

The Demonstration Disposition Program: Experiments in Participation

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ABSTRACT

This paper reports on the progress of an innovative federally funded housing program in Boston, Massachusetts. The program employs unprecedented levels of resident participation in planning the rehabilitation of over 2100 units of low income housing in eleven developments in three inner city neighborhoods. The outcome of the program is to transfer title of the properties to the resident associations. This paper gives an overview of the program and its participation structure and looks more specifically at the Design and Construction Phase of the program.

Keywords

U.S. Department of Housing and Urban Development, HUD, Massachusetts Housing Finance Agency, MHFA, housing programs, resident participation

INTRODUCTION

The Demonstration Disposition Program, described below, experimented with a wide range of participatory techniques. This paper reports on the program as it is evolving, rather than evaluating the participatory techniques in themselves. I am a staff architect for the MHFA and coordinate the design and construction of the eleven developments in the program.

The Demonstration Disposition Program is in its fourth year of operation. Eight out of 11 housing developments are in construction for \$150 million over a total program budget of \$218 million.

I. THE DEMONSTRATION DISPOSITION PROGRAM

In 1987 the U.S. Congress voted to authorize the Demonstration Disposition Program. The goals of the program were to renovate and sell the growing inventory of

foreclosed multifamily housing in U.S. Housing and Urban Development's (HUD's) portfolio. The properties were to be transferred for asset management to state housing finance agencies. Asset management is broadly defined as the oversight of the day to day management of real estate. Apart from funds for the asset management of the properties, federal funds were made available to renovate the properties. Massachusetts was one of four states that entered into a \$218, million agreement with HUD in 1993 to administer the Demonstration Disposition Program. To date, it is the only state that has projects in construction. Once the renovation is complete, the properties will be sold to residents' associations or entities in which the resident associations have an interest.

MHFA and HUD agreed that a resident-centered process was critical to the success of the program. This approach represented a transformation in the government's philosophy about housing production. Earlier attempts by the federal and state government used a developer-driven model. Essentially, private real estate entities received fees from the government for the development of affordable housing. The developers owned and managed the housing using contracts with the government that insured payment of rents. Subsequent iterations in the process to supply subsidized housing used community development corporations as non-profit developers, owners and managers. This model was more successful in stabilizing neighborhoods. Decisions about management and operations were more likely to be based upon considerations of profit to the community as opposed to private profit. The resident-centered model is the latest iteration in the production process. The important feature to note is the progression that these programs have taken toward moving decision making to the local level.

II. THE PROGRAM GOALS OF THE DEMONSTRATION DISPOSITION PROGRAM

As a result of the meetings with HUD, MHFA and the tenant organizing network, the following five Program

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Goals were developed:

1. Effective disposition and rehabilitation of HUD-owned developments in Massachusetts;
2. Development of initiatives that empower residents;
3. Long-term preservation of affordable rental housing;
4. Creation of economic opportunity for businesses and residents in the Demonstration Disposition Community; and,
5. Remedying discrimination against minority business enterprises.

The fourth and fifth Program Goals were modified in 1997 due to the decision of the U. S. Supreme Court in *Adarand Constructors, Inc. V Pena*. The original goals, which targeted 80% of the controllable expenses to minority business enterprises were clarified to meet the federal standard for permissible affirmative action. In order to remedy past public and private sector discrimination, the program is working to achieve a 30% minority participation goal in all controllable expenditures. The selection of consultants up until late 1997 had an 80% minority participation. In fact, all the architects selected for the renovation work were minority business enterprises or joint ventures in which the minority partner had a controlling interest.

III. MHFA IS A UNIQUE INSTITUTION TO ADMINISTER THE PROGRAM FOR HUD

MHFA is a state housing finance agency mandated to build affordable housing in the Commonwealth. The agency's charter allows it to sell tax exempt and taxable bonds to private investors. The proceeds from the bond sales are used to build or rehabilitate affordable housing developments throughout the Commonwealth. These units are then available for rent or sale to income qualified persons. MHFA has a top tier rating by Moody's and Standard and Poors, the financial rating services. MHFA is considered the foremost housing finance agency in the country. MHFA has a \$5.2 billion dollar portfolio of single and multifamily housing statewide.

MHFA has a significant portfolio of properties in the neighborhoods where these deteriorated HUD properties also exist. The agency had successfully financed the renovation of 1300 units of HUD foreclosed properties in the same neighborhoods within the past 10 years. Aside from having a substantial network of tenant organizing capability, it was in the agency's interest to protect its own investment by participating in HUD's program

IV. THE BROADEST LEVELS OF PARTICIPATION

Where previous government housing programs used the

developer-driven model, the Demonstration Disposition

Program is involving the community in creating the rehabilitation program. A bureaucracy's prime concern when seeking to form an alliance with a community is figuring out who represents the community? Since MHFA has been in existence since 1966, the agency had long standing relationship with many community leaders. The Minority Developer Association was a newly formed group of community business interests who worked with MHFA in designing the program.

The Demonstration Disposition Program sought to capitalize upon the residents' self determined vision of their neighborhoods. This is a relatively new approach in subsidized housing. What is unique is giving the resident associations a decision making role in the development process as well as preparing them for their eventual role as participants in the ownership of the real estate. The residents are viewed as a primary resource for community building. Historically, urban renewal programs focused exclusively on real estate as the primary resource.

The interests who participated in the earliest discussions about resident empowerment and minority business development confronted MHFA at a time when the agency could afford to listen compassionately. The agency was doing well and had resources to spend on tenant assistance. The group of individuals who formed the Minority Developers Association assisted MHFA with the agency's redefined mission: to go beyond the bricks and mortar of housing. The new challenge was to move into the social context of the residents in the Demonstration Disposition portfolio by providing a new range of support services. These services, which are described below, have been expanded to many of the 590 multifamily developments in the agency's \$3.2 billion portfolio.

This is not to say that there was always uniformity of approach or agreement between the Minority Developers Association and MHFA. On the contrary, the program in its entirety was a demonstration of collaborative decision making. MHFA was in a new role as a developer where the agency traditionally operated as a mortgage lender. The executive and technical staff strove to understand how to transfer power and responsibility to the resident associations. On the other hand, the resident associations had to learn to work with the MHFA bureaucracy. If there was previous experience on the resident associations' part with a bureaucracy, it may have been negative. There was a steep learning curve on both sides of the relationship, but there was also a sincere effort to overcome prejudices of the past.

A. COMMITTEES, TASK FORCES AND PROGRAMS

There were many additional organizing efforts to the Demonstration Disposition Program. These efforts were designed to assist the resident associations and minority businesses involved in the program.

One of the most significant efforts was the **Boston Inner City Task Force**. A diverse group of self selecting tenants, police officials, social service providers and housing professionals engaged on a regular basis to discuss and confront the many issues that affected the residents.

The Tenant Assistance Program established in 1983 was designed to train property managers in confronting the issues of substance abuse and its impact on the residents in MHFA properties. Spin off training was developed in response to tenant needs including parenting skills, nutrition, and AIDS awareness.

MHFA provides a **Security Program** to protect the safety of residents with regular vehicle and foot patrols.

Additional outreach to each development was provided by the **Neighborhood Justice Network**. They solicited resident input to design customized security programs based upon community standards.

Youth Rap is a program designed to provide year-round constructive opportunities for residents between the ages of 6 and 20. The educational, recreational and employment programs are funded by MHFA and private management companies.

MHFA instituted financing programs to assist contractors with working capital. Qualified professionals were eligible for loans too, through the **Collateral and Technical Assistance Loan Program**. These programs are providing capital to businesses so they can develop increased capacity.

B. THE STRUCTURE OF RESIDENT COMMITTEES

Each of the eleven housing developments had a tenant organizing effort conducted by one of several non-profit agencies. The organizers worked to create with the tenants, Articles of Organization and Bylaws that provided a democratic framework for resident participation. During this pre-development phase, the resident associations had independent technical assistance from development consultants, architects, attorneys as well as organizational development consultants. Each resident association formed committees so that they mirrored the four planning and development phases. These included: the Asset Management Phase, Relocation Planning and Implementation Phase, Architectural Planning and Construction Phase and Disposition Planning Phase. This structure allowed the resident associations to organize their efforts to respond to the requirements of the planning and

development process. The committees consisted of two to over twenty residents who met regularly during each of the major planning and development phases.

C. RESIDENT ASSOCIATION DECISION MAKING AT KEY POINTS DURING THE PLANNING AND DEVELOPMENT PROCESS

The four planning and development phases were designed so that the resident associations understood what control it exerted in that particular phase of work.

Asset Management Phase: During the asset management phase, the resident associations participated in selecting management agents and assisted MHFA in monitoring their performance.

Relocation Planning and Implementation Phase: During the relocation planning phase, the resident associations reviewed MHFA's Request for Relocation Services Proposal. MHFA selected the relocation consultants for each development. The resident associations participated in ratifying the agency's decision.

The resident association working with the selected relocation consultant developed a customized plan for each development. A formal "sign off" of the final relocation plan was required by MHFA from each of the resident associations. During the relocation, residents monitored the performance of the relocation consultant and advised MHFA of any concerns.

Architectural Planning and Construction Phase: To ensure that the residents were in concurrence with the proposed architectural plans, a formal "sign off" was required at six stages in the Architectural Planning and Construction Phase. These stages included:

1. submission of the preliminary disposition plan to HUD
2. approval of the elements of the Resident's Vision Plan and Comprehensive Repair Plan to be incorporated into the Final Repair Plan
3. approval of the 35% complete working drawings
4. approval of the 75% complete working drawings
5. approval of the final working drawings and specifications prior to bidding
6. approval of the construction budget, bid alternates and overall development budget prior to the submission to HUD

At the time of construction other "sign offs" are required including:

1. resident association review and approval of the

- list of construction contractors who were invited to bid on the plans and specifications
2. resident association approval of the list of bid alternates to be added or deducted from the construction contract
 3. resident association participation in weekly job meetings held among the architect, agency and contractor
 4. resident association selection of colors, finishes, appliances, cabinets, carpeting, and other material selections
 5. resident association sign off on any change order that significantly effects the scope of construction work or quality of materials to be used.

Resident associations, through their consulting architect, receive copies of the construction contract, all payment requisitions, change orders, field orders, product warranties, and all major correspondence between MHFA and the general contractor. Resident associations and their consulting architect participate in all warranty inspections conducted prior to project close out.

Disposition Planning Phase: Resident Associations are responsible for identifying the form of ownership they determine to be best for their development. Such ownership structures could include the resident association becoming the sole owner or sharing ownership responsibility with a private non-profit or for-profit developer. MHFA is conducting evaluations of the resident associations to identify additional training that may be necessary. This early evaluation in the disposition process will try to prepare residents for their desired form of ownership.

V. THE DESIGN PROCESS

For a period of eight months to a year, the residents, their architect, MHFA design staff and the MHFA architect of record met monthly, if not weekly, to discuss design details. If any lesson is to be learned from this part of the program, it is to have the designers engage directly with the users.

Creating a common language with the residents to discuss alternative designs was a significant task for each resident association architect. It was not until such a common language was created that the conversations became meaningful. Each housing development's Design Committee in the Architectural Planning and Construction Phase created a unique language drawing from their experience of their existing housing context. If the architect failed to understand the attributes of the residents' existing housing context, the shared language was basic. Architects who were familiar with the existing housing

context, as well as other housing developments where the relatives and friends of the residents may have resided, had an advantage. In these instances, the conversations among the participants took on more descriptive power. The minority affiliation of the architects was a bureaucratic definition. In fact, the minority architects were African-American, Latino, Pacific Islander, Asian, and Indian. The residents were largely African American and Latino. So the minority component, which the program uses as a monolithic definition, introduced a further layer of complexity. What became evident as design progressed, however, was that the interpersonal skills of the architect were more predictive of the language's richness.

The design work always started from the shared experience of the deficiencies or malfunctioning systems of the existing housing. In 8 of the 11 housing developments, the design work centered upon the reconfiguration of the existing unit plans to accommodate the existing tenant population in appropriately sized units. The architects had to assure the residents that the malfunctioning systems would be replaced. With this assurance, the focus moved to architectural features. These included: the size and accommodation of habitable rooms; amenity packages including for example, laundries within the building or unit; dish washers and garbage disposals; elimination of dangerous unsupervised spaces; provision for security systems.

In three cases, the existing housing, initially programmed for renovation, was demolished. The decision to build new housing was made only after there was an extensive investigation of the cost to repair the existing malfunctioning systems. When the cost of repair exceeded the cost of new construction, MHFA petitioned HUD for permission to demolish the development and start anew.

In these cases, the residents had a somewhat larger palette of choices about design. Their frame of reference was no longer circumscribed by their immediate housing experience. In these three cases, townhouses were chosen as the ideal form. This is because the residents' valued the ability to: directly enter their units, control outdoor spaces, and visually and acoustically separate shared living and private spaces.

The general progression of the work followed from schematic design into working drawings. However, in every phase, the residents recognized how the decision of the previous phase forced certain decisions in the subsequent phase. The results were not always to their liking. Where the process could incorporate a revision, the modification was made. Care was taken to make the outcome of one iteration of design decisions supportive of a previous iteration.

Methods of communicating design options involved; presenting drawings, scale models, site visits to other local housing

developments, slide shows, workshops and discussions. Communicating with the residents about design concepts such as "front and back door," "access," "circulation," "density," "utility layout" required time and explanation. However, once the concepts were understood, the residents were adept at making decisions. They sought to increase their personal control over their developments. The MHFA staff was careful to emphasize the residents' future role as "owner" in their decision making.

A. PHASE ONE: THE COMPREHENSIVE REPAIR PLAN

As HUD's Asset Manager for the Phase One improvements, MHFA hired architects in conformance with the Demonstration Disposition Program Goals to perform Comprehensive Repair Plans. These comprehensive studies evaluated the buildings in terms of the thirty year mortgagable life. Cost estimates for the Repair Plans were developed once the evaluations were completed. In general, the scope of work for repairs included:

- Buildings envelop repairs (masonry, roofs, windows, building entry doors)
- Removal of architectural barriers for the disabled
- Mechanical systems replacements (heating, plumbing, ventilation, fire suppression sprinklers)
- Hazardous materials abatement incidental to mechanical work
- Structural repairs (replacing deteriorated beams, joists, sheathing)
- De-leading in units where there were children less than 5 years of age in residence.

B. PHASE TWO: THE VISION PLAN

Under the original program design, each resident association hired its own architectural firm for Phase Two repairs. The architects in cooperation with the residents developed a Vision Plan. The Vision Plan was a wish list that included some of the necessities as well as amenities. Once MHFA completes the "big ticket repairs" the developments are to be sold to the resident associations. The resident associations would have then come to MHFA for loans to finance their Vision Plans. However, the overarching plan was revised so that HUD is now making direct grants to the housing developments to cover both Phase One and Phase Two improvements. This change in financing required coordination of the scopes of work, which is called the Translational Phase.

The scope of work to be done under the Vision Plan included:

- Unit reconfigurations to accommodate the family size of the existing population in residence

- Upgrading kitchens
- Upgrading bathrooms
- Hazardous materials abatement incidental to partition demolition
- Community rooms
- Laundry facilities
- Upgrades to landscaping

C. COST ESTIMATES AND BUDGET SETTING

Once HUD and MHFA agreed on the total program budget, MHFA allocated funds to each of the developments. The allocations were based upon preliminary cost estimates that were performed by the MHFA architect during the Comprehensive Repair Plan phase. Each development's budget was allocated so that the scope of work to be performed in any building would be brought up to a comparable standard as any other building in the program. Any surplus in the MHFA budget would then be distributed equally across developments to pay for Vision Plan amenities.

This allocation scheme was decided upon because it was evident that some housing developments had buildings that were in worse condition than others. Making a level funding decision would have unfairly penalized those who happened to live in properties that were not properly maintained by the now departed private owners. Also, the resident association architects for some groups were much more aggressive in conceiving of a Vision Plan. It also did not seem fair to reward the one architect who imagined a more expensive future at the cost of other groups who had been more modest in their requests.

Therefore, some adjustment to the allocation formula was necessary. For example, more money was allocated to buildings that had only one and two bedroom units. This adjustment was to compensate for the extensive interior structural modifications that were required for unit reconfiguration into three and four bedroom units.

Once the allocations were reviewed by the resident associations and their architects, they divided their funds into two line items; direct construction and contingency costs.

D. TRANSLATIONAL PHASE

As a consequence of the allocation, the architects for each development had to adjust the scope of work recommended in either the Comprehensive Repair Plan or Vision Plan. This phase was called the Translational Phase. It required the MHFA architects to incorporate the unit reconfiguration work and any other affordable amenity of the Vision Plan into the base scope of work. This was an extremely difficult task

requiring tremendous architectural skill and judgment. There were weekly design meetings with the residents, their consulting architect and the MHFA architect to resolve the design issues.

The architects presented drawings of options to the residents and discussed the advantages and disadvantages of each scheme for many unit types. These conversations allowed an open dialog that revealed many preferences that would have otherwise gone unexplored. In addition to providing the opportunity for this exchange about life style choices, the conversations fostered a closer working relationship.

E. DESIGN DOCUMENTS AND COST ESTIMATES

During the Comprehensive Repair Plan Phase, the Vision Plan and Translational Phase, cost estimates were conducted by the architect's cost estimator. The estimates at 35%, 75% and final documents were able to assist the architects in reaching the budget. Essentially, the architect had to demonstrate that each phase of work was within budget before proceeding to the next phase. There were significant construction issues that emerged. Cut backs in the scope of work were required to bring the projects back within budget. The interpersonal and technical skills of the architects were called upon to explain the many difficult decisions that had to be made. It was a sensitive task to ask the residents to pare back the vision they had so worked so hard to create.

The residents understood that discipline was necessary to advance to the next phase. In most of the cases, the residents decided to retain the unit reconfiguration, which was the most costly component of the scope of work. If we had done our job well, the architects could act in a technical advisory capacity to the residents, trusting that they knew as well as we, where cuts should be made.

F. VALUE ENGINEERING BEFORE BIDDING

The MHFA architects were contractually required to deliver the design documents for bidding within the budget. If the budgets were exceeded, the architect would have to re-draw the plans at no cost to the agency. The agency also recognized that this approach was extremely time intensive. While maintaining budgetary control was important, facilitating the construction was also of primary concern.

MHFA's apprehension was due to the impact the delay would have if the architects mis-estimated the scope of work and were required to redraw the plans. The program could not afford to lose a construction season, incur the inflation factor for the delay, or have residents relocated for an attenuated period. Mitigating this potential pitfall pointed to the use of value engineers before bidding.

MHFA directed the architects to consult with value engineers

to review their contract documents. As a result of this review, the mechanical, electrical and plumbing scopes of work were found to be more generous than the budgets could afford. The value engineering highlighted areas where we could reduce the quality but still insure a balanced performance in these systems.

As of this date, 8 out of 11 contracts have been signed. In several bids, contractor prices exceeded project budgets. The agency retained the right to negotiate with the highest scoring contractor to bring the price within the budget. In some instances, additional funds were added to the budget to close the gap. In only one case was the architect directed to re-draw the contract document and re-bid.

G. STRUCTURING THE "ALTERNATES"

In the construction industry, architects can incorporate "alternates" in their bidding documents. An "alternate" asks the contractor the cost of adding, deducting or substituting certain items from the scope of work. An example of an "additive alternate" is adding the cost for ceramic tile bathroom floors instead of vinyl composition tile which is the floor specified in the base bid. As each development inched toward completion, the trade offs became more difficult. By allowing the use of alternates, the program tried to retain as much flexibility as possible. We tried to avoid having the resident associations make unpleasant choices that may not have been necessary.

H. AN EXAMPLE OF HOW THE RESIDENTS EXERCISED THEIR CHOICE

In one development, the bids came in \$1.9 million over a \$9 million budget. Decisions about cuts were dramatic. After several weeks negotiating with the contractor, the MHFA staff and resident association architect went back to the resident association to recommend reductions to the scope of work. The decision that they made surprised us.

The MHFA staff researched and with the resident's concurrence, included as an alternate, a security system that we thought was an essential part of the housing development's future operation. During the Asset Management Phase and until the Disposition Phase, HUD and MHFA spend in excess of \$1 million annually in mobile security patrols throughout the neighborhoods. We knew that the developments could not afford that level of funding so we tried to find something that they could afford.

One component of a hardware system that was investigated was a card access system. A card would be assigned to each resident who would use it instead of a key to enter the building.

The security computer program included a card reader that would scan the card and record who was entering the building at any time of day. The program for the system would also allow recording any unit that was allowing persons to enter the

building at any time of day. In addition, cameras could be installed in the lobbies of the buildings to visually record this activity. Such material would be invaluable to pursuing evictions or prosecuting individuals conducting illegal activity in the building.

When the project came in over budget, the residents did not hesitate eliminating the card access system. The MHFA staff thought the system would be the last thing to go. However, the residents thought that the level of surveillance was intrusive. They were uncomfortable having their activities so closely monitored. Instead they opted for a conventional keyed lock and closed circuit camera system in the foyers.

I. BIDDING

An invitation was mailed to a list of pre-qualified construction contractors announcing the availability of bid documents. There was an elaborate scoring system to select the winning contractor. The minority business status of the bidder, prior minority work force utilization and goal for minority utilization under this contract, were evaluated along with the price to do the construction work. As few as one and as many as six contractors have bid on the contracts let to date.

J. CONSTRUCTION CONTRACT AWARDS

Once the bids were received and the highest scoring bidder was conditionally designated, the MHFA staff negotiated with the contractor, if necessary. Prior to signing the contract for construction, the resident associations approved the results of the negotiation. In some instances, the resident associations did not approve of the reductions to the scope of work. In these cases, they met with their architects and suggested other scope reductions. MHFA staff re-opened the negotiation with the conditionally designated contractor to reach agreement.

The majority of construction funds were distributed to these areas:

- Hazardous materials abatement
- Seismic reinforcement
- Sprinklers
- Design for the disabled
- Mechanical system replacement
- Unit Reconfiguration
- Unforeseen subsurface or structural conditions
- Community meeting space
- Landscaping and play equipment

VI. SOME FINAL THOUGHTS

Once the construction is complete and the developments are sold to the resident associations, the program will end. It is not likely that HUD will apply the experience of the Boston Demonstration to other cities because of its expense and complexity. It is too soon to tell what the program's impact will be on these three distressed Boston's neighborhoods. The resident associations will be on their own, without the historical safety net for subsidized housing. MHFA will revert to its banking role and assume the administration of the fifteen year Federal rental subsidy to the developments. I will go back to being a staff architect.

The Monroe Trotter Institute, University of Massachusetts is conducting an objective performance evaluation. This academic institution was selected at the outset of the program and is monitoring MHFA's progress. The evaluation requires the assessment of the agency's performance in achieving the stated goals and objectives of the program.

I think that the Demonstration Disposition Program will be a success in at least one important way. It has provided the opportunity to cultivate a capacity in a broad group of individuals to work collaboratively to solve complex problems.

Evidence of this can be found in several resident association presidents who have taken on consulting positions with other housing groups. Several residents have become involved in other development activity to advance their community's safety and well being. I have seen them working to get a new traffic light, a vest pocket park, clearing an unsightly lot and starting an after school computer learning center.

Where architects have traditionally struggled internally with decisions about physical form, participatory design processes are somewhat different. This process speaks to the architect's skill and vision in defining the right problem, displaying creative alternative solutions and assisting the client in systematically evaluating them. I am optimistic that some of the residents will go on to become participatory designers themselves as they assist others in defining problems, displaying alternatives and assisting in their systematic evaluation.