is given to families whose incomes are within the lowest possible limits for obtaining housing under the program. In addition, preference is given to those who have been displaced from their homes by urban renewal, government

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action or a national disaster as determined by the President.

According to Ed Schroeder, Multi-family Coordinator for FHA in Helena, the 236 program helps to breakdown barriers of residential segregation along economic lines because it extends aid to people who have incomes too high to qualify for aid under the 236 income limits and too low to afford the basic rental within 25 per cent of their incomes. No one living in the project knows what the other tenants are paying unless they tell. This program can achieve a very important social objective by promoting residential heterogeneity among people with various incomes. Moreover, people will not lose incentive to advance themselves economically if they are not threatened by eviction when their incomes increase beyond the income limits.39

In August, 1969, about 13,000 families received rent supplements and 25,000 more rent supplement units were under construction. In addition, applications had been made for 116,000 units under the 236 program.40

The 221(d)(3) and 236 programs provide a new concept

38 Ibid., pp. 17-19.
39 Schroeder.
40 Ross.
in housing for less affluent Americans. They incorporate both rent supplements to tenants and interest reduction on project mortgages which also reduce the cost of rent to tenants. To qualify under these programs sponsors must submit to numerous FHA controls ranging from project management, design, resale, financing, tenant selection, site selection, employment practices, construction, and return on investment. While these controls insure that projects will be operated for the benefit of tenants in need of good housing and protect FHA as mortgage insurer they leave little room for flexibility on the part of the sponsor. Hopefully, these programs will provide incentives for private sponsors to produce much needed housing for low and moderate income people.

Adequate economically housing for low and moderate income people is needed for numerous reasons. In the next chapter these reasons will be delineated. In addition, an explanation of why the private unsubsidized builder has been unable to provide housing for these groups will be offered.
CHAPTER II

HOUSING PROBLEMS AND THE PROBLEMS
OF THE PRIVATE INVESTOR

Today there is a critical shortage of adequate housing for the nation's poor. Because many are unable to find suitable housing they suffer from physical and emotional disabilities which impair their ability to participate competitively for jobs, education and status satisfaction. Although the need for adequate housing is rising, the private investor or developer, unassisted by government subsidies, lacks incentive to produce housing to fill this need for several reasons. Among them are high risks and uncertainties, low return on investment, high costs of land, labor and materials, and high interest rates.

Housing Conditions and Their Effects

Data which indicate the number of Americans living in substandard housing vary greatly, but point out that the number of ill-housed is substantial. A publication of the Office of Economic Opportunity stated that the number of poor people living in substandard or dilapidated
housing in 1964 was four million. On the other hand, the Department of Housing and Urban Development reported there were 20 million Americans living in substandard housing in 1969. Another source reported that in 1960 one in five (20%) of all dwellings in the United States was substandard (dilapidated, deteriorating, or lacking adequate plumbing). A 1969 estimate of the nation's housing problem estimated that 11 million units (16%) of the nation's 68 million-unit housing supply are overcrowded (more than one person per room, including kitchen) or substandard. The opinion of the National Commission on Urban Problems, headed by former Senator Paul H. Douglas, is that one-third of the population cannot afford adequate, nonsubsidized housing, despite great gains in the nation's housing stock. Another report estimated that nearly 8 million families in the next several years will have incomes too low to afford adequate housing. These data point out


2Schorr, p. 84. See also: George H. Favre, "Bulldozing Won't Build Homes," The Christian Science Monitor, Oct. 4-6, 1969.

that there are a great many Americans living in substandard housing, and that income is an important factor limiting the ability to acquire adequate housing.

Other factors limiting the capacity to obtain housing suitable to family needs are race and lack of occupational skills. Racial discrimination in many areas is an effective barrier which prevents the expansion of racial minorities into middle-class neighborhoods and suburbs and confines them to the oldest, most deteriorated sections of the city. Ability, on the other hand, correlates strongly with income. Those who lack skills with which to compete in the job market have typically low wages and consequently cannot afford housing suitable to their needs.

The cost of housing greatly depletes the low income family's limited budget. Housing experts feel a family should spend 20 per cent of its income on housing. However, approximately 4.4 million families pay more than 25 per cent of their incomes for rent. In 1956 the great majority of families with incomes under $2,000 spent 30 per cent or more of their incomes on rent while the great majority of families with incomes between $8,000 and $10,000 paid less than 15 per cent for rent.

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5 "What Does Bad Housing Do to Poor People," p. 9. See also: Schorr, p. 129.
When low income families spend 25 to 30 per cent or more of their incomes on housing they purchase it at the expense of food, clothing, medical care and other necessities. They also sacrifice their freedom to invest in education, in acquiring skills, and in economic enterprises which might bring them future gain and provide an escape from poverty. The people at the bottom of the economic ladder also need to economize on rent because of precarious periods of employment or lay-offs. If they must spend so much for housing that they are unable to save money to live on during periods of unemployment their financial security is greatly diminished.\(^6\)

In trying to conserve on rent some families try to buy instead of rent, borrow from food and other necessities, extend the size of the household by taking on boarders, break-up or give-up children and send additional members to work. "For the most part, avenues that are open go around in a tight little circle, enmeshing families deeper and deeper in deprivation."\(^7\)

Spending a high percentage of their incomes for housing is one of two important aspects of the housing problem of low income families. The other factor, housing


\(^7\)Schorr, p. 129.
quality, influences both human interaction and health. The physical environment reacts on the social environment indirectly influencing it by limiting or facilitating human relationships. Moreover, the physical environment has a direct influence on health, and may have, through aesthetic aspects, an influence on happiness. When forced to live in crowded, substandard housing low income families suffer numerous deprivations that affect physical and emotional health and social adjustment.

Crowded and substandard housing are not determined by any world standard but are largely determined by culture. Defective housing conditions within a single society, as defined by that society, have a variable affect on other social phenomena which differ from culture to culture. For example, in Hong Kong, crowding is greater than any other country in the world. While the average household is less than one full room (average household space is 32 square feet) compared to 4.7 rooms for the average U.S. household, health conditions do not seem to suffer much in comparison with the U.S. Moreover, indices of social disorganization are lower. Each culture has its

own standard for evaluating the quality of housing. Thus, even housing that is adequate by a biological standard will seem slum housing if it falls too short of the standard that most people enjoy. 9

Inferior housing, determined by culture, negatively affects the self-perception and attitudes towards achievement of people who are forced to live in it. This happens because housing is regarded as an extension of oneself, a symbol of status, achievement and social acceptance. People value themselves according to their surroundings, and if these are considered to be inferior people will consider themselves inferior as well. A sense of inferiority due to living in substandard housing is deemed a particularly serious menace to the health of children. One investigator in the Missoula area reported that children living in such housing were ashamed of it and reluctant to bring their friends home. Negative self-evaluation together with pessimism and passivity resulting from living in crowded, substandard housing helps to both cause and maintain poverty. 10


10 Schorr, Slums and Social Insecurity, p. 9. See also: Schorr, "Housing the Poor," p. 118.
In addition to negatively affecting self-perception physical housing conditions also affect physical health. Crowding is a major housing factor affecting the health of low income families. Together with other housing conditions it facilitates the spread of numerous diseases. Such conditions include faulty equipment, and inadequate facilities for heating, storage of food and sanitation and dilapidation. Among the diseases produced by these conditions are acute respiratory infections (colds, bronchitis, grippe) related to multiple use of toilet and water facilities, inadequate heating or ventilation and inadequate and crowded sleeping arrangements. Certain infectious diseases of childhood (chickenpox, measles, and whooping cough) are also related to similar factors. Diseases related to poor facilities for cold storage of food and inadequate washing and toilet facilities are minor digestive diseases, enteritis, typhoid, dysentry and diarrhea. Infectious and noninfectious diseases of the skin are similarly caused by crowding and poor facilities for washing. Other serious diseases related to crowding and inadequate housing are pneumonia and tuberculosis. In general, morbidity and mortality rates correlate with physical housing conditions.\textsuperscript{11}

Another serious health problem related to crowding

and dilapidation is home accidents. These conditions cause frustration and fatigue which increases accident susceptibility. Unsafe construction, faulty wiring, and broken housing features such as storm windows and floors, are also serious accident hazards. Children under four and people 65 and older are particularly susceptible to these hazards because they spend the greater part of their time in the home. People in these age groups account for nearly 72 per cent of all home fatalities.12 Crowding and dilapidation also make it difficult to keep the home clean and care for infants and the ill and infirm.

The consequences of crowding and inferior environment for children are numerous. First, they may suffer from lack of sleep, irritations and interruptions which lead to overfatigue and impair their ability to study. Second, these conditions may force them outside and away from parental control. A study of poor families in the District of Columbia points out that children living in small apartments have no place to play. The close quarters, drabness, and lack of something to do drives them into the street. These children escape parental control sometimes as early as age six.13

13"What Does Bad Housing Do to Poor People," p. 22. See also: Schorr, "Housing the Poor," p. 22.
Other consequences of crowding and inferior environment for children are a challenge to a sense of individuality because they are rarely alone and fail to look to themselves for the real satisfactions in life, and a challenge to illusions about parents because they are seen by the child in weak moments and he fails to build up hero parents. These conditions are also a challenge to children’s illusions about sex because the physical aspects of sexual life are made primary and they are not recognized as symbols of a deeper, personal relationship. In addition, they are a challenge to an objective study of the world and its problems because children are deeply involved in personal problems and can rarely look at them objectively.  

Another important consequence for children living in neighborhoods characterized by substandard housing is that they grow up not knowing how the more affluent live. Some feel that this may lower their expectations in regard to what they hope to achieve in life. (On the other hand, they may become even more aware of the discrepancies in life-styles and consequently increased pessimism, etc. may set in.)

Physical housing conditions play an important role

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14 Schorr, *Slums and Social Insecurity*, p. 121.
15 Blumberg, p. 155.
in mental as well as physical well-being. The American Public Health Association Committee on the Hygiene of Housing has reported housing characteristics may contribute to personality disorganization if they disrupt cherished habits, if they seem to affect adversely one's status in social groups, or if they appear as barriers to attainment of desired goals. They may also contribute to feelings of insecurity or inadequacy, guilt, inferiority, frustration, depression, anxiety and chronic fatigue. These negative mental states may in turn lead to forms of aberrant behavior including bizarre reaction to criticism, irritability, nervousness, seclusiveness, projection, aggression and escapism. Housing conditions which produce these kinds of mental states include those which produce stress. These include crowding, noise, dilapidation and pests (e.g. insects and rats). Another condition is use crowding. This is the using of a room designed for one purpose for other purposes. This condition may cause confusion and in turn affect attitudes and tensions in the family.16

Crowding in particular may result in excessive sexual stimulation and irritation of intrafamily relations. It also seems to thwart needs for response and affection

16 American Public Health Association, Committee on the Hygiene of Housing, p. 2.
since satisfaction of these needs for one member often results in frustration for others. Crowding, when it results from the presence of non-family members in the household, often produces friction and may inhibit normal family life. Irritations caused by overcrowding can grow into deep-seated and repressed bitterness which is considered to contribute to some mental diseases. These irritations also lead to the nonproductive expenditure of energy which results in over-fatigue, feelings of frustration and often to passivity. Irritability and frustration, when aroused in one context, carry over into other situations as well.

Studies comparing groups with inferior housing conditions to groups with adequate housing conditions have demonstrated the effects of housing on physical and mental well-being. A study conducted by Stuart Chapin in 1940 comparing slum residents to those in a low income housing project in Minneapolis showed significant differences between the groups in social participation, the degree to which individuals engaged in the organized activities of the community, and social status, the gain in household possessions compared to the average number of possessions of other families in the community. His

17Ibid., p. 9.
study showed that both project residents and the slum dwellers gained in social participation from 1934 to 1940, but the project residents gained twice as much in absolute score as the control group. The study also showed that the project residents and slum dwellers gained in social status, but the former showed a much greater gain.  

In a study of the effects of housing on health Daniel Wilner notes several American and European studies which show a correlation between poor housing and poor health. Stein in London found a high correlation between both mortality and incidence of disease and overcrowding. Benjamin in London and Lowell in New York also found a high correlation between crowding (persons per room or more than two per room) and mortality and tuberculosis rates. After analyzing data collected by the U.S. National Health Survey, Butten, et. al., found relationships between housing characteristics and several morbidity variables. These include frequency of illness (disability for a week or longer) and crowding, rates of digestive diseases and access to inside flush toilets, and frequency of home accidents and rent. They also include incidences of common communicable diseases of childhood and crowding, and

secondary attack rates of tuberculosis for persons living on relief and crowding (more than 1.5 persons per room). 19

A study of pneumonia rates for slum children in Copenhagen by Christensen demonstrated that the rates for these children to be two times as great as the rates for well-housed children. These rates were equally high for numerous other diseases including acute upper respiratory infections, otitis media, meningitis, measles, infectious skin diseases, acute dyspepsia, anemia, rickets, prematurity and congenital malformation. A similar study by Spence, et. al., in Newcastle-upon-Tyne of 1,000 infants and their families during the first year of life showed a high correlation between overcrowding and a number of respiratory diseases and home accidents. A study of patients in mental hospitals in five American cities by Schroeder revealed that admissions declined with increasing distance from the central zone. It also found a correlation between the number of admissions and the number living in housing "needing major repairs" and "unfit for use" as well as the number living in neighborhoods characterized by relatively high proportions of vacancies and rental housing units. 20


20Ibid., pp. 6-7.
Two important studies have been conducted on juvenile delinquency and housing. The first made by Dirksen in Hammond, East Chicago and Gary, Indiana, showed higher delinquency rates for neighborhoods with high percentages of housing units needing repairs, having no private baths or having more than 1.5 persons per room. A second study by Schmidt of 29 census tracts in Honolulu showed that both delinquency and crime rates increased as the percentage of overcrowded dwelling units (1.51 persons or more per room) in a census tract increased.  

The study conducted by Wilner, et al., at Johns Hopkins University contains many findings which show a relationship between improved housing and improved health, housing satisfaction, optimism and increased interaction with neighbors. The study was made on two groups with different housing characteristics. The test group consisted of 300 families who had moved from slum housing to a housing project and had good housing. The control group consisted of an equal number of slum families who, despite some improvement in housing during the study, were in poorer housing on the average. Among the important housing items considered in the study were density and crowding, hot water and facilities for cleanliness, toilet, sharing of facilities, screening, rodent infestation, food

\(^{21}\text{Ibid.},\text{ pp. 7-8.}\)
storage and refrigeration. The results of the study showed lower morbidity and mortality rates for the test group than the control group. For persons under 35 years of age episodes of illness and total days of disability were higher for the control group than the test group. For children (under 20 years of age) rates of infectious, parasitic and communicable diseases and accidents were similarly higher for the control group than the test group. Accident rates were one-third lower for the test group than the control group.  

When women from both groups were interviewed about satisfaction with their housing a larger proportion of test women than control women reported they liked their apartments, commented favorably on the safety of their children's play areas and felt they were getting their money's worth for the amount of rental. They also felt that their apartments afforded greater opportunity for personal privacy and reported less friction and dissension due to overcrowding.

The test group had markedly more incidences of mutually supportive interaction with neighbors such as helping each other with household activities, with children and in times of illness. It also showed more pride in the

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22 Ibid., pp. 242-246.
23 Ibid., p. 248.
immediate neighborhood and reported more activities devoted to keeping up the neighborhood. In general, the rehoused families gave more favorable views than the control families regarding the suitability of the neighborhood as a place to live and raise children. Moreover, test women were more likely to have formed new, close friendships in the immediate neighborhood.\textsuperscript{24}

The test and control groups differed in attitudes toward themselves and the world. Members of the test group were more likely to feel their position in life had improved and that they were upwardly mobile. Similarly, test women were more optimistic and satisfied with their personal lives and had a greater sense of efficacy.\textsuperscript{25}

A final observation of the study is that test children were promoted in school more regularly than control children. This was attributed to better attendance due to fewer incidences of illness. The results of this study verify the belief arising from common sense and clinical observations of physicians, public health officials, criminologists, law enforcement agencies, sociologists, welfare workers and others that housing and

\textsuperscript{24}Ibid., p. 249.
\textsuperscript{25}Ibid., p. 250.
physical and mental health are interrelated.\textsuperscript{26}

This review of the liabilities of poor housing leads to the question, what is good housing? The American Public Health Association Committee on the Hygiene of Housing has delineated many factors which should be present in the home environment. These include well-organized space for personal cleanliness and sanitation, sleeping and dressing, food preparation and preservation, serving food and dining, recreation and self-improvement, extra-familial association, housekeeping, care of infants and the ill or infirm, circulation between various areas of the dwelling and operation of utilities. In addition, the dwelling unit should house only one family, provide for suitable conditions for temperature, ventilation and lighting, protection against objectionable noise, protection against accidents and privacy and personal satisfaction.\textsuperscript{27}

The spread of communicable diseases can be reduced if there is no crowding and if there are certain basic sanitary facilities. These include an ample supply of safe drinking water, a bathroom equipped with appropriate washing facilities and a toilet of sanitary design, and

\textsuperscript{26}Ibid., p. 3.

\textsuperscript{27}American Public Health Association Committee on the Hygiene of Housing, pp. 3-7.
a supply of piped hot water for sanitation and convenient housekeeping. Diseases can also be prevented and controlled if vermin and pests are prevented from entering the household, if provision is made for sanitary food handling and conditions are favorable for adequate sleep and rest.  

The incidence of accidents can be greatly reduced if the dwelling unit is designed to avoid such accident hazards as falls, fires and electrical burns, if there is ample storage space to keep items picked up, medicine closets for storage of poisons and harmful drugs, and if furniture does not project into areas of circulation.  

Housing which has the greatest amount of space, comfort and service in attractive surroundings has the widest tenant appeal. A dwelling unit should have enough space to accommodate the smooth functioning of family life. Rooms should be planned with a size and shape adequate for their designated use and rooms should be arranged to provide for privacy and convenience. 

The Federal Housing Administration has established guidelines for the design and location of housing projects.  

28Ibid., pp. 13-14.  
29Ibid., pp. v, 14.  
30Federal Housing Administration, Planning Rental Housing Projects, Sept. 1947, pp. 6-7.
The project should have architectural unity which involves the harmonious relationship of building height to open-space, window arrangement, entrances and plantings. The design of the buildings should be attractive, but not fadish. Moreover, building materials should not only be durable but also low in maintenance cost.31

The neighborhood is an important factor in housing satisfaction. Many factors must be considered in locating a housing project in a particular neighborhood. First, projects should be located conveniently to schools, shopping areas, churches, parks and recreation areas. Projects should also have access to fire protection, facilities for waste removal and mail delivery.32 In selecting sites, consideration should be given to the occupations of prospective tenants and the proximity of the site to employment opportunities and transportation.

Other factors important to neighborhood satisfaction are a sense of cohesion and local identity. The neighborhood should provide opportunities for face to face contact and common use of certain institutions. Moreover, families should be able to choose whom they see and how often.33

31Ibid., pp. 6-7.
33Schorr, "Housing the Poor," p. 117.
The Inability of the Private Investor to Meet the Demand for Rental Housing

Congress has stated that 26 million new housing units will be needed in the next ten years, but at present rates of construction ten million of that number will not be built. The probable number of starts estimated by the National Association of Home Builders for 1970 is only 1,261,000. The scarcity of good, inexpensive housing will affect most those whose incomes fall below the federal poverty line and those paying more than 20 percent of their incomes for rent. The inability or unwillingness of the private, unsubsidized developer to fill the need for low and moderately priced rental housing arises from a complexity of financial, legal and technical problems.

A serious problem of the private investor today is shortage of mortgage capital. Equity investors are almost entirely dependent upon large financial institutions for the sizeable loans they need for construction. Financial institutions invest on the basis of yield and safety, and the rental housing developer must compete for loans with all other major investors of long-term capital. One Missoula builder stated that insurance companies that once invested in housing developments, are now investing in bonds, 

business loans and other areas of higher interest rates. Another reason he gave for the scarcity of mortgage money is that savings and loan associations that provide mortgage capital are presently taking in only half as much as formerly.\textsuperscript{35} The shortage of debt capital has caused an increase in interest rates. Interest rates are now at about $8\frac{1}{2}$ to $9\frac{1}{2}$ per cent. Because of high interest rates builders must charge more for their rental units which makes them unavailable to many families with low and moderate incomes.

Taxation is an effective deterrent for many would-be investors in rental housing. In many communities discriminatory tax assessments on multi-family dwellings which would increase operating costs and rents discourage investment.\textsuperscript{36} Corporate taxes deter investment because they reduce slim profit margins. To realize an acceptable margin of profit the equity investor can build only more expensive units for which he can charge more rent.

The high cost of land, labor and materials is another factor inhibiting rental housing development.\textsuperscript{37} Labor generally accounts for a great percentage of the

\textsuperscript{35}Ibid.
\textsuperscript{36}Winnick, p. 15.
\textsuperscript{37}"HUD Breakthrough," p. 7.
cost of rental housing construction. One reason for the high cost of labor is a shortage of manpower. In periods of high employment workers are hard to find and wages rise. In addition, the seasonal nature of construction work restrains many from entering the construction field.

Unions have helped keep construction costs high by featherbedding. "Union contracts often force a builder to pay a man full wages to sit beside a machine that has replaced his hand labor." Another way in which some unions have blocked lowering construction costs is by refusing to handle prefabricated products. Furthermore, the U.S. Supreme Court has upheld this kind of union policy. In its "Philadelphia door decision" of 1967 the court ruled that carpenters had the right to refuse to hang doors that had been precut and equipped with hardware in the factory.

The low loan to value ratio (typically 65 to 70 per cent of construction costs) restrains unassisted developers unless they are building for the luxury market because of the cash requirements. Developers can get "junior" or second mortgages to help them finance projects, but they are expensive because of high interest rates, usually mature early, and renewals are uncertain.

38Favre.
The debt service on these mortgages reduces the rate of return on investment beyond the reduction by debt service on the first mortgage. Rates of return on rental property are satisfactory only with a high mortgage to loan ratio and relatively low debt service.39

High risk has also been another effective deterrent for equity investors. Unforeseen emergencies or changes in consumer demand over the three to four year period from initial planning to project completion may drastically reduce the investors financial resources. The developers many responsibilities include selecting a site, designing, financing, supervising over the lengthy construction period and merchandising the new units. During the planning and construction period the neighborhood can change, the market can suddenly decline, building costs can rise, municipal regulations can change and interest rates may shift.40

A possible change in consumer demand greatly increases risks because the equity investor has the lowest priority of claims against income. Preceding him are the local tax collector, numerous utility and service agencies that provide services necessary for maintenance and operation of the project, the federal government

39Winnick, p. 155.
40Ibid., pp. 88-90.
if he earns a taxable profit and the mortgagee whose interest rates are fixed. If the market declines the equity investor's profits may be negligible or he may even operate at a loss.41

Other factors increasing investment risk are associated with residential real estate. These factors are the immobility, exposure to social controls, and a poorly organized market for buying and selling. They also include the lengthy period of time necessary to amortize the full cost of the property out of operating earnings, and the dependency of earnings on the state of the national and local economy.42

In the face of these uncertainties the equity investor adjusts the rate of return he expects according to his evaluation of the risks. Consequently he demands a relatively high rate of return. Other nonfinancial factors influencing the rental housing market in many communities are a shortage of vacant sites and problems of clearing sites and relocating tenants. The lack of information about demand for rental housing in many areas also prevents construction. One of the strongest checks, however, is unfavorable zoning ordinances and housing and

41Ibid., pp. 89-107.
42Ibid., p. 99.
building codes.\textsuperscript{43}

In view of the sundry difficulties confronting the private investor there is little doubt that he cannot be relied upon to fill the nation's growing need for low and moderate income housing. Government incentives must be utilized to stimulate building for those groups who cannot afford rents which would be demanded to offset high interest rates, taxes high risks and construction costs.

In this chapter the deleterious effects of poor housing on health, self-perception and child development have been one of two major concerns. The other is the inability of the private, unsubsidized investor to provide adequate housing for these groups at a price they can afford. The next chapter will point out how these problems have presented themselves in the Missoula area.

\textsuperscript{43}"HUD Breakthrough," p. 7.
CHAPTER III

MISSOULA'S HOUSING PROBLEMS

Missoula's housing problems are similar to those of many other communities. The city faces a growing housing shortage due to a growing population and a decline in the construction industry. In addition, much of its existing housing supply is not well-maintained. These conditions frequently leave low and moderate income people without adequate, economically priced housing.

Information about Missoula's present housing needs is incomplete because there are little recent data. However, a look at 1960 census data and surveys does give some indication of community housing needs. The 1960 Census of Housing reported that of all housing units in Missoula, 1,098 were deteriorating and 153 were dilapidated. The number of units in these conditions was about 14 per cent. Of the 3,462 renter occupied units 581 were deteriorating and 59 were dilapidated totaling about 18 per cent in these conditions.

<table>
<thead>
<tr>
<th>Dilapidated &amp; Deteriorating Units</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>All units</td>
<td>1,251</td>
<td>14</td>
</tr>
<tr>
<td>Renter occupied units</td>
<td>650</td>
<td>18</td>
</tr>
</tbody>
</table>
Deteriorating housing is defined by the Bureau of the Census as needing more repair than would be provided in the course of regular maintenance, and having one or more immediate defects that need correction if the unit is to continue to provide safe and adequate shelter. These defects are signs of neglect leading to serious structural damage if left unrepaired. Shakey or unsafe porch or steps, broken plaster, rotted window sills or frames are examples of defects in deteriorating housing. Dilapidated housing is described as having one or more critical defects or a combination of intermediate defects which renders it unsuitable for safe and adequate shelter. It may also have been inadequately constructed. Critical defects are those which indicate the unit has been continually neglected and seriously damaged. ¹

A study by the Office of Economic Opportunity of housing in Missoula County showed that in 1970 76 per cent of all dwelling units was sound and contained plumbing. On the other hand, 14.1 per cent of the dwelling units in the county was crowded (more than one person per room). The study also reported that in 1960 28.9 per cent of all

structures had been built in 1950 or later.\footnote{\textit{Community Profile, Missoula County, Montana, Office of Economic Opportunity Information Center.}}

The \textit{Comprehensive Development Plan for Missoula, Montana}, recorded a total of 10,752 residential units in the planning area in 1965. The condition of these structures is listed as the following:

<table>
<thead>
<tr>
<th>Condition</th>
<th>Number</th>
<th>Per Cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>good</td>
<td>2,392</td>
<td>22</td>
</tr>
<tr>
<td>above average</td>
<td>2,259</td>
<td>21</td>
</tr>
<tr>
<td>average</td>
<td>3,519</td>
<td>33</td>
</tr>
<tr>
<td>below average</td>
<td>2,133</td>
<td>20</td>
</tr>
<tr>
<td>poor</td>
<td>449</td>
<td>4</td>
</tr>
</tbody>
</table>

The plan states that over 24 per cent of all structures were in "below average" or "poor" condition.

In rating structures for the \textit{Comprehensive Development Plan} study the "windshield survey technique" was used. This method evaluates only the external condition of dwellings. Before beginning the actual survey the surveyor perused the study area to get an idea of the average structure. He used the following criteria for judging housing units: age, extent of disrepair, and actual structural deficiencies such as sagging foundations, porches or roofs, cracks, obvious lack of modern utilities or make-shift additions of various types. Differentiating below average and poor structures from average structures seldom presents problems because there are obvious defects.
However, structures which appear to be in satisfactory condition on the outside may have serious deficiencies in the interior, and vice versa. Houses rated in good condition are generally one or two years old and well maintained or older buildings which are outstandingly well maintained. Buildings which are fairly new and well maintained are rated as above average. Average structures make up the majority of buildings in the area and are not considered outstanding in age or maintenance. Buildings which have some defects but are capable of rehabilitation are rated below average, while those which are old and have more than one obvious defect are considered poor and better demolished.\(^3\)

Stephen Petrini, Missoula's city-county planner, has observed that the 1960 housing census and the 1965 windshield survey are not completely accurate in depicting housing conditions in Missoula because they relied on external, visual characteristics and did not evaluate the characteristics of the dwelling's interior. Moreover, the 1960 census data have been discovered not to be as valid as originally believed because of variations in judgment between observers and variations in judgment of individual observers. Individual variations included

\(^3\)Clark, Coleman and Rupiecks, Seattle, Washington (correspondence).
changes in mood and opinion of the observer and differences in evaluation contingent to the part of town he was surveying. It was found that his standards were often lowered when in a poorer section of town. Studies including evaluation of interior housing conditions conducted after the census was taken demonstrated that it was not very accurate.  

The most recent housing study in Missoula was made for Missoula-Mineral Human Resources, Inc., the local community action agency, in September, 1968. The study sample included 122 individuals, 82 who were low income, and 40 who were over income. Results of the study are summarized below:

I. Percentage owning or renting homes

<table>
<thead>
<tr>
<th></th>
<th>low income</th>
<th>over income</th>
</tr>
</thead>
<tbody>
<tr>
<td>own</td>
<td>41%</td>
<td>63%</td>
</tr>
<tr>
<td>rent</td>
<td>59%</td>
<td>37%</td>
</tr>
</tbody>
</table>

II. Condition of house

<table>
<thead>
<tr>
<th></th>
<th>low income</th>
<th>over income</th>
</tr>
</thead>
<tbody>
<tr>
<td>good or excellent</td>
<td>23%</td>
<td>75%</td>
</tr>
<tr>
<td>satisfactory</td>
<td>31%</td>
<td></td>
</tr>
<tr>
<td>very bad or poor</td>
<td>46%</td>
<td>25%</td>
</tr>
</tbody>
</table>

4Stephen Petrini, City-County Planner, Missoula, Montana, June 23, 1970 (interview).

III. Percentage of income paid for rent

<table>
<thead>
<tr>
<th></th>
<th>Low Income</th>
<th>Over Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>less than 25%</td>
<td>45%</td>
<td>92%</td>
</tr>
<tr>
<td>more than 25%</td>
<td>55%</td>
<td>8%</td>
</tr>
</tbody>
</table>

IV. Number of family members living in home

<table>
<thead>
<tr>
<th></th>
<th>Low Income</th>
<th>Over Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 or less</td>
<td>34%</td>
<td>65%</td>
</tr>
<tr>
<td>6 to 8</td>
<td>39%</td>
<td>35%</td>
</tr>
<tr>
<td>9 or more</td>
<td>27%</td>
<td></td>
</tr>
</tbody>
</table>

V. Number in bedrooms

<table>
<thead>
<tr>
<th></th>
<th>Low Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 or more</td>
<td>50%</td>
</tr>
<tr>
<td>3 or more</td>
<td>30%</td>
</tr>
</tbody>
</table>

The determination of "low income" and "over income" is based on OEO Poverty Guidelines for 1968. These were not obtainable, but the 1969 guidelines are as follows:

**OEO Poverty Guidelines for FY 1969**

<table>
<thead>
<tr>
<th>Family Size</th>
<th>Non-Farm</th>
<th>Farm</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$1,600</td>
<td>$1,100</td>
</tr>
<tr>
<td>2</td>
<td>2,100</td>
<td>1,500</td>
</tr>
<tr>
<td>3</td>
<td>2,600</td>
<td>1,800</td>
</tr>
<tr>
<td>4</td>
<td>3,300</td>
<td>2,300</td>
</tr>
<tr>
<td>5</td>
<td>3,900</td>
<td>2,800</td>
</tr>
<tr>
<td>6</td>
<td>4,400</td>
<td>3,100</td>
</tr>
<tr>
<td>7</td>
<td>4,900</td>
<td>3,400</td>
</tr>
<tr>
<td>8</td>
<td>5,400</td>
<td>3,800</td>
</tr>
<tr>
<td>9</td>
<td>5,900</td>
<td>4,100</td>
</tr>
<tr>
<td>10</td>
<td>6,400</td>
<td>4,500</td>
</tr>
<tr>
<td>11</td>
<td>6,900</td>
<td>4,800</td>
</tr>
<tr>
<td>12</td>
<td>7,400</td>
<td>5,200</td>
</tr>
<tr>
<td>13</td>
<td>7,900</td>
<td>5,500</td>
</tr>
</tbody>
</table>

The 1969 Guidelines are somewhat higher than the 1968 guidelines.

The results of this study point up several disparities.
between low income and over income householders. First, the majority of low income people rent while the majority of over income people own their homes. Second, almost half of the low income people surveyed live in very bad or poor housing while only one-fourth of the over income people live in such housing. Next, over half of the low income group pays over 25 per cent of its income for housing while only 8 per cent of the over income group pays over 25 per cent for housing. The study also shows that almost twice as many low income families as over income families have more than five family members living in the household. From this study it is evident that a large percentage of low income people in Missoula are living in substandard, statistically crowded dwellings for which they are paying in rent a high percentage of their incomes.

Missoula's housing problems are compounded by a growing population and a decline in housing construction. Tony Veazy, housing developer, reported that 30 per cent of all new housing units in Montana are being built in the area. The Comprehensive Development Plan estimates that by 1985 new residents will generate a demand for 6,900 new dwelling units in addition to the present number

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of units for a total of 23,369 units needed by 1985.\textsuperscript{7}

At present construction rates many current residents both with low and moderate incomes are having a difficult time finding housing. The number of building permits issued is one indicator that construction is declining. In May, 1970, 13 building permits were issued for a total valuation of $51,200 compared to 21 permits issued in May, 1969, for a total valuation of $372,210. Reasons given for the decline are high interest rates and taxes. Interest rates for home builders are now between 8\(\frac{1}{2}\) and 9\(\frac{1}{2}\) per cent.\textsuperscript{8} Fred Barclay, county assessor, stated that taxes on a $15,000 home would be around $450 per year or about $37 per month. In addition to taxes homeowners may pay for services and facilities through special improvement districts (S.I.D.'s). These include such services and facilities as sidewalks, curbs, gutters, lighting, parkways and water.\textsuperscript{9}

George Gilbertson, a banker connected with the real estate loan division of the First National Bank in Missoula, estimated that to build an average priced home

\textsuperscript{7}Comprehensive Development Plan for Missoula, Montana, Clark, Coleman and Rupiecks, Seattle, Washington.

\textsuperscript{8}Fred Plummer, realtor, Missoula, Montana, April 2, 1970 (interview).

\textsuperscript{9}Fred Barclay, Missoula County Assessor, Aug. 3, 1970 (interview).
of $20,000 one would pay approximately $4,000, or 20 per cent, on a conventional mortgage as a downpayment. The average rate of interest now is 9 per cent. On a 25 year mortgage the payment on the principal, interest and insurance on the mortgage would be $67.84 per month. Taxes, not including S.I.D. 's, within the city limits would be around $633.60 per year or about $53 per month. Fire insurance would be about $75 a year or $6 per month and maintenance would be at least $10 per month. The total monthly cost of owning a $20,000 home with a 25 year mortgage would be not less than $236.84 per month.¹⁰

Houses in the moderate price range of $16,000 to $20,000 range are hard to find and selling rapidly. These conditions make homeownership out of the reach for many with middle-incomes. Local builders who seem to be doing a profitable business are selling houses to upper and upper-middle income buyers.¹¹ Many of those who would ordinarily like to buy a house are now looking for apartments because of budget restrictions.

Another factor influencing the demand for rental housing is the high rate of unemployment. According to C. E. Polutnik, manager of the Montana State Employment

¹⁰George Gilbertson, Real Estate Loan Division, First National Bank, Missoula, Montana, Aug. 3, 1970 (interview).

Service, Montana is one of three states in the nation with the highest rates of unemployment. (Alaska and Washington are the other two). The average rate of unemployment is presently about 6.9 per cent of the total work force.¹² Unemployment contributes to the individuals inability to buy property as well as rent suitable housing.

Several factors contribute to the high cost of rental housing in Missoula. One of these is property taxes. Dan Lambros reported that his rental agency tries not to pass taxes on to tenants, but it is sometimes necessary to keep operating.¹³ (If landlords did not pass taxes on to tenants it would seem likely that they would not be able to operate at all).

One important reason for the high cost of rental housing is that demand for suitable housing exceeds the supply. Consequently landlords can be selective about tenants and often charge large deposits. Competition for moderately priced housing is intensified by university students. "Of the 7,500 University of Montana students, only 2,300 reside in campus dormitories."¹⁴ Thousands of


students live in apartments throughout the community. Although they are faced with many of the same problems of low income tenants, substandard housing, high rent, and little choice in dwellings, they are at an advantage because they can pool their resources to rent apartments out of reach for low income tenants. In addition, many can obtain financial assistance from parents if they are unable to pay their expenses.

Discrimination is another factor which acts as a barrier to members of certain groups comprised of both low and over income people. These groups include Indians, blacks, students, welfare recipients, older people and divorcees with children.\textsuperscript{15}

Compounding the problems of welfare recipients is the statewide welfare housing allotment. Mrs. Jean Johnston, county welfare case supervisor, reported that about 90 per cent of the county's caseload pays more for rent than the welfare agency allows. The maximum allotment is $27.50 a month for one adult plus $15 for utilities. A family of two, usually a mother and child, may receive up to $35 a month for housing and a flat $20 for utilities. A family of three to five may receive up to $55 a month.

\textsuperscript{15}Document of Missoula-Mineral Human Resources, Inc. regarding a housing development corporation.
for shelter and $25 for utilities, while a family of six or more may receive a maximum of $60 for shelter and $30 for utilities. A poll by the welfare agency of 12 women receiving $35 a month shelter allowance revealed that all were paying at least $55 a month for rent and most were paying $65 a month or over.  

Since there is no public housing in Missoula a great many low income tenants who have been squeezed out of the competition for housing by high rents and more affluent tenants have no place to go. They have no alternative but to accept substandard housing.

The existence of inferior housing in Missoula has been described by Dr. Kenneth Lampert, city-county health officer, as "a vast problem that needs our attention." Numerous families are living in dwellings that should be either rehabilitated or condemned. Housing neglect by landlords is a chronic problem for low income tenants. The housing survey for Missoula-Mineral Human Resources, Inc., found that among the tenants polled 47 per cent of their landlords seldom or never make repairs, 20 per cent make repairs occasionally and 33 per cent make repairs occasionally and 33 per cent make repairs occasionally.


17 Dennis Curran and Gary Langley, "Officials See No Easy Solutions to Poor Housing," Missoulian, April 15, 1970.
promptly. Although Missoula has a building code which sets minimum standards for property maintenance, Dr. Lampert contends that a dwelling can meet the basic requirements and still be substandard. This is due to the absence of a housing code. A housing code, used in conjunction with a building code would provide for livability factors such as size, ventilation, sanitation and aesthetics.

The building code is often ineffective or unenforceable for several reasons. First, inspection of buildings is limited by time, shortage of staff, budgets and sometimes by laws. The building inspector's staff may check apartment buildings with shared hallways and furnaces, but individual apartments and private homes are generally off limits unless the staff is invited by the landlord or tenants. The majority of complaints come from tenants, not landlords. "Normally people don't call you in to condemn their own houses," remarked James Nelson, city-county health department sanitarian.

When a building fails to meet code requirements the owner is informed of the problems with his house and given an opportunity to make repairs before condemnation.

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19 Curran and Langley, "Officials See No Easy Solutions to Poor Housing."
A time limit is set which takes into account the nature and cost of repairs. However, if repairs are not made and the time limit is not met the building often cannot be condemned if people are living in it. Joe Durham, city building inspector, stated that tenants cannot be evacuated until there is somewhere for them to go. The city-county health department, fire department and building inspector's office keep lists of dwellings which should be condemned. When they are vacant they attempt to place a condemned notice on the door. Frequently the house has been reoccupied before they can condemn it.\footnote{Ibid.}

Of the 15 to 20 houses condemned in Missoula each year, about 30 per cent are rehabilitated for occupancy. Officials try to destroy those that are not rehabilitated. This is repeatedly a problem because of title fights, lost ownership and estates. On some houses, placards are on for many months. Meredith Fite, the City Fire Marshall, recounted that one house took seven years to destroy.\footnote{Ibid.}

Dilapidated and deteriorating housing has serious repercussions on health for low income people. "The Montana State Low-Income Health Task Force found that the most acute health problems in Missoula were related to substandard housing."\footnote{Document of Missoula-Mineral Human Resources, Inc.} The most common health problems,
according to Dr. Lampert, result from poor sanitation. These include sewage failures, sewage above ground and contaminated water. Other health hazards observed by Vista workers and Missoulian reporters are abandoned cars and other rubbish accumulated in yards which could foster rodents and other pests and crowded conditions which could facilitate the spread of disease. These groups also reported incidences of two families living together in order to afford a place to stay.23

Missoula-Mineral Human Resources, Inc., has documented numerous instances of low income people living in housing which is substandard, overpriced or both. For example, it has documented three cases of women living on social security checks of between $80 and $100 a month paying between $60 and $80 a month for rent. Numerous instances of landlords refusing to make necessary repairs have also been documented. In one case sewage was leaking from a septic tank and toilet. The tenants asked the landlord to fix the plumbing, but when he refused they called the health department. The landlord, hearing about the appeal to the health department, gave the tenants a three day eviction notice calling them troublemakers for notifying

23Ibid.
the health department.\textsuperscript{24}

Another case of neglect by the landlord is that of a house with a broken hot water line, leaky toilet, broken shower drain and faulty stove. In the yard raw sewage covered the ground only a few feet from a well serving four properties. The tenant reported that the landlord refused to make repairs. Another instance is of a mother and her two children living in a house where the plumbing froze up and the toilet overflowed on the floor. The landlord also refused to make repairs. One mother and her five children used a toilet in a shed and took baths in the river for seven weeks because the landlord would not fix the cesspool and overflowing toilets. Finally a friend of the mother accommodated by making the repairs. In one dwelling a gaping hole under the outside door, a window that could not be closed and a stove that could not be turned off frustrated a family with six children. The landlord refused to fix or replace anything. In spite of the inconveniences the family was reluctant to move because it is difficult to find a place to live that is suitable for its large size.\textsuperscript{25}

Other documented cases disclose the problems of

\textsuperscript{24}\textit{File of documented cases of housing problems in the Missoula area, Missoula-Mineral Human Resources, Inc.}

\textsuperscript{25}\textit{Ibid.}
families with low incomes who cannot afford adequate shelter. A mother and her five children moved from a two bedroom house which sheltered nine people because it was too crowded. The family moved to a trailer home but rent and utilities which came to $125 a month were too high for their income of $229 a month and they could not afford to buy food. They moved to a house which rented for $100 a month. This house had a leaky toilet and the septic tank in the backyard seeped sewage up through the ground. One mother and her children were evicted from a trailer house because her husband had been sent to prison and she was unable to pay the rent. They moved into a shack with an elderly bachelor, but the arrangement was unsatisfactory and they stayed only a week. The mother's welfare allotment was $55 a month for housing and there were no units available for them at this price.26

Another family was evicted from a dwelling renting for $65 a month when they could not meet rent payments. The family stayed in their car for three nights. The family's five month old baby contracted bronchial pneumonia from being cold and had to be hospitalized. The welfare allotment for this family was $35 a month for rent and they could not find anything for that price. Finally, the family decided to separate so the wife could live with

26Ibid.
In two cases children have suffered directly from inferior housing conditions. One family paying $70 a month for rent lived in a house with large holes in the kitchen floor and an insufficient heating system. The house was so damp that the bedding and clothing mildewed and so cold that the children cried from being cold. A two month old baby developed a severe ear infection and was hospitalized with staph infection. Although they asked the landlord to make repairs, he ignored their request. Another family lived in a house which was also very cold. The children repeatedly caught colds and one son was hospitalized with viral encephalitis which his mother feels was caused by cold housing.\textsuperscript{28}

Discriminatory and arbitrary eviction has been a problem with some low income tenants. One woman was forced to move because her husband had been sentenced to prison and her landlord pressured her into moving. Another case is that of a family that was abruptly evicted from a house where they were paying $75 a month rent. A new family immediately moved in and was charged $100 for the same house. The investigator who documented the case believed that the rent was exorbitant for the quality of the dwelling.

\textsuperscript{27}Ibid. \textsuperscript{28}Ibid.
Jim Parker, planning director for Missoula-Mineral Human Resources, Inc., stated that these cases come from only a fraction of the low income people in Missoula. For every complaint, he estimated there are probably many more the agency does not hear about.\footnote{Ibid.}

Many Missoula landlords who rent to low income people complain of tenants who let their property deteriorate. Stan Healy who rents four houses reported that his chief problem is tenants who do not pay rent while allowing residences to become run down. For example, one tenant did not pay rent for three months, and Healy finally took him to court for eviction. When he took possession of the house the garage was filled to the ceiling with garbage and the house had three broken windows. Tenants such as these sometimes make it difficult for him to take in enough to maintain his houses.\footnote{Curran and Langley, "Landlords Report They Face Growing Squeeze."}

Another Missoula landlady who owns 50 rental units is Lillian Jameison. Her problems with tenants are similar to Healy's. She complained of tenants who fail to pay rent on time, dispose of garbage, give notice before leaving, and take care of yard and lawn. In her experience, some tenants leave with drapes and other furnishings and
have relatives and friends move into units designed to accommodate single families. Mrs. Jameison claimed to spend $60 to $100 each year removing old car bodies from her property. Another problem for her with tenants is letting plumbing freeze in winter by neglecting to turn off outside faucets after use or by leaving outside basement doors open.\(^{31}\)

The opinion of Dan Lambros with respect to bad tenants is that landlords who let their property deteriorate usually attract undesirable tenants. Dr. Lampert holds a similar belief. While renters of inferior housing sometimes let the buildings deteriorate further, bad housing is partly responsible for its abuse.\(^{32}\)

The housing problems of low income people will be relieved somewhat by several federally subsidized housing projects which have been planned or are now under construction in the Missoula area. The Camelot Apartments now being constructed by Trounson Foss will have 73 units which will be rented mostly to senior citizens. Tenants will be eligible for rent supplements under the 236 federal housing program. Foss stated that the project will serve a great need in the community. Many of the applicants for the project have incomes between $150 and $200 a month. A similar project still in the

\(^{31}\)Ibid.

\(^{32}\)Curran and Langley, "Slumlords Ply Their Trade in Missoula."
planning stage is the Eagles Retirement Home.\textsuperscript{33}

Two projects are also planned primarily for low and moderate income families. The first is a 60 unit apartment house complex being planned by Dale Collins under the 236 program. The second is an apartment house complex planned by Council Groves, a nonprofit corporation composed of people with a wide range of backgrounds and incomes. This project is being planned under the 221(d)(3) rent supplement program.

One housing development has already been built by Tony Veazy under the 235 program. Houses cost $17,700 with a down payment of $200. Homebuyers pay between 20 and 25 per cent of their monthly incomes on mortgages and a federal subsidy makes up the rest. To be eligible for a subsidy a single person's gross earnings cannot exceed $4,669 annually, a family of four $6,742 and a family of 10 $10,342.\textsuperscript{34}

For low and moderate income people in Missoula the problems of acquiring decent housing at a price they can afford are compounded by several factors. First, a decline in housing construction coupled with high property taxes and high interest rates make homeownership impossible.


\textsuperscript{34}Ibid.
for many. Next, a housing shortage and stiff competition for rental units make finding adequate housing difficult. In addition, discrimination and low income greatly hamper the chances of many to compete for housing. Finally, landlords who refuse to make necessary repairs and evade the city building code leave many without any recourse but to accept substandard housing conditions.

The consequences of living in dilapidated, unsanitary and ill equipped housing is deleterious to the well-being of those who live in it. These conditions further impoverish them physically and mentally resulting in illness and frustration. In the following chapter the ways in which two sponsors of low and moderate income housing projects in the Missoula area propose to alleviate these problems will be discussed.
CHAPTER IV

LOW AND MODERATE INCOME HOUSING
PROJECTS IN MISSOULA

Two low and moderate income housing projects which have been proposed for the Missoula area are a 221(d)(3) market interest rate rent supplement project sponsored by Council Groves, a nonprofit corporation, and a 236 below market interest rate project sponsored by Dale Collins of Kalispell. The sponsors of these projects have different problems as well as different objectives. While a nonprofit group is confronted with problems of inexperience and lack of capital the profit motivated sponsor has a greater familiarity with housing development and a knowledge of financial matters. However, the nonprofit sponsor has certain advantages that the profit motivated sponsor does not have. A comparison of the Council Groves and Collins projects and of FHA policies in relationship to nonprofit and limited dividend sponsors points out some of these differences.

Council Groves

Council Groves is planning a project which will
contain 72 units with from two to three bedrooms. The project will be composed of four, two-story walk-up buildings with row construction. Total annual rent is estimated at $181,584. Unit rental per month is:

<table>
<thead>
<tr>
<th>No. of Bedrooms</th>
<th>Full Market Monthly Rental</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>$158</td>
</tr>
<tr>
<td>3</td>
<td>214</td>
</tr>
</tbody>
</table>

Seventy per cent of the units will be available for rent supplement tenants. Units will contain stoves, refrigerators and drapes, and tenants will be provided with utility and storage facilities and garbage and sewer services.

The estimated replacement cost of the project is $1,057,600. Interim construction financing will be provided by Utah Mortgage Loan Corporation of Idaho Falls. Long-term financing is anticipated through the FNMA or GNMA after completion of construction. To meet the cost of advance planning and preliminary expenses Council Groves has requested a 106(b) loan of $33,573.

The Council Groves Corporation is composed of individuals in the community who came together because of their interest in low income housing. The two groups represented in the corporation are Valley Homes Incorporated and Catholic Charities. Valley Homes began as a committee of 12 members who were interested in relieving the housing
shortage in Missoula. Originally, Valley Homes was interested in housing rehabilitation. A representative from the HUD regional office in Seattle came to Missoula and conferred with the group on rehabilitation. They went through many homes in the community and evaluated the feasibility of rehabilitation.

After approximately a year the group decided that rehabilitation was not feasible because the cost of rehabilitating housing would put it out of the price range of low income families. Other reasons why rehabilitation was not a successful venture according to Virginia Jellison, housing specialist at Missoula-Mineral Human Resources, Inc., are lack of experience on the part of the housing coordinator, non-responsiveness on the part of FHA and a housing shortage in the area. She stated that FHA lacked knowledge in the processing methods of rehabilitatng housing. Moreover, the present housing shortage is compounded by an increase in university students and little activity in the construction industry. Consequently properties sell at high prices, including substandard, dilapidated houses. Another reason cited

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1Virginia Jellison, June 15, 1970 (interview).
by Pastor Jonathan Nelson, president of Council Groves, is lack of interest on the part of a segment of the local community. According to Pastor Nelson, the community was resistant to rehabilitation and low income housing in general.  

Valley Homes was incorporated in July, 1969. It has tried to administer a housing program which includes helping a public housing authority to get started, helping nonprofit groups interested in housing organize, and administering an FHA 237 program which would enable it to qualify low income people for home ownership.

Catholic Charities has been in existence for sixteen years and is an organization operated by the Diocese of Montana to fill charitable needs and provide services to numerous groups. These include services to unwed mothers, a half-way house for alcoholics, a children's group home, marriage counseling and many related services. It has been active in the Missoula area in helping families find housing, talking to landlords about fixing up their properties, helping forestall eviction, and helping families find furniture.

Catholic Charities has traditionally been interested

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4Nelson.

5Father Frank McCormick, June 22, 1970 (interview).
in housing for the elderly. It has projects in Helena and Butte which are similar to the Council Groves project proposed for Missoula. The organization felt there was a need for low income housing in Missoula, too, and believes low income housing is one Christian way of helping people.6

The members of Valley Homes and Catholic Charities gathered together at a meeting at the Florence Hotel in Missoula in the fall of 1969. They formed an ad hoc committee to investigate the feasibility of a low income housing project and talked to FHA officials, representatives of Urban American, Inc., and other groups.7

Catholic Charities was associated with a consultant, Wayne Wilcox, who was familiar with FHA procedures and had assisted in the development of its project in Butte. Wilcox was looking for a nonprofit sponsor and he was hired as the consultant for the project.

The involvement of Catholic Charities in Council Groves is an invaluable asset to the corporation because of the FHA requirement that a nonprofit corporation have continuity. Although the board of directors is the owner, Catholic Charities is the responsible party.8

6 Ibid.
7 Nelson
8 Laura Norman, July 3, 1970 (interview).
to Ed Schroeder, if a local corporation fails, FHA can go to the organization it is affiliated with and get it to assume responsibility for the project. Catholic Charities is responsible for the social conduct of the project and will try to assure that rents are paid on time and that tenants behave in a manner compatible to their neighbors. Another reason continuity is necessary is that it would be almost impossible to obtain financial backing without it. Lending institutions will not make loans to a group that is newly formed because it may be disbanded.9

In the by-laws of Council Groves Corporation its purpose is stated as follows: "... to provide housing for persons on a nonprofit basis and to furnish other related facilities and services, especially designated to meet their physical, social, and psychological needs, and to contribute to their health, security, happiness, and usefulness in living." The business of the corporation is decided by majority vote. It was originally decided that the board of directors would consist of 13 members. In the by-laws stipulations are made for the selection of board members. Seven of the directors must be representatives of Catholic Charities. These representatives must include a woman, a member of an ethnic minority and a member of a low income group. The remaining four are

9French Kellog, July 2, 1970 (interview); Norman.
to be selected from the general public. Six of the board members are to be nominated by Valley Homes, Inc. These must include a woman, a member of an ethnic minority, a member of a low income group, a businessman from the Missoula community, and a representative of Valley Homes, Inc. 10

One of the first problems the corporation members encountered was the absence of the name of Valley Homes in the by-laws. In the original by-laws Catholic Charities had seven representatives and the remaining members were to be selected from the community at large. Catholic Charities was afraid that if Valley Homes was mentioned in the by-laws the corporation would not get as favorable treatment from FHA and that mentioning low income representatives would endanger the project's acceptance. 11 On the other hand, Valley Homes wanted its name in the by-laws because it could show government officials that it had helped to form a housing project and it would be expedient to obtaining funds from OEO for use as a housing consultant. When Valley Homes was able to demonstrate that FHA would not object to inserting its name in the by-laws Catholic Charities agreed to the change. 12

10 By-Laws of Council Groves Corporation.
11 Nelson.
12 Ibid.; Norman.
The representation of low-income people in a corporation providing housing for people with low incomes is one of the unusual features of Council Groves. Pastor Nelson stated, "We feel we have something unique here. It is the first time in Montana that low-income people representing all organized low-income groups have been involved in sponsoring a housing project that will serve low-income people." Valley Homes was deeply concerned that low-income people have a voice in the project. It wanted them to help determine the need for the project, the type of construction and its location as well as its design and management. It was committed to the idea that they should manage it so they would take pride in it and help it become financially productive. Instead of being a form of charity it was hoped that low-income people would consider it their project and that it would help raise their self esteem.

One advantage of having low-income people represented in the corporation is that the board of directors is better able to gauge the kind of housing needed for low-income people. For example, low-income representatives informed it of the need for apartments for large families.


14Nelson.
According to Joe Durham, a member of the board of directors, the low income representatives have been instrumental in making decisions and actually control the corporation.\textsuperscript{15}

The attitude of FHA toward low income representation in the corporation is difficult to determine. Virginia Jellison, a member of the board of directors, stated that while formal FHA policy proclaims the desirability of low income representatives, in actuality the local FHA office wants token representation from low income people.\textsuperscript{16} On the other hand, Ed Schroeder reported that FHA tries to achieve an organization which includes people with diverse backgrounds and insights and who are involved in all areas of housing. He stated that the by-laws provide for the representation of a variety of groups. If one member leaves the corporation his place is taken by another with his background or occupation. In this manner, the organization continues to represent the people it serves.\textsuperscript{17}

According to Joe Durham, the low income representatives on the board were at first suspicious of other

\textsuperscript{15}Joe Durham, June 25, 1970 (interview).
\textsuperscript{16}Jellison.
\textsuperscript{17}Schroeder.
members such as bankers and businessmen. However, these representatives realized that they needed the expertise of these individuals if the project is to succeed.\footnote{18}

The members of Council Groves are considered by Joe Field, chairman of Missoula-Mineral Human Resources, Inc., to be well qualified to provide low income housing in Missoula. He wrote,

We feel that housing for low and moderate income people can best be met by an organization that is highly motivated and knowledgeable about the problems and life styles of this group of people. Council Groves is comprised of such people. Catholic Charities has a long-standing record of experience in housing throughout the country, and with a deep religious conviction. On the other hand, Valley Homes, Inc., is made up of dedicated, concerned individuals, with diverse backgrounds and experience in the community, and with verbal, active low income people serving equally with the others.\footnote{19}

While some members of Council Groves have been active in the corporation, others, because of their occupations or lack of interest, have been relatively inactive. Those who came into the corporation because of their affiliation with Valley Homes are Pastor Nelson, Virginia Jellison, French Kellog, Joe Durham, Hugh Standley and James Haxton. Those who came in because of their affiliation with Catholic Charities are Father Frank

\footnote{18}{Correspondence from Joe Field, Chairman, Missoula-Mineral Human Resources, Inc., to R. E. Steinman, Director of Federal Housing Administration, Helena, Montana, May 19, 1970.}
McCormick, Dr. William Norman, Laura Norman, secretary of Council Groves, Raymond Fox, Monica Hebe, Loretta Hyde and Michael Courtney, vice-president of the corporation. Courtney is the only member of the board of directors who does not live in Missoula. His home is in Butte.

Pastor Nelson is affiliated with the Lutheran Church and the United Campus Christian Fellowship. Virginia Jellison is a housing specialist with Missoula-Mineral Human Resources, Inc., and Hugh Standley is employed by the same agency as the director of the Low Income Group for Human Treatment. French Kellog is an official of the Western Montana National Bank; Joe Durham is the building inspector for the City of Missoula; James Haxton was a low income representative. Father McCormick is a Catholic priest; Dr. Norman is a practicing physician; his wife Laura is a member of the Third Order of St. Francis of Assisi. Raymond Fox is an attorney; Michael Courtney is a self-employed housing consultant and developer; Mrs. Hyde and Mrs. Hebe are retired.

Joe Durham reported that he became involved with the group because of his job as building inspector. It was felt by the other board members that his knowledge of city building codes and zoning ordinances would be an asset to the corporation. French Kellog stated that he became involved while a member of Valley Homes. He was
asked to become a member of the board of directors as an advisor, but he stated that he was not willing to become actively involved in the project. According to Father McCormick, the board members who are affiliated with Catholic Charities were picked because of their interest in the project and interest in seeing the project come to the city. Mrs. Norman, for example, became interested in housing while a member of the Third Order of St. Francis. She felt the order was doing nothing in the way of direct services to people such as taking care of the ill and helping working mothers. She stated that St. Francis was a practical saint and anyone in the order is supposed to be involved in personal charity. Her interest in housing for low income people was aroused when she went into homes on Missoula's North Side and discovered people paying high rents for inferior dwellings.  

Mrs. Hyde and Mrs. Hebe got involved in the project because one of the Catholic Fathers asked them to be representatives of Catholic Charities on the board of directors. However, they are retired and on social security and did not want to become actively involved.  

Since the corporation was formed in early 1970 several members have been forced to resign or have

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20 Norman. 21 Ibid.
voluntarily resigned. It is written in the by-laws that if a member misses three consecutive meetings of the board of directors his position is terminated. Consequently, Raymond Fox, Mrs. Hyde and Mrs. Hebe are no longer board members. In addition, James Haxton has resigned and Father McCormick has resigned because he was transferred to another parish. It was decided that the board of directors could consist of only eleven members and therefore all but two members will be replaced.

The members of Council Groves have given numerous reasons why they feel their project will be of benefit to the community. One of the most frequently cited reasons is that the project will give low income people a decent home at a price they can afford. In addition, it will provide housing for large families who now have a difficult time finding places to live and add to the supply of housing in the community. Durham stated that if units were available to house people who are now living in sub-standard dwellings the city would be able to demand that landlords repair their units or else they will be torn down. Mrs. Norman believes one of the important benefits of the project will be the influence of good housing on children. If children are put in a decent atmosphere she is hopeful that they will grow up wanting nothing less in housing than what they are accustomed to. By showing
people housing conditions they will want to strive for children will be encouraged to break out of the cycle of poverty in which they are trapped. In this way the project will help people to help themselves.  

Another reason given in regard to how the project will benefit the community is that it is attractive, park-like housing and will upgrade the community. Still another important reason is that over a million dollars will be spent on the project and most of the money will be spent in the community. Local people will get contracts for supplying building materials and equipment and working on the construction of the project. In this way the project will stimulate the community economically. One member felt that because low income people were instrumental in planning and carrying out the project their involvement will be an incentive for other low income groups to become active in housing.

The most important contribution of Council Groves to the community was considered by French Kellog not to be the housing project itself, but the interest it has probably aroused among other builders of low income housing. He said that when Council Groves became interested in low income housing other builders began to plan projects as well. He thought that the corporation had aroused an

\[22\text{Ibid.} \quad 23\text{Ibid.}; \text{Jellison; Kellog.}\]
awareness in others that they could build for low income people at a profit. Other projects being built in the area would reduce demand for low income housing, and he suspected that an additional project might have as high as a 50 per cent vacancy.\footnote{Kellog.} On the other hand, Mrs. Norman feels that they will have no trouble finding tenants. She stated that another project in Missoula had a long list of tenants waiting to get in.\footnote{Norman.}

Among the important problems anticipated by some board members is that of management. Kellog stated it is necessary to have a manager who is knowledgeable and realistic or the project could fail. Among the items provided for in a minimum management program are: landlord-tenant relationships, lease provisions, collection policies and actions, programs for maintenance and repair, training and employment of residents to the fullest extent possible, accurate records and efficient procedures for determining and refunding FHA excess rentals, methods for handling initial occupancy and maintaining full occupancy, and bookkeeping and record maintaining services. Management can also provide services to tenants such as homemaker training and guidance in child care. Sponsors are encouraged by FHA to provide these services.\footnote{Schroeder.} They may be
provided through OEO programs or through other public or private groups. Nonprofit groups are considered to be better able to provide these services than other sponsors because they have more resource people to draw from on their boards of directors.27

A problem related to management is tenant selection. Mrs. Norman believes that it will be important to carefully screen the first tenants in the project to ensure its success and give it a favorable image in the eyes of the community. She stated that she is not optimistic that tenants will take care of the property as well as homeowners. To encourage tenants to maintain the project and get them to assume responsibility for damages Catholic Charities hopes to form a council among the tenants to make rules for living in the project.28

One of the first decisions made by Council Groves was the selection of a site. In choosing a site the corporation did not advertise for people to come forward with offers to sell land. The first site the group considered was on the North Side near St. Mary's Catholic Church. The seller asked an outrageous price of $160,000 for land he had bought several years before for $12,000. The present site is on Third Street in the 1800 block. The land is owned by Julia Halverson who is selling it for

27 Schroeder. 28 Norman.
$40,000. Howard Sellers, a Missoula realtor, has an option to buy the land from her, and Council Groves originally had an option to buy it from him for $60,000. In addition, Council Groves had to invest $5,000 to extend its option which was originally shorter than Sellers option. The members discovered the discrepancy in prices and found that Sellers wanted a large profit so he could "kick-back" money to Wilcox, the consultant, who had agreed to buy the land from him. They reasoned with Wilcox not to be so greedy and the price of the land from Sellers is now $52,000. This includes the cost of a ditch-cover for the property which will cost $7,250.29

All members interviewed believe the site is well chosen. It is close to an elementary school and there is adequate bus service for high school students. It is also close to shopping and relatively close to a medical clinic. The site has a country atmosphere and is considered to be advantageous for children. Moreover, it is in a residential neighborhood with moderately priced homes and will not antagonize people in high-cost residential areas.30 A drawback mentioned by one member is that tenants without automobiles might find it hard to commute to jobs downtown.

Nonprofit sponsors have many problems which

29Kellog; Nelson; Norman. 30Durham.
challenge their abilities to construct housing for low income people. One of these is planning a project which will be low enough in cost to attract tenants, but at the same time, will be economically solvent. It must contain enough units to provide for costs of operating, maintaining and managing it. Another problem connected to the project site is the cost of land. Land should not be so costly that it will make the project uneconomical nor should it require great expenditure in preparation for construction. In addition, the site must not entail substantial off-site improvements such as utility connections and access streets.31

Another concern is building a strong organization which will last 40 years or the life of the mortgage. The members of the corporation must be able to work together to make decisions and resolve their differences. It takes longer for nonprofit groups to get started because people are interested in the project as a secondary interest and not as their main vocation in life. Many different attitudes and mentalities are displayed by corporation members and it is sometimes difficult to reach agreements.32


32 Nelson.
In making decisions most of the members of Council Groves who were interviewed stated that they had no problems of communication or understanding one another. One member reported that disagreements were worked out in a straightforward manner. However, one member reported that while some people were working together, others came to meetings of the board of directors with no understanding of why the meetings were called. He stated that ordinarily he got a call that there would be a meeting at a particular time and place but had no idea of what was to be discussed.

An additional problem of nonprofit housing corporations is the formation of a team of professionals and specialists who will work together. These include an architect, attorney, contractor and consultant. A related problem is dependence upon a consultant due to lack of knowledge and expertise in developing a project.

Lack of funds to get started is often a problem for nonprofit groups. Although they can obtain 106(b) preconstruction loans from FHA they must raise 20 per cent of the amount of the loan to show they can function as corporations and prove they are sincerely interested in developing projects. This problem was overcome by Council Groves through funds provided by Catholic Charities.

33 Norman. 34 Kellog. 35 Jellison.
Nonprofit groups may also become discouraged by FHA processing delays and administrative details. To process applications as quickly as possible FHA implemented in 1968 Accelerated Multi-family Processing (AMP) to eliminate delays, reduce the number of procedural steps, and cut the time required for obtaining a commitment.

Nonprofit groups have a number of advantages as well as drawbacks. First, they are not in business to make money and they must be dedicated to the project. Mrs. Norman felt that dedication is one asset that cannot be provided for by a salary. Similarly, Mrs. Jellison reported that the members are highly motivated and that their interest is more humanitarian than that of people who were building low income projects for profit. An advantage of the corporate form of ownership cited by Pastor Nelson is that it is a check against people taking advantage of the sponsor and FHA because there are more people to watch for misconduct. The nonprofit organization which has a link with a church may also create a better image than a profit motivated project.36

Nonprofit groups also have financial advantages. Schroeder feels they can build better projects because there is no profit to be distributed and more money can be invested in building the project.37 (This may not be

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36 Durham. 37 Schroeder.
the case considering that all projects must meet FHA and local building requirements and project loans are approved according to how much it will cost to construct them and not with any consideration of profit.) Nonprofit groups can also include certain costs such as organizational costs and consultant fees when determining the amount of mortgage money required.

The mortgage loan for the Council Groves project was approved in Mid-July, 1970, by FHA. In May the members learned that their project application had been stopped due to lack of FHA funds. Schroeder, however, stated that funds were available but people were not taking advantage of the programs and that fewer funds, were appropriated for these programs for the current fiscal year because of a surplus of funds. This discrepancy is perhaps accounted for by political manipulation of funds allocated for FHA programs.

**Dale Collins' Project**

The housing project being constructed by Dale Collins under the 236 program is very similar to the one being planned by Council Groves. It will contain 60 units with from one to three bedrooms. It will have five buildings of 2 stories each with outside stairways. Monthly rental

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rates are as follows:

<table>
<thead>
<tr>
<th>No. of Units</th>
<th>No. of Bedrooms</th>
<th>Basic Monthly Rental</th>
<th>Full Market Monthly Rental</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>1</td>
<td>$94</td>
<td>$143.56</td>
</tr>
<tr>
<td>36</td>
<td>2</td>
<td>111</td>
<td>169.52</td>
</tr>
<tr>
<td>12</td>
<td>3</td>
<td>122</td>
<td>186.32</td>
</tr>
</tbody>
</table>

To be eligible to live in the units tenants must have incomes within the following minimum and maximum limits:

<table>
<thead>
<tr>
<th>No. of Bedrooms</th>
<th>Maximum Income</th>
<th>Minimum Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$4,860</td>
<td>$4,512</td>
</tr>
<tr>
<td>2</td>
<td>5,805</td>
<td>5,328</td>
</tr>
<tr>
<td>3</td>
<td>6,345</td>
<td>5,856</td>
</tr>
</tbody>
</table>

Those with minimum incomes will be eligible for rent supplements. Realtor Fred Plummer emphasized that the project will accommodate people with low-moderate incomes, and not those with low incomes.

The project will cost approximately $1,000,000 to build, and individual units will cost over $12,000. Approximately $15,000 will be spent on landscaping. FHA requires that all landscaping, streets and curbing and other facilities be completely installed before all the money for the construction loan is released. Tenant facilities include off-street parking and a recreation building. Planning and construction of the project will take approximately two years.  

In selecting a site two locations have been considered. Realtors Ron and Fred Plummer scoured the city looking for a site that would be large enough for the project. They discovered a site owned by the firm of Brodie and Lee in High Park Addition #3, an upper-middle class neighborhood. The property was unzoned at the time and it was necessary to have it zoned to multi-family residential before the project could be built. When the city council zoned the property single-family residential another site was selected. The project will now be built on a three acre site between Russell Street and Stephens Street, and 39th Street and the projected line of McDonald Avenue. The land was purchased from Catholic Charities. It was originally zoned single-family residential, but the city council complied with a request to rezone it to multi-family residential.

Ron Plummer believes the site is well-suited to tenants because it is close to schools, shopping and public parks. He feels that the project will not place a great strain on neighborhood schools because most of the units are from one to two bedrooms and tenants will not have too many school age children. FHA restrictions and controls greatly curtail the freedoms sponsors enjoy when projects

Ibid.
are privately insured. However, the value of being able to speculate with a substantial real estate asset may be considerable because a small appreciation in the price of the asset can result in a sizeable increase in the value of the equity.\textsuperscript{41}

The goal of the limited dividend sponsor differs from that of the nonprofit sponsor in that the former hopes to gain financially from the project. In achieving his goal he tries to minimize the amount of equity capital invested, maximize cash earnings, distribute cash as quickly as possible and with the least possible tax liability, and minimize irksome administrative restraints imposed on his activities.\textsuperscript{42}

The limited dividend sponsor can depreciate his project in five years so at the end of that period he is paying no taxes on it. He can depreciate it at the rate of 20 per cent each year.\textsuperscript{43}

Two advantages of the limited dividend sponsor were described by members of Council Groves. One felt that the limited dividend sponsor would see that undesirables were removed and that the project would be maintained better than a project sponsored by a nonprofit group.

\textsuperscript{41}Winnick, p. 174. \textsuperscript{42}Ibid., p. 175. \textsuperscript{43}Schroeder.
because he is obtaining a profit from his investment. Another believed that the limited dividend sponsor has a better organized, more efficient team because everyone connected with the project is profit motivated.44

One disadvantage of the limited dividend sponsor is that some people working on the project, such as realtors, architects, attorneys and contractors may enter into agreements with others to get "kick-backs."45

The Sponsor and FHA

FHA exercises extensive control over sponsors because it wants to assure that benefits are passed on to the consumers and because it must protect its position as mortgagor insurer. Since its mortgage subsidies which are intended to benefit tenants indirectly are channeled through private investors "constant vigilance and strict regulation are required to insure that benefits will not be absorbed before they reach the intended beneficiary."46 Moreover, as a mortgage insurer it must protect its contingent liability by insisting on soundly designed projects which will be well managed and owned by competent responsible sponsors.

"FHA's relation to the private investor in rental

44Nelson. 45Ibid. 46Winnick, pp. 172-75.
housing is not, as frequently remarked, merely that of a partner but rather that of a species of public service commission. FHA regulates cash investments, rents, rates of return, capital structure, accounting procedures, and more important, management decisions of every rental project for which it insures a mortgage. In some ways FHA controls extend beyond those of a typical public service commission in the respect that it also supervises project design and construction, sets the maximum rate of interest on debt capital, and has the legal right to unseat corporation directors on its own determination of breach of contract. In project development the locus of decision shifts from the sponsor to FHA which asserts government controls over the entire production process.

Before FHA approves a project for rent supplements or mortgage insurance it must meet certain specifications. A feasibility study is conducted to determine the acceptability of design, building materials, consultant and rental prices. The site must also be in an area that is zoned for multi-family dwellings as well as be close to schools and other community services.

FHA has minimum standards of construction and design which all projects must meet. These standards are the

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extent of its physical planning and design influence. All projects must hire professional architects because they have insurance for errors. Sponsors are wise to choose architects who know FHA construction standards and who know at which points FHA advisory opinions should be obtained. However, by choosing such architects projects may lack innovation in design. Architects are required to inspect projects and FHA rechecks on the architects. During construction weekly inspections are made. The fee for these inspections is approximately one per cent of the mortgage loan. FHA inspects projects once a year after construction to assess whether projects are being properly maintained.

According to Joe Durham FHA building restrictions are not as stringent as Missoula's building code. Missoula uses the Uniform Building Code which is financed by the Architectural International Conference of Building Officials. The difference between the Uniform Building Code and FHA building restrictions is that the code specifies better grades of materials and stresses the permanency of buildings with the least amount of maintenance. Durham feels that FHA specifications are too lax, and that by putting more money into a project costs will be reduced in the long run. Winnick, p. 96. Durham.
FHA regulations do not permit rent increases other than for increased operating costs such as real estate taxes, union wages and fuel prices. Moreover, sponsors cannot earn extra income from a superior location or a general rise in real estate price levels. If project owners collect too much income, rents are reduced the next year.\textsuperscript{51}

When owners want to dispose of their projects FHA controls to whom they can sell. Nonprofit groups must sell to other nonprofit groups. Limited dividend entities may sell to other limited dividend entities but the new owner, like the original owner, can earn only 6 per cent per annum on his equity investment. Under the 221(d)(3) program owners had to wait 20 years to sell their projects, however, under the 236 program they can sell or refinance projects any time. While this innovation in the latter program may attract more developers, it may also result in speculation, and ultimately, deterioration.\textsuperscript{52}

FHA gives priority to projects which plan to hire low income people.\textsuperscript{53} It specifies that they shall be given, to the greatest extent feasible, opportunities to

\textsuperscript{51}Schroeder.

\textsuperscript{52}John W. McMahan, "Analyzing a Housing Market Opportunity," The Corporation and Low Income Housing, Development Forum-6, Urban America Inc., p. 4.

\textsuperscript{53}Schroeder.
be employed in the construction or rehabilitation of housing. If employment and training programs are necessary local offices can assist sponsors in developing such programs.

According to FHA policy, local businesses and contractors should also be given the greatest possible opportunity to bid on contracts for planning, design, construction, material supply, repair and management of projects. When local suppliers and contractors lack the experience to undertake such work and the financial capacity to meet bonding requirements the insuring office should work with the sponsor to discover ways to utilize their services. In addition, more experienced and larger construction, materials and management organizations should be encouraged to enter into joint ventures with local firms when the latter lack the requisite experience and bonding capital.54

While FHA places numerous restraints on sponsors it does offer them a great variety of technical assistance. Such assistance includes land planning, engineers, soil scientists, the services of OEO, the Department of Agriculture, the Department of Health, Education and Welfare and many other agencies. Almost all government employees

54"Rental Housing for Lower Income Families" (Sec. 236), p. 7.
are available to assist sponsors.55

When interviewed about FHA restraints the members of Council Groves felt they were reasonable and beneficial. Moreover, they agreed that FHA officials had been very cooperative in assisting them with their project.

Close supervision of projects by FHA seems to be advantageous insofar as it may prevent costly mistakes and stresses economy of design and construction. On the other hand, rigid specifications may also stifle experimentation which could produce design features attractive to low and moderate income tenants.

While the problems of the nonprofit sponsor lie in the areas of management, tenant selection, inexperience and building a durable corporation, the major problem of the limited dividend sponsor is constructing a project in the most economical and efficient way possible so he can realize a suitable return on his investment. The chief asset of the nonprofit corporation is the dedication of the members to the project, but the chief asset of the limited dividend sponsor is a profit motivated team that must work together if each member is to gain financially.

Three aspects of Council Groves raise important questions for nonprofit sponsors. First, since five out of thirteen members have already left the corporation and

55Schroeder.
an additional member will probably resign before construction has started it is reasonable to ask whether the members of the board of directors were recruited through methods which ensure the interest of members in providing low income housing. If project success is contingent upon the interest of ownership perhaps a more suitable way of recruiting members could be devised. Moreover, a smaller group composed of those sincerely interested in housing might prove to be a more efficient and workable unit.

Second, although Joe Durham has stated that low income representatives control the corporation and that other members have implied that low income representatives are a vital part of the corporation, it is interesting to note that no officer is a low income person. If low income people do dominate decision making other middle-class representatives appear to be extremely influential. The third aspect is tenant selection. While it is understandable that tenants must be screened by owners and certified by FHA for rent supplements to ensure the acceptance of the project by the local community, it is reasonable to ask whether this is a form of discrimination against those who do not hold middle-class values.

In this chapter the problems of project sponsors in developing FHA rental projects for low and moderate income tenants have been analyzed. The local community
can also present a problem to sponsors if people do not want projects in their neighborhoods. In the next chapter the nature of community reaction to the Collins' project will be discussed as well as the way in which the problem of site location was resolved.
CHAPTER V

THE COMMUNITY'S RESPONSE TO LOW AND MODERATE INCOME HOUSING

The success of federally subsidized low and moderate income housing projects is often dependent upon favorable attitudes toward them on the part of the local community. If the community is antagonistic toward subsidized housing or if it objects to low income people living together in clusters in middle-class neighborhoods it may exert pressures to stifle the development of these projects. Two ways in which the community can prevent their development are failure to approve projects for rent supplements and zoning.

Community Restraints

Government regulations specify that projects in which tenants will receive rent supplements must be either located in communities with a workable program or be approved for rent supplements by local legislative officials. A workable program is a local program for community improvement and is certified by HUD. The essential elements of a workable program are:
1. The adoption of up-to-date housing and building codes and the development of an effective enforcement program in areas of priority need for enforcement;

2. development of a local planning and programming process;

3. local efforts to expand the supply of housing for low and moderate income families and the development of a coordinated relocation program;

4. development of specific plans for achieving effective citizen participation in planning and developing HUD-assisted programs.

Missoula does not have a workable program, however the city council has approved projects for rent supplements. Ed Schroeder, multi-family coordinator for FHA in Helena, stated that his office informed the city council, "if they do not approve rent supplements, projects will not receive any rent supplement funds."¹

A second way in which projects may be restricted by the local community is through zoning ordinances. Zoning is a means of assuring compatible land use by controlling the use of land and buildings in the interest of the public.² It is supposed to promote the orderly growth and development of the community, and its long-range

¹Ed Schroeder, Multi-family Coordinator for FHA, Helena, Mont., interview, June 26, 1970.

effect should be to increase property values in general.\(^3\)

Municipalities derive their authority to adopt zoning laws from state enabling acts. When zoning ordinances were first being adopted over fifty years ago courts classified them as an exercise of the police power of the state to promote public health, safety and the general welfare.\(^4\)

The major goals of planning and zoning have been defined as the following:\(^5\)

1. Protection against physical danger, particularly fire and explosion.

2. Protection against the common-law nuisances—noise and vibration, air pollution, etc.

3. Protection against unnecessary traffic, i.e. traffic not directly serving residents of the area.

4. Protection against ugliness ("aesthetic nuisances").

5. Protection against "psychological nuisances," based on irrational dislikes—fear of the unknown or dislike of "the wrong sort of people."

6. Protection against congestion.

7. Protection of light, air and privacy.


Over the last fifty years zoning has become very


\(^4\)Ibid., pp. 19-22.

sophisticated and complex. It was denounced by early critics as unlawful and an outrageous invasion of the right of an owner to use his property as he desired. However, without some assurance that the character of a neighborhood will not remain reasonably stable most people will not make long-term investments. In the absence of zoning the consumer may be sold a house or lot which is not worth his investment. Zoning, in this respect, protects the consumer of housing from his own lack of information and bad judgment. If zoning did not regulate development a mixture of land uses which is unsightly and costly could result. Moreover, property values could be drastically reduced in an area that is unzoned. Public resistance to zoning is now decreasing because people are aware that it is an invaluable safeguard against random development.

While zoning, on the one hand, protects property owners and promotes orderly development it may, on the other hand, be used to discriminate against certain groups. The arrangement of the residential living patterns of diverse groups is probably one of the major factors in the development of democratic living patterns. A successful democratic

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6Crawford, p. 37.

7Banfield and Grodzins, pp. 75-76.
system is dependent upon mutual respect among various groups.

The development of such mutual respect between various groups is dependent in considerable degree upon some opportunity for regular human contact, preferably in a relationship which implies equality rather than difference in status.8

If zoning ordinances are used to segregate groups by race, ethnic affiliation and economic level, then the development of mutual respect contingent to the development of a truly democratic society is hampered.

Two conflicting sets of moral values have been identified as indirectly influencing the development and implementation of zoning ordinances.

On the one side is "The American Creed" of equality and equal treatment for all. On the other side is the preference for those who are culturally similar combined with the desire to maintain status—"Keeping up with the Joneses."9

When the latter set of values dominates over the former residential segregation may result. Ways in which this may occur is through zoning ordinances or restrictive covenants which specify a high amount of square footage for dwellings, large lots and restrict multi-family dwellings. These are detrimental to people with low incomes because they greatly increase the cost of housing and exclude them from areas where inexpensive land is available and

8Williams, p. 81. 9Ibid., p. 84.
being developed.  

Restrictive ordinances such as these also adversely affect the housing situation in other ways.

Regulation by the suburbs tends to maintain the density of the central cities, thus encouraging the spread of slums and blight within them and depriving their lower-income people of access to more desirable residential areas. In particular, according to this view, the problem of finding sites for relocation housing is made more difficult by the structural separation of suburbs from the central city government. Therefore, it is alleged, this separation impedes slum clearance and relocation within the central cities.  

When residential segregation occurs schools and other community facilities which serve neighborhoods are not equally shared by diverse groups. Moreover, people come into contact only with those of the same general economic level.  

A frequent subject of zoning disputes is single-family versus multiple-family zoning. What appears to be a conflict in building type may, in fact, be an expression of the conflict between different groups over occupancy of a residential area. Single-family zoning results from the preference of Americans for single-family homes and a large front yard which for some are symbols of middle-class status. However, this kind of

10Ibid., p. 89.  
11Banfield and Grodzins, pp. 75-76.  
12Williams, pp. 84-85.
zoning also results from the feeling that owner occupied housing tends to be maintained better. In New York City, for example, homeowners groups feared that multiple dwellings would downgrade their neighborhoods, and they relied upon zoning restrictions to maintain the status quo.\(^{13}\)

In zoning disputes protestors often argue that property values will be adversely affected. This argument implies that some factor is present which some people may dislike, and which may result in a net reduction in the number of people intending to buy property in the area affected, thus tending to push property values down. While some factors are legitimate subjects for public regulation by zoning others are not. For example, the invasion of factories and the movement of Negroes into a residential neighborhood may both be thought to affect property values. Yet one is a proper subject for zoning protection while the other is not.\(^{14}\)

Although zoning is often justified by city planners and courts on the grounds that it maintains property values, Banfield and Grodzins contend that it often has the opposite effect. If the whole population were allowed to compete


\(^{14}\)Williams, p. 92.
for land, property values would rise, not decline. When the
argument is raised that property values will decline by
the introduction of a certain factor into a neighborhood
the general motive is to preserve the character of the
neighborhood.¹⁵

When citizens protest that the character of the
neighborhood is being threatened they are usually objecting
to one of two factors. These are either aesthetic character­
istics or those social characteristics which create some
local opposition and thus fall into the category of
"psychological nuisances."¹⁶ This argument is often used
to thwart the invasion of a single-family residential area
by apartment houses. For example, in the New Jersey case
of Fanale v. the Bourough of Hasbrouck Heights in March,
1958, local residents protested the development of an
apartment house on the grounds that it would destroy the
"character of the area."

While the characteristics involved are not spelled
out, these are familiar enough—the preference among
many home owners for neighbors who are also homeowners
and not "renters," on the ground of a presumed superi­
ority in terms of social status, income, relative
amount of turnover in occupancy, etc. However, the
attempt was made to bring in other arguments to bolster
the decision, particularly with regard to the likelihood
of increased traffic congestion.¹⁷

¹⁵Banfield and Grodzins, pp. 88-89.
¹⁶Williams, p. 92. ¹⁷Ibid., p. 67.
In his study of the politics of zoning in New York City, S. J. Makielski, Jr. reported that those involved in zoning disputes were generally from middle-class backgrounds. Those who were able to participate in the "zoning system" had to possess a certain amount of technical and political ability. Makielski hypothesized that those who did not know how to "get around in politics" were not able to exert their zoning claims. Of the groups appearing in zoning disputes only a few represented the underprivileged, unpropertied, and economically or socially disadvantaged. While homeowners repeatedly referred to the problem of keeping "undesirables" out of their neighborhoods there were no spokesmen for these "undesirables" except when the undesirable elements were owners of filling stations or multi-story buildings.\(^{18}\)

The community officials who make and enforce zoning ordinances are the members of the zoning commission and city council. While the members of the zoning commission are ordinarily appointed bodies, members of the city council are elected. In most smaller communities zoning ordinances do not have full-time employees to administer the ordinances, and practically none have their zoning based on a

\(^{18}\) Makielski, pp. 157-60.
comprehensive plan.\textsuperscript{19} The zoning process is frequently criticized because it is administered by unqualified persons. However, if zoning regulations were controlled by fully qualified persons such as those engaged in real estate development there would be danger in having too many private interests represented.\textsuperscript{20}

Another complaint launched against members of the zoning commission, city councilmen, and their employees is that they are on occasion accused of bribery or extortion.

As a general proposition, it is probably safe to say that zoning decisions have greater impact on individual pocketbooks than any other kind of decision made by local officials. Therefore it is not surprising that municipal corruption tends to center in this area, especially when one considers the broad discretion which officials have in zoning matters and the consequent ease of concealing improper action.\textsuperscript{21}

While local elected officials may be persuaded in zoning matters by illegitimate pressures, they are also persuaded by legitimate political demands. Makielski identified several considerations of elected officials in making zoning decisions. These included the officials personal preferences, the extent of the opposition, the extent of support for a zoning proposal, whether nongovernmental groups were members of his own constituency, and the

\textsuperscript{19}Banfield and Grodzins, p. 85.
\textsuperscript{20}Crawford, p. 39. \textsuperscript{21}Ibid.
effect of his decision on his control of his segment of the city's bureaucracy.\(^{22}\)

**Reaction to the Collins' Project**

To build a multi-family dwelling in High Park Addition #3 it was necessary for Collins to have the site zoned for that purpose. At the Missoula Zoning Commission meeting on December 10, 1969, a request was made by Brodie and Lee to have the site zoned R-11 \(\text{Multiple Dwelling Residential}\). Although no one spoke in favor of the proposed zoning approximately seventeen residents of the area spoke in opposition to it. The minutes of the meeting state that they opposed the zoning because they preferred a higher zoning classification in order to protect the developed property immediately adjacent and in the immediate vicinity. They also felt it would lower their property values as well as conflict with the comprehensive zoning plan being established for the City of Missoula. The members of the zoning commission complied with the wishes of the protestors and voted to zone the site R-1 \(\text{single-family residential}\).\(^{23}\)

On January 5, 1970, the proposed zoning was brought

\(^{22}\)Makielski, p. 116.

before the city council for a final decision. About twenty people from the surrounding neighborhood, many of whom had protested before the zoning commission, spoke in favor of zoning the site to R-1. Collins, Brodie and Lee, and Ron and Fred Plummer, realtors, spoke in opposition to the zoning. Seven members of the city council voted in favor of it, two voted against it, and three abstained. 24

Several of the protestors were interviewed and asked to explain why they objected to the rezoning of the site to multiple dwelling residential. All mentioned that they wanted to protect their property values. The opinion of one protestor was that low income housing projects should be located in an area where they will not bring down property values. 25 One woman believed the rental housing project would induce litter and blight because tenants would not be concerned about keeping up the neighborhood like the present homeowners of the area. She also feared that the project would destroy the natural beauty of the area and cause traffic congestion. 26 Another


26 Jane Delaney, June 12, 1970 (interview).
protestor stated that she thought the project would change the character of the area and that it was unfair to bring in a project for which the area was not zoned. She also doubted that the completed project would be as attractive as the plans described it.\(^2^7\) One couple stated that they thought the site was not good for low income tenants, that it was too far from conveniences, and that parking would be a problem. They also thought that a multi-family dwelling in the area would be in conflict with the comprehensive plan proposed for the city.\(^2^8\)

The second site selected by Collins and his realtors was also the subject of a zoning dispute. About fifteen protestors who live on Dixon Street near the property opposed rezoning it from A-residential, or single-family residential, to R-IV, a classification of multi-family residential. According to the minutes of that meeting they felt the proposed rezoning would increase traffic on their street, devalue their property and cause overcrowding in a neighborhood school. Those speaking in favor of the proposed rezoning included representatives from various labor and trades unions such as building, plumbing, heating and sawmill. Stephen Petrini, 

\(^{27}\)Mrs. K. J. Egan, June 12, 1970 (interview).

\(^{28}\)Mr. and Mrs. Bob Richlie, July 24, 1970 (interview).
City-County Planning Board Director, testified that the property would be suited as a multi-family area, and that Collins' plan for a multi-family dwelling was well within the local density allowance. The zoning commission recommended granting the request for rezoning.29

At the meeting of the city council on March 9, 1970, seven people who had protested at the March 4 meeting of the zoning commission again appeared to protest the rezoning. Seven members of the council voted to approve the rezoning and four voted against it. One of the members who voted against the rezoning stated that he thought the project would cause a problem with dogs in the area. Another member voting against rezoning intimated that a government subsidized housing project was in competition with free enterprise.30

At the meeting the members of the council were led to believe by Collins' representatives that a government rent subsidy would be given directly to the tenants. They also asserted that no one connected with the project, including the developer, would receive any governmental

30 City Council Meeting, Missoula, Montana, March 9, 1970 (tape recording).
assistance.\textsuperscript{31}

The two main objections of the protestors to rezoning were traffic congestion and crowding of the neighborhood school. One protestors, allegedly the spokesman for the protestors, stated at the council meeting that he could see no sound reason for not building a project on the property, but he objected to having it built in his neighborhood.\textsuperscript{32} Another protestor questioned whether rental housing would be as well maintained as private homes and reported he had a fear of apartment houses. He also felt that "big business" was overwhelming the small property owner.\textsuperscript{33} One couple stated that they like the quiet and privacy of their neighborhood and did not want to live in a high density neighborhood. Another protestor stated that she did not think low income housing as proposed by Collins was needed in Missoula.\textsuperscript{34}

In an attempt to discover why the city council voted to zone the first site R-1 and the second site R-IV several members of the city council were interviewed about their motivations and those of the other members of the

\textsuperscript{31}\textit{Ibid.} \textsuperscript{32}\textit{Ibid.}

\textsuperscript{33}Doug Chase, July 27, 1970 (interview).

\textsuperscript{34}Mrs. Charles Anderson, July 24, 1970 (interview).
council. According to councilmen Chuck Shields and Stan Healy the reason why the first site was zoned R-1 was that the number of protestors was influential in persuading the council. "Any large number of people influences the council. They are politicians representing people, not just their own viewpoints," Shields explained. The protestors contacted the councilmen before the meeting and were influential because they presented a solid front. However, the second group of protestors were not united and admitted to feelings of ambiguity. They agreed there was a need for low income rental housing but did not want it near them.35

Shields who voted for the rezoning of the second site stated that he felt there is a need for low income housing in Missoula and thought the site was well chosen. It is near schools, shopping, and playgrounds. In addition, the land immediately in back of it is zoned C-commercial which would make it compatible for rental housing development.36

Several reasons why councilmen objected to the project were offered by Shields. One councilman who voted against zoning the High Park site R-111 and another who abstained from voting live on High Park and wanted to keep it exclusively single-family residential. Another councilman

36Ibid.
who voted for zoning the High Park site R-1 and against a change in zoning of the second site disapproves of zoning any residential property to a category which is less restricted. Other councilmen are landlords and feel that subsidized housing is in competition with their rental housing.  

Healy who voted against zoning the High Park site multi-family residential stated that he resented protestors equating low income with low status. He also thought that the protestors on High Park bought their homes as status symbols and resented the idea of lower income groups living in the area.  

Jack Patterson who voted for zoning the High Park site single-family residential and against zoning the second site multi-family residential believes that while Missoula needs public housing a rent subsidy project is not in accord with economic conditions in the community. He stated, "Apartments are not the answer to housing problems in Missoula." He thought that apartments down-grade an area and that apartment dwellers do not care how it is maintained. Moreover, the present site of the project is not well-suited for low and moderate income  

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37 Ibid.  
38 Stan Healy, July 25, 1970 (interview).
families because it is too far from the central business district and will increase crowding in the neighborhood school. Homeownership is preferable to rental housing because it induces stability and is an asset to older people. Rehabilitation of single-family homes is a better solution to Missoula's housing problem than building apartments.  

Katie Payne who voted to zone the first site single-family residential and the second site multi-family residential reported that the High Park site was unsuitable for people living in subsidized housing because tenants would need two cars. She felt that they would also need to be closer to doctors and schools. The second site was more appropriate because it was adjacent to a commercially zoned area.

Community Reaction to the Council Groves Project

The Council Groves project has not met with overt opposition because the site has not come before the zoning commission and the city council for rezoning. However, it must be rezoned for multi-family dwellings if the project  

39John Patterson, July 27, 1970 (interview).

40Katie Payne, July 31, 1970 (interview).
is to be built on it.

While the local community has not openly opposed the project not many have responded favorably to it.\textsuperscript{41} This is undoubtedly due to the fact that few people in addition to the board of directors know about it. It is anticipated that some landlords who are making marginal profits or not maintaining their properties and charging exorbitant rents will object to it. However, good landlords will not object.\textsuperscript{42} On the other hand, Father McCormick stated that the people in his parish which include people of all classes, responded favorably to the project.\textsuperscript{43}

The objections raised to low and moderate income housing projects are a complex mixture of rational arguments, fears, prejudices and imagined outcomes. While the most frequently cited objection to the housing project being developed by Collins is that it will lower property values other objections include traffic congestion, loss of privacy, blight, overcrowding of schools as well as divergence from the proposed comprehensive plan, changing the character of the neighborhood and unsuitability for low income families.

\textsuperscript{41}Pastor Jon Nelson, June 16, 1970 (interview).

\textsuperscript{42}Ibid.

\textsuperscript{43}Fr. Frank McCormack, June 22 (interview).
income tenants. In making zoning decisions local legislators consider not only their personal opinions and interest but the desires of the local community, the developer, and local union representatives. However, in the decision-making process on the above zoning disputes no representative of low and moderate income groups came forward to express an opinion. As the above discussion points out, zoning affects a wide variety of interests which seek to influence the outcome of zoning decision-making.
The housing problems of low and moderate income Americans have presented a challenge to the creativity of federal policy-makers. Since they are unable to compete for decent housing with more affluent Americans they all too frequently must be resigned to living with substandard, crowded housing conditions. Several solutions to relieving the housing problems of low and moderate income people have been translated into federal housing programs in the last decade. These include the 221(d)(3) and 236 programs which provide both direct and indirect subsidies to tenants to lower the rental cost of privately developed housing. While these programs have deficiencies they also offer the private investor an opportunity to build for a market for which it has been economically unprofitable to build in the past.

Data describing housing conditions in the United States strongly supports the contention that there are a great many ill-housed Americans. The Douglas Commission, for example, reported that one-third of the population cannot afford adequate, non-subsidized housing. While the
shortage of decent housing is already a serious problem it is expected to increase in the decade to come. Numerous factors limit the capacity to purchase adequate housing. The most outstanding factor is limited income. Other important factors are race and ability, which correlates strongly with income.

The cost of housing for low income families is often more than they can afford to pay without sacrificing other necessities. While it is suggested that families should pay not more than 20 per cent of their incomes for housing data shows that the majority of low income families pay 30 per cent or more of their incomes for housing. When circumstances force these families to spend a large percentage of their incomes on housing other necessities such as food, clothing, medical care and school supplies are frequently sacrificed. In addition, low income families are restricted in their ability to invest in education, business enterprises or obtaining job skills which would enlarge their opportunities for advancing themselves economically. Their ability to save to cover living expenses during periods of unemployment is also diminished. The cost of housing in this respect not only affects the ability of low income people to improve their circumstances, but may contribute to further improverishment.

Housing quality is an important factor in physical
and mental well-being. Crowded, dilapidated housing conditions which lack adequate facilities for sanitation and food preparation and storage facilitate the spread of a host of diseases and contribute to increased mortality rates. Moreover, dilapidation and crowding greatly increase the incidence of home accidents.

Children living in inferior housing may suffer a variety of ill-effects which are detrimental to their self-esteem and chances for upward mobility. Among them are a sense of inferiority and a lack of awareness of the life styles of more affluent Americans which may result in lower aspirations for the future. Others are overfatigue, disruption of study habits and lack of parental supervision. When children abandon their homes because they are overcrowded and disillusioning they also escape the supervision and control of their parents.

The negative effects of poor housing conditions on mental health are several. First, it may adversely affect one's self-perception and social status. Second, it may cause irritability, frustration, repression of grievances, and passivity. Moreover, it is detrimental to congenial intrafamily relationships.

In the study conducted by Daniel Wilner, et. al., which compared the physical and mental health, housing satisfaction and other variables of a substantial group
of families rehoused in public housing to an equally large group living in slum housing many significant observations were reported. The rehoused group not only had lower morbidity and mortality rates but also expressed greater housing satisfaction. Moreover, the rehoused group had somewhat more mutually supportive interactions with neighbors and was generally more optimistic about the future.

The elements of good housing which have been delineated by The American Public Health Association Committee on the Hygiene of Housing include provision for sanitary facilities, provision for the cold storage and preparation of food, provision for adequate light, heat and ventilation, and adequate room for household possessions and storage. The dwelling should also be large enough to accommodate the smooth functioning of family life. Guidelines for the construction of rental housing projects have been established by FHA. Projects should be attractive as well as economical. They should also be conveniently located to schools, shopping, churches, parks and recreation areas as well as transportation facilities and employment opportunities.

While it is widely recognized that there is a critical shortage of decent, economically priced housing for low and moderate income families the private,
unsubsidized builder has been unable or unwilling to build for this market for a number of reasons. First, there is a shortage of mortgage capital for real estate investments. Moreover, other financial investments which are often more attractive to mortgage investors are stiff competition for real estate developers. Other factors which stifle incentive to invest in rental housing projects are increased interest rates, corporate taxes and discriminatory taxes on rental property, low loan to value ratio, and the high costs of land, labor, and materials. The shortage of manpower and union policies contribute to high labor costs.

High risk is another effective deterrent to many rental housing developers. Among the conditions which increase risks in rental housing development are changes in the neighborhood, consumer demand, building costs, municipal regulations and interest rates. Other risks are associated with the nature of residential real estate and include a poorly organized market for buying and selling, immobility of property, exposure to social controls, long-term mortgages, and the dependency of earnings on the state of the national and local economy.

It is apparent that numerous conditions make rental housing development both unprofitable and highly uncertain for the private, unsubsidized developer. If the
housing needs of those Americans who are least able to purchase adequate housing are to be met governmental incentives must be employed to overcome the reluctance of private developers to provide housing for them.

Many of the housing problems which confront the population as a whole exist in Missoula as well. The present housing shortage is compounded by a growing population and a decline in the number of housing starts. Moreover, a large percentage of the existing housing supply is considered to be substandard.

According to the Missoula-Mineral Human Resources, Inc., housing survey of 1968 low income people in the area have housing problems of high rent, inferior housing, and crowding. The survey pointed out that the majority of low income people are renters. Almost half of the low income people polled live in "very bad" or "poor" housing, and over half pay more than 25 per cent of their incomes for rent. In addition, about 30 per cent share bedrooms with two or more people.

Homeownership as a solution to the housing needs of low and moderate income people is impractical for several reasons. First, houses in the moderately priced range of from $16,000 to $20,000 are difficult to find and sell rapidly. Second, high interest rates, high property taxes and other expenses make the cost of homeownership
too expensive for most. The currently high rate of unemployment also constrains many from buying homes.

Renting adequate housing is difficult for low income people because they must compete for a limited number of units with people who are financially capable of paying higher rents. Discrimination against welfare recipients, divorcees with children, Indians, blacks and older people is also a problem for people of all incomes.

Because there is no public housing in Missoula people who cannot pay the prevailing rental for shelter must often accept substandard housing owned by indifferent landlords. The housing shortage makes it difficult to enforce the local building code and force landlords to maintain their property or have it condemned. The crowded, unsanitary and dilapidated conditions many must endure contribute to ill-health and mental frustration.

In the past government housing programs to help the poor have been few and relatively unsuccessful. Public housing, the major federal housing program for low income people has been, for the most part, poorly conceived for several reasons. First, income limits force the more ambitious to move when their incomes exceed them and have discouraged others from accepting pay raises. Second, projects have frequently become racially imbalanced resulting in racial imbalance in schools. Next, projects have
become heavily concentrated with families with severe problems which discourages other families from moving into them. Fourth, the deviant architectural style stigmatizes occupants, and the dilapidated neighborhoods where projects are frequently located cut-off tenants from the rest of society. Other federal housing programs have been overwhelmingly designed to encourage homeownership and have not benefited those who need housing most.

In the 1960's new solutions to meeting the housing problems of low and moderate income people were enacted into legislation. Among those providing rental housing are the 221(d)(3) and 236 programs. These programs provide assistance to nonprofit, limited distribution and cooperative sponsors of multi-family housing projects in the forms of interest reductions on project mortgages and mortgage insurance. They also provide rent supplements for tenants. All tenants receiving rent supplements must pay 25 per cent of their incomes for rent. The amount of the supplement is for the difference between this amount and the full market rental in 221(d)(3) market interest rate projects and the basic rental in 221(d)(3) below market interest rate and 236 projects. Unlike public housing, anyone can live in these projects even though his income exceeds the income limits but he must pay the full market rental. In this way projects under these programs can
accommodate people with a wide variety of incomes and promote residential heterogeneity.

Sponsors who take advantage of the opportunities these programs offer are constrained by FHA in many ways. The locus of control is not the sponsor but FHA which imposes restrictions to assure that benefits are passed on to consumers and protect its position as mortgage insurer. Not only does FHA determine whom sponsors can rent to, the amount of unit rental, and how much profit they can make, but it also regulates construction, the sale of projects, site selection, the amount of the mortgage, management, and other elements of project development and maintenance. Sponsors are rigidly screened with respect to their motivations for providing housing, their ability to finance and manage projects, and continuity and responsibility of ownership. The relationship of the sponsor to FHA has been compared to that of a public service commission to the federal government.

FHA regulations may conceivably deter some developers. Although they do not add appreciably to the cost of construction they do greatly complicate its production. For many they may seem unnecessarily complex and warrant too much time and effort.

The 221(d)(3) and 236 programs provide real opportunities for sponsors to build low cost housing for
low and moderate income people. The opportunities they present to nonprofit groups, in particular, are quite innovative. They can receive 100 per cent mortgage financing, preconstruction loans for meeting initial expenses, and a wide variety of technical assistance. With very little money and much assistance from consultants and FHA personnel nonprofit groups can be well on their way toward providing low cost housing.

Low income people may benefit from projects in addition to being provided with better housing. FHA stipulates that low income people should be employed in project construction whenever possible, and in some instances FHA provides job training for them. The local community benefits from these projects as well because FHA specifies that local businesses should be given the greatest opportunity for supplying building material and equipment, constructing, and operating projects.

Two sponsors in the Missoula area who have taken advantage of the opportunities these programs present are Council Groves and Dale Collins. While Council Groves is a nonprofit corporation which contains individuals interested in producing low cost housing for humanitarian reasons Collins is interested in this kind of housing for financial profit.

Council Groves is composed of individuals from a
wide variety of backgrounds and includes low income representatives. By having people on the board of directors who are knowledgeable in the legal, financial and developmental aspects of low cost housing as well as those aspects which make it suitable for low income tenants it is hoped that their talents will contribute to skillful problem solving and decision making.

While the composition of the board of directors as conceived in the by-laws appears to be sound the corporation is having difficulty in retaining members. If the success of a project is dependent upon stability of ownership it is apparent that a better method of recruiting members must be found. Several of the original members became involved in the corporation not because they were particularly interested in housing but because they were asked, for one reason or another, to become members. If members were recruited on the basis of interest first, and talents second, perhaps a more stable corporation would result.

In projects such as the one being built by Collins sponsors are interested in profit and strive to complete projects in the most efficient way possible. Where non-profit sponsors generally lack knowledge and expertise in housing development, limited distribution sponsors must possess both of these if they are to realize a profit.
Because the profit motivated sponsor has a tangible investment in his project he might provide better management and maintenance of his project than nonprofit groups. Sound management is undoubtedly vital to project success. It is important to both keeping the project financially productive and creating a favorable image in the eyes of the local community. If, however, in attempting to achieve sound management only those who have habits, attitudes and values which resemble those of the middle-class are selected as tenants projects may fall short of benefiting those who need decent living conditions the most.

While the success of projects is dependent upon competent ownership and management it is also dependent upon acceptance by the local community. Two ways in which the local community can prevent their development are declining to approve projects for rent supplements and zoning ordinances. Rent supplement projects located in communities which do not have "workable programs" must be approved by local officials to receive rent supplements. Rent supplement approval has not been an obstacle in project development in Missoula because the city council has approved projects to receive them. Zoning, on the other hand, has proved to be an effective barrier in one instance. Zoning has been enacted to protect property values,
prevent random development, prevent psychological and aesthetic nuisances, and prevent overcrowding and congestion. In some instances it is used to discriminate against certain groups by preventing them from moving into particular areas. For example, a zoning ordinance requiring an overly large lot size may be enacted to prevent poor people from moving into an upper-middle class neighborhood.

In Missoula protestors against the location of the Collins project in their neighborhoods raised numerous objections to it. Among the most frequently cited were lowering of property values, a change in the character of the neighborhood, and fear of blight, traffic congestion, crowding and crowding in schools. While some protestors might have objected to the project because of prejudice against lower income people, this was not the underlying motivation for most, if any. However, the protestors were overwhelmingly opposed to apartment houses in their single-family neighborhoods.

In the first dispute surrounding the Collins project the city council voted to zone the site single-family residential. In this dispute the council was heavily influenced by intense pressures from citizens. In the second dispute the council voted to zone the site multi-family residential apparently because it is in an area adjacent to a commercially zoned tract and is close to
shopping, recreation, schools and other conveniences. In this instance protestors were not effective in their attempts to persuade the council to zone the site single-family residential because they were not as numerous and were ambivalent toward the project.

While some members of the council objected to the project because they feared it would conflict with their interests as landlords the majority were not antagonistic to the project. However, the outcome of the second zoning dispute might have been different if Collins and his lawyer and realtors had honestly described the nature of the interest reduction subsidy.

Although the 221(d)(3) and 236 federal housing programs have deficiencies they are a considerable improvement over the public housing program. Not only do they make it possible for private interests to provide attractive low cost housing to low income families who qualify for public housing, but also they are able to accommodate families with incomes above public housing limits who cannot find suitable, economically priced housing. By containing a mixture of people with different incomes tenants will not be stigmatized as poor or deviant. Moreover, when projects are located throughout the community as the Collins and Council Groves projects will be tenants will feel a part of the ongoing life of the
community, and hopefully, intracommunity relationships between tenants and the rest of the community will be facilitated.

This study has pointed out several areas of political decision-making with regard to provision for low and moderate income rental housing. At the national level provision for this kind of housing was largely overshadowed by legislation which facilitated homeownership because influential forces in the political system were effective in asserting their preferences for single-family homes. Only in the last decade have those who seek new solutions to the housing problems of less affluent Americans been influential in persuading federal legislators to enact new legislation to supplement or replace the public housing program.

The second area of political decision-making discussed in this study is the interaction of FHA and project sponsors. It has been pointed out that to receive the advantages FHA has to offer such as mortgage insurance, interest reduction payments, and approval of projects for rent supplements, sponsors have very little bargaining power with which to influence the outcome of political decision-making. This is because FHA has stringent criteria which projects and sponsors must meet. Moreover, these criteria are embodied in law and FHA policy and are not
amenable to negotiation. Decisions made by sponsors about matters such as site location, components of management programs, unit rental, and project design and construction must meet with the approval of FHA and are subject to revision by it. If sponsors wish to reap the advantages FHA has to distribute they must accept its decisions in preference to their own.

The third area of decision-making discussed is the relationship between sponsors and other people connected with the project such as consultants, realtors, and managers and the relationship between joint owners or intracorporation relationships. Sponsors must work out problems with knowledgeable employees and attempt to arrive at solutions which will not only meet the needs of the tenants to be served, but which will ensure the viability of the corporation. Here sponsors are buttressed by FHA regulations which prevent project employees from receiving advantages in excess of those which have been determined as equitable. Sponsors, when they are joint owners in a corporation, must also resolve conflicts arising between members in a manner which promotes corporate harmony and assures the continuation of the corporation. Corporate decision-making is facilitated by by-laws which lay the ground rules and structure the decision-making process.

The fourth area of decision-making described is at
the community level where several kinds of participants exert their influences on the process of making zoning decisions. The participants who are the most intensely interested in the outcome of decision-making are protesting citizens and sponsors. The advantages they seek are opposed to each other. While the citizens groups, on the one hand, attempt to prevent the construction of projects in their neighborhoods, sponsors, on the other hand, attempt to persuade local legislators to zone selected sites in a manner conducive to project development. Other participants in zoning decision-making who have interest they wish to promote are city councilmen and trade unions. Although the interests of city councilmen are probably less intense than those of citizens and sponsors their resources for influencing the outcome of political decision-making are considerably greater since they are directly responsible for the outcome.

In the decision-making processes surrounding low and moderate income housing low and moderate income people who directly benefit from it are conspicuously under-represented. This is apparently due to lack of skill in exerting influence upon the decision-making process or inability to utilize available resources, scarcity of resources, or lack of interest.

Several ways in which this study could be enhanced
come to mind. First, an interview with a limited distribution sponsor to determine the problems, motivations and advantages of limited distribution sponsors would probably prove enlightening. Unfortunately Collins was not available for a personal interview and other sources were relied upon to study limited distribution sponsorship. Second, more intensive interviewing of members of the city council and a background study of each one to determine their private interests, political party affiliation, and predispositions toward apartment houses, subsidized housing and low income people would increase understanding of why they were motivated to vote in zoning decisions as they did. Similarly, a background study of protestors might also prove revealing. While the visible participants in Missoula's "zoning system" have been identified, it would also be worthwhile to discover other influential participants, if any, and examine their motivations and impact on the system.

Another way in which this study could be expanded is through an investigation of the impact of social forces on housing. In this study only the impact of the housing environment on individuals has been discussed. However, characteristics of individuals such as attitudes toward the future, incentive to advance, socially and economically, and economic and physical ability to maintain housing affect
the quality of housing.

This study could also be enlarged by comparing the Council Groves and Collins projects to other completed projects. In addition, it would be interesting to restudy these projects in a year or two to determine what problems they have encountered and how successful they have been in providing low cost housing.
The following questions were asked of members of Council Groves:

1. When and why did you decide to develop the project?
2. When and why did you pick the site?
3. What will be the advantages and disadvantages of the site for tenants?
4. How do you feel the project will benefit the community?
5. What advantages and disadvantages are there for nonprofit sponsors?
6. Do nonprofit sponsors have any problems in working with a group?
7. What restrictions does FHA place on projects?
8. How have members of the local community reacted to the project?

The following questions were asked of protesting citizens:

1. Why were you motivated to protest the location of the Collins project in your neighborhood?
2. Did you talk to any members of the city council, Collins or his realtors before the city council hearings?
3. Is there a need for low income housing in Missoula?
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APPENDIX

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