

On the Level

'We're Missing Opportunities' Housing Rehabilitation: The State of the Business

BY JACK JENSEN

The rehabilitation of existing housing stock has been the mainstay of NeighborWorks® organizations since Dorothy Richardson's era, and will undoubtedly continue as such in the foreseeable future. Richardson, you'll remember, was the Pittsburgh homemaker and community activist whose 1960's campaign for better housing in her neighborhood led to the NeighborWorks® partnership model of residents, local businesses, and local government.

But NeighborWorks® organizations now are facing a harsh external environment in the business of housing rehabilitation, and more often than not are underequipped, underfunded, and understaffed to handle the need. Costs escalate, program resources dry up, and the housing stock continues to deteriorate.

Still, housing rehabilitation production is increasing among network organizations, though it has decreased as a percentage of overall activities. Meantime, the market for rehab services in NeighborWorks® communities ranges from fairly hot to extremely hot.

These are among the key findings that turned up in a network-wide survey on housing rehabilitation that was commissioned by NeighborWorks® America's Nelson Merced, director of national initiatives and applied research, and Doug Dylla, manager of homeownership. To help with the survey, I enlisted two colleagues, Michael Collins, formerly of NeighborWorks® America, and Armand Magnelli of The Enterprise Foundation.

The report, *NeighborWorks® Housing Rehabilitation Study*, was presented to the NeighborWorks®

Campaign for Home Ownership steering committee at the Minneapolis Training Institute in April. It includes selected best practices and recommendations.

Some of what we found will surprise you; and some will also confirm what you probably already knew. For example, we found there are at least 150 different strategies for dealing with the present rehab environment just within the NeighborWorks® network, with many more to be found outside. And there are nearly 150 different estimating and specification software programs or templates in use, often not satisfying their users.

We met many who were going "green" with their programs, or considering moving in that direction. We discovered that many felt they were missing out on many promising opportunities due to lack of resources to get started. And we found that most are interested in fundamentally changing the way they look at housing rehabilitation.

Survey Methods

We looked at NeighborWorks® America's quarterly, annual, and Campaign for Home Ownership reports going back 10 years. We conducted a broad electronic survey of network executive directors and housing rehabilitation coordinators as well as NeighborWorks® America management consultants and district directors. We used both numeric and open-ended questions to achieve both quantitative and qualitative results.

We then examined the replies and structured a series of interviews with volunteers from the network and any district directors who had time to



PRACTITIONERS' TOOLBOX

respond. We conducted a total of 29 telephone interviews. During the interviews, we also solicited additional input. We presented the raw survey results, discussed draft recommendations, and solicited "best practices."

Groups are doing every imaginable kind of community development activity, growing into homeownership, multifamily, economic development, social services, and other programmatic areas, while maintaining housing rehabilitation as their core program. It remains the backbone of neighborhood revitalization and affordable housing efforts.

However, 55.4 percent of NeighborWorks® staff felt that the nonprofit housing repair and/or rehabilitation industry was gradually losing capacity and effectiveness. Another 28.4 percent reported that the industry was solid but largely unchanged in recent years. Thirty-nine percent of responding NeighborWorks® organization felt they were losing ground, and 24 percent said the industry was flat.

Boiling It All Down

We received an astonishingly high response rate, indicating that rehab, indeed, is a hot-button issue. More than 50 people volunteered for follow-up interviews. During the often-impassioned follow-ups with executive directors and NeighborWorks® America district directors, three key themes became clear:

1. The need for housing rehabilitation, ranging from "Stitch-in-Time" or "Mini-Repair" fix-up or neighborhood paint programs to full-scale commercial or multifamily preservation efforts, is enormous in the target

areas served by NeighborWorks® organizations. Most respondents said they could triple, quintuple, or exponentially grow their programs, if the resources were available, and still not satisfy the need or exhaust the market for their services.

2. Federal and local resources to fund housing rehabilitation are becoming increasingly scarce, reflecting a 10-year trend. Community Development Block Grant (CDBG) and HOME, the two financial lynchpins of housing rehabilitation programs, have less money and more competing priorities, and those trends will undoubtedly continue. At the same time, network organizations report ever-increasing costs, and see no reversal to that trend.

3. NeighborWorks® organizations consider housing rehabilitation to be central to their business culture, but at the same time believe they have not paid it the attention it deserves. Scan 20 random NeighborWorks® mission statements and you'll find housing rehabilitation prominently mentioned in most. While some network organizations have abandoned rehab as a

business, citing the regulatory environment and/or difficulties with cost recovery, those that do maintain programs feel very strongly that rehab is an integral part of achieving their strategic goals.

The most critical issues facing housing rehabilitation or repair programs are financial. The cost of housing rehabilitation work, lack of operating resources, and lack of capital were the most frequent responses.

Other issues, such as lack of skilled contractors, also appear to be on the rise. Concern about finding and keeping skilled staff are looming as longer-term concerns. In some markets, constraints exist in the supply of affordable housing available for purchase, rehab, and sale – a concern that appears to be growing as house prices continue to rise.

Repackaging the Industry

NeighborWorks® organizations provide a variety of housing rehabilitation services, but most manage contractors and provide financing. Most work is focused on single-family

properties, with a focus on owner-occupied. Future growth may be in mixed-use and multifamily properties.

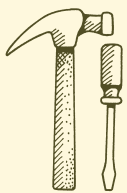
NeighborWorks® training is valuable, though it could use updating in terms of technology and techniques. Trainers at NeighborWorks® Training Institutes are viewed very positively, but more accessible courses with more hands-on learning would be well-received.

“Home repair and rehabilitation have become the red-headed step-child of community development,” wrote one executive director. “It's not sexy. The funding priorities no longer support this as a top-tier program.”

“All of NeighborWorks® America's eggs are in the homeownership basket,” wrote another executive director.

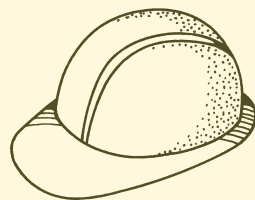
Another executive director said, colorfully, “If we're talking about launching an initiative, we'll have to do better than simply slapping some fresh lipstick on the old rehab gal and shoving her out onto the dance floor.” Definitely not politically correct, but succinctly raising the issue of how NeighborWorks® America should repackage its

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1 Recognize the demographics and begin tailoring your housing rehabilitation program to meet the growing need for appropriate housing for senior citizens and persons with disabilities, as these two groups are growing rapidly.

2 Recognize the erosion of funding streams for housing rehabilitation and exploit capabilities to generate new cash income, perhaps by expanding current programs or by opening new subsidiaries to do related work for a profit.



3 Recruit and retain better contractors, to increase internal efficiency, job-site productivity, and improve value-engineering. This can be done by paying more quickly, more fairly, and by keeping a small roster of preferred contractors as happy as possible.

4 Bring written program policies and procedures up to a new standard, including detailed instructions for dealing with hazardous materials, such as lead-based paint, toxic mold, and the growing next generation of household dangers. Integrate these policies and procedures into your actual processes, and re-examine them regularly.

5 Make a five-year technology plan, which includes a new planning process in the fifth year, to upgrade the electronic capabilities of your housing rehabilitation function. Pick a system – Palms, Tablets, laptops, cell phones, cellular modems – implement it, and build your internal training curriculum and software system to fit.



housing rehabilitation efforts.

From the comments, it's clear there is consensus among both NeighborWorks® America staff and NeighborWorks® organizations that NeighborWorks® America has lost its edge as the leader in housing rehabilitation. There also is a consensus that this is a mistake; that the potential for growth and profit from rebuilding the business model is enormous.

"We're missing opportunities," wrote one executive director. "This could be a major growth area for us, but there's been neither the encouragement, resources, nor expertise available to help us grow."

What's worse, a message that Dorothy Richardson gave so much energy 35 years ago – volunteer and work with community partners to fix up your own neighborhood – has lost its momentum at a time when the need is as great as ever.

"We have talked about our work in certain ways over the years," said Chris Krehmeyer, executive director of Beyond Housing/NHS of St. Louis, "and it just does not resonate with people. No one cares about our world.

It's so bad, people don't even hate us any more. We can't even get enough attention to be talked about badly."

New Models

The study made clear that the NeighborWorks® network needs new ways of telling its rehab story to funders, customers, and the community.

"My rehabilitation program is 26 years old, and we haven't changed the way we've done things very much over that time," wrote another executive director. "The biggest difference is that now we use faster computers, but I'm not sure we're using them any more efficiently than we did back then, or working any smarter."

The study also showed that the NeighborWorks® network needs to embrace new business models in order to stay current with trends in the field. There was a clear call for a new dynamic, new partnerships, and some entity at NeighborWorks® America that will concentrate more fully, or exclusively, on opportunities in the housing rehabilitation field.

"There's no central location of

rehab expertise, or resource material, or training," said Sarah Gerecke, executive director of Neighborhood Housing Services of New York City. "There's not one place that's connecting all the dots."

We were inundated with ideas for helping NeighborWorks® organizations broaden their resource base and creating a central focus point for housing rehabilitation within NeighborWorks® America.

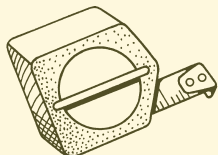
So, to all the NeighborWorks® construction coordinators out there struggling to make your projects and programs work, hang in there. Some help may be on the way. ■

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NeighborWorks® Housing Rehabilitation Study will be available online at www.nw.org or by contacting the author for an electronic copy.

E A L R E H A B P R O G R A M

6 Upgrade to a professional inspection, specification, estimating, and job-tracking software system – either Housing Developer Pro/ Neighborhood Survey Pro, Master Builder, Turtle Creek, or some other package. Homemade spreadsheets and cut-and-paste specification systems will just not cut it in the 21st century.



7 Use the fact that housing rehabilitation is an inherently "green" activity and move your organization off the dime on "green" building and design techniques, in order to attract the next generation of idealists to the community development and preservation field.

8 Re-examine your relationship with architects, designers, and engineers. Are they really meeting all the needs of the community, or turning out an affordable but otherwise unappealing product? Are they gifted at historic preservation and contextual architecture? Are they good on "green?"

9 Expect both ongoing professionalism and a commitment to continuing improvement from your housing rehabilitation program, and create that professionalism by upgrading ongoing education efforts. This will likely require some readjustment in the way housing rehabilitation staff are evaluated, compensated, and promoted.

10 Recognize that housing rehabilitation staff are often the de-facto "face of the organization" on the streets, and recognize that the fastest growing population in America is Hispanic. Find a way to make your staff bilingual, or trilingual, if necessary, in order to better forge bonds with the community.