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Public Housing Redevelopment as a Tool for Revitalizing Neighborhoods: How and Why Did it Happen and What Have We Learned?¹

Mindy Turbov

Introduction

In cities across the country, distressed public housing sites are being transformed into healthy neighborhoods attracting significant public and private investment. Historically, these public housing neighborhoods, and their environs, presented the most difficult urban revitalization challenges. This paper traces the history, intent and process of rethinking public housing that have led to public housing shifting from a negative force in communities to a positive one. In addition, it identifies five principles that are critical for public housing revitalization to serve as a catalyst for neighborhood revitalization. This paper is informed by over twenty-five years of working in the field of housing and neighborhood revitalization in various positions in the public, private and non-profit sectors. In particular, during the Clinton administration, at the Department of Housing and Urban Development (HUD), I was given the primary responsibility for creating the HOPE VI mixed-finance program. It is that mixed-finance program that radically changed the public housing development process and led to public housing becoming a tool for neighborhood rebuilding. In my current professional incarnation I am co-developer of HOPE VI redevelopments and serve as a consultant on others. Also, I recently co-authored a major study for the Metropolitan Policy Program of the Brookings Institution on the revitalization impacts of public housing redevelopments in Atlanta, Louisville, Pittsburgh and St. Louis.²

¹ This paper was prepared for the conference *Gautreaux At Forty: Race, Class, Housing Mobility, And Neighborhood Revitalization* sponsored by Northwestern University.

² VALERIE PIPER & MINDY TURBOV, BROOKINGS INST., HOPE VI AND MIXED FINANCE REDEVELOPMENT: A CATALYST FOR NEIGHBORHOOD RENEWAL (2005).

History

In 1966, Alexander Polikoff filed a class action lawsuit on behalf of Chicago Housing Authority (CHA) resident Dorothy Gautreaux, and other CHA residents and applicants. *Gautreaux* became a landmark public housing desegregation case known by housing experts and policy makers across the country. One of the provisions of the *Gautreaux* consent decree created a successful mobility program operated by the Leadership Council for Metropolitan Open Communities, as a result, “Gautreaux” has become synonymous with mobility for public housing families. The Leadership Council program helped public housing residents relocate from CHA developments to “opportunity areas”³ using Section 8 rental assistance. Another remedy for CHA’s practice of racial segregation required it to build new public housing in opportunity areas. Both provisions were intended to enable low-income African Americans to live in economically and racially integrated neighborhoods where life opportunities were presumed to be better than in minority-concentrated public housing.

In the years following the filing of *Gautreaux*, public housing in Chicago, and in other large cities across the nation, became increasingly economically segregated, leaving largely low-income African American families in tightly contained pockets of concentrated poverty. With the passage of time, public housing in large urban areas continued to deteriorate and was consistently underfunded by HUD. As a result of various laws and policies, many working families left public housing. At the same time, fair housing laws and changing societal norms provided African Americans families with the opportunity to move to less segregated communities. Fueled by these changes, as well as the riots of the late 1960s, once vibrant

³ Opportunity Areas are communities with low concentrations of poverty and minority populations.

neighborhoods that surrounded public housing were left to the ravages of urban decline so rampant in 1970s and 1980s.

Recognizing the increasing economic segregation and isolation of public housing families, in 1995 the *Gautreaux* plaintiffs argued that economic segregation should also be a consideration in the placement of public housing. This was a watershed moment for desegregation cases – substituting economic integration for racial integration as a permissible relief. It was hoped that economic integration might be the first step to racial integration.⁴

At the same time *Gautreaux* was moving to economic integration as a remedy for segregation, HUD was questioning many of its policies that encouraged concentrated poverty in public housing. In particular, the HOPE VI program, providing as much as \$50 million dollars for the redevelopment of public housing developments, was continuing to foster developments that would isolate residents in concentrated poverty. Under the leadership of Henry Cisneros and his team, HUD began to radically rethink its approach to public housing redevelopment. Using the resources of the HOPE VI program, HUD embarked on a controversial new approach to redeveloping public housing as economically integrated developments that ideally would also spark revitalization in the surrounding neighborhoods.

Ten years ago, the idea of having a conference on public housing and neighborhood revitalization would have seemed impossible. For decades, public housing was isolated from its larger neighborhood, often viewed with hostility by the community and generally a visible cause for neighborhood decline. In most large cities, the disinvestment and decline surrounding public housing developments, or “projects,” was dramatic. Vacant lots, abandoned houses and shuttered stores on weak commercial streets were the neighborhood norm. Public housing

⁴ Conversation with Alexander Polikoff (Jan. 2006).

developments, often poorly managed, became home to gangs, drug dealing and other criminal activity. City government had little or nothing to do with public housing. Institutional structures and programmatic barriers encouraged city government to shy away from public housing – primarily because the problems seemed too intractable to solve. Most mayors saw no political upside and a significant political downside to getting involved in the issue.

Yet today, we can point to some of the largest successes in neighborhood revitalization in decades as being driven by public housing. Mixed-income communities are being created across the country that include long-term affordable housing (i.e. public housing) built at a neighborhood scale. The residents of this housing have the benefit of quality neighborhood amenities and services that are emerging as the old developments are demolished and new communities are built. Much of the rental housing is subject to market forces, meaning that people with other housing options choose to live there. These market-rate renters demand quality property management, amenities and services, all of which flows to the benefit of the public housing families. Public housing, once an anathema to neighborhood revitalization, is now one of the greatest generators of urban reinvestment. How did this happen?

In 1994, while working at HUD as an appointee in the Clinton administration, I was asked by then Chief of Staff Bruce Katz to move to the department of Public and Indian Housing to lead an effort to radically change the HOPE VI program. It had become quite clear to HUD leadership that most public housing authorities (“PHAs”) were unable to strategically use the up to \$50 million HOPE VI grants. Those that were able to develop plans were essentially planning on major rehabilitation with some level of PHA operated social services. The rehabilitation costs were exorbitant. The units and the developments would still look like public housing, act like public housing and just be slightly better looking. PHAs were getting little cooperation from

their city governments with respect to additional funding. Many PHAs were mired in controversy with their residents. The program was stalled in many locations. The funds were not being drawn from HUD, leaving the program vulnerable to Congressional scrutiny, or worse, rescission of funding. At the same time, a few enlightened housing authority directors, a small group of affordable housing developers and some newly elected mayors were questioning the rationale for continuing to reinforce concentrated poverty. Why, they asked, was HUD continuing to pour good money after bad in obsolete buildings and developments? The failings of public housing and welfare programs, in general, were clearly understood as they affected families and neighborhoods. Why was the federal government reinforcing failed policy? These mayors, PHA directors and experienced mixed-income housing developers proposed a way to economically integrate public housing using HOPE VI funds and/or other public housing capital dollars. The idea was to use public housing funds to leverage additional public and private capital, and then employ those greater resources to break up the large public housing sites and build new mixed income developments that fit into the fabric of the neighborhood. The hope was that the public housing families would benefit from economic integration and the larger neighborhoods could be revitalized in the process.

Innovation is not the hallmark of most public bureaucracies, let alone one that had only a few years before been labeled by the “HUD Scandals.”⁵ When I got to the Public and Indian Housing Department at HUD, I was shocked at how the system worked. After more than fifteen years in the field of affordable housing and neighborhood revitalization, I could not comprehend how insular the system had become. Years of rules, regulations and statutes created a system that encouraged PHAs and their residents to behave in ways not accepted by the society at large.

⁵ The HUD Scandals were the corruption uncovered at HUD in the 1980s that led to a number of political appointees going to jail, as well as significant scrutiny of the agency.

Some of my colleagues, within HUD and some of the reformers within PHA, described the system as a parallel universe.

The goals, incentives, rules, regulations and subsequent motivations of the PHA and the people it housed were generally foreign to how others in our society are treated and consequently behave. The operations of public housing in no way mirrored how private real estate operates. The single largest affordable housing program in our country had failed in large cities. It failed its residents, its neighborhoods and their cities. Success for PHAs was defined by not having audit findings or inspector general investigations, and by attaining sufficiently high enough ratings in HUD's evaluation system to keep the PHA off the "troubled list."⁶ While this rating system may have satisfied HUD, it did not necessarily improve the living conditions for residents or improve the surrounding neighborhoods. As one public housing official stated to me: "When I got to the agency we had a score of twenty-seven, within a few years we had a score in the nineties, but we looked around and the housing was still terrible. The residents were still isolated and the surrounding neighborhoods were still suffering."⁷ The system rewarded the status quo, however peculiar and, more importantly, it punished innovation.

Success for residents was generally defined as getting out of public housing. Success for residents, as defined by HUD, was increased employment and income. For residents, higher incomes meant paying more rent to live in the same apartment with no increase in the quality of services available to them and where some of their neighbors were paying little or no rent for the same apartments. The system created a disincentive for work and upward mobility. Families living in public housing that wanted vouchers to live in private housing were thwarted. They

⁶ "Troubled" housing authorities were subject to greater HUD scrutiny. Many big city housing authorities were on the troubled list.

⁷ Conversations with Christopher Shea, Assistant Commissioner Baltimore Housing. Former Director, Special Projects and Planning, Housing Authority of the City of Pittsburgh.

were barred access to the voucher program. They were trapped in the development in which they lived and, on rare occasions, were given the opportunity to move to another.

Isolated from the mainstream

Public housing authorities are chartered by states, separate from cities in which they operate, with little direct accountability to the public. Their policies and operations are governed by boards that are appointed by a variety of local officials (dependent upon state statute) at least one step removed from accountability under the local electoral process. Detailed laws and regulations govern almost every aspect of operations, from tenant selection, occupancy and capital improvements to demolition, disposition and new development. The functioning of this system has little or nothing to do with the normal functioning of real estate in a market context. Yet most PHAs are the largest landlords in a city or a region.

As a result of the way the system evolved, public housing generally operated in isolation. It had become a smaller city within a city, with its own “city council” of resident leaders elected pursuant to federal regulations. In the public housing city many of the institutions that are found in neighborhoods such as schools, parks and recreation centers were located right on-site requiring little interaction with the larger neighborhood. Public housing resident groups historically have not had reasons to work with nearby community and civic organizations. Nor have surrounding communities viewed their public housing neighbors as part of the neighborhood. In fact, public housing developments and their residents were often viewed with distrust and disdain. At the operating level, public housing officials had little need to work with their counterparts in local government. And, little was to be gained by city officials engaging in the public housing issue. Over decades, the energy of public housing communities focused

inward, mirroring its basic architecture, thus leaving the PHA, its developments and residents isolated from the broader community.

Welcome to the parallel universe

The parallel universe is a system where incentives, rewards and behaviors run counter to the way the real world operates.

- The parallel universe identifies families by the type of housing in which they live. They are “public housing residents,” not residents of a particular neighborhood or citizens of a particular city.
- The parallel universe isolates families who live in public housing and the bureaucracies that attempt to serve them from the mainstream of the communities in which they live and operate. They are often viewed hostilely by the larger community.
- The parallel universe anticipates that families receiving public housing assistance will lie about income, family members or family size, and responds by imposing an intricate system of rules and regulations on thousands of people to catch them in those lies. Yet, nearly every homeowner who takes the home mortgage deduction on their income tax gets a much larger annual housing subsidy and is in no way subject to this level of scrutiny.
- In the parallel universe, public housing authorities receive operating subsidies, i.e. rent from HUD, whether or not a unit was vacant. What incentive is there for customer service if the rent is paid whether or not someone lives there? What incentive is there for maintenance and quick re-leasing of apartments?

- In the parallel universe housing authorities are given an operating subsidy based on a formula created decades ago that has nothing to do with the actual operating costs of the housing.
- In the parallel universe the landlord, the PHA, is expected to be a provider of social supports to some of the most fragile households in our society. What other landlord is expected to solve the social problems of their residents?
- In the parallel universe many PHAs had to create their own police forces because the city's police force would not or could not enforce the law, thus signaling that these families did not deserve the full benefits of citizenship of their cities.
- In the parallel universe schools, parks and many social service needs are provided on site. In this contained environment there is little, if any, need to engage with the broader society.
- In the parallel universe there is a "parasitic infrastructure" where the weak are preyed upon by criminal elements and others who benefit from their isolation and weakness.⁸
- In the parallel universe the largest landlord in the city (and often the region) is completely insulated from market forces, yet its activities have major impacts on neighborhood housing markets.
- In the parallel universe failure is rewarded and success is not. The worst PHAs were rewarded with the ability to apply for tens of millions of dollars of HOPE VI funds, while high performing PHAs could not. People who work and improve their incomes must pay more rent, while people that do not work suffer no consequences.

⁸ Egbert Perry, President and CEO, The Integral Group, Lecture in a class at the University of Pennsylvania (Feb. 22, 2006). Integral Group is the developer of Centennial Place in Atlanta and a number of public housing redevelopments.

Within this context of misguided incentives, isolation and decades of behavior at the bureaucratic and household levels that runs counter to normal operations of society (yet was created by our society), my colleagues and I set about transforming public housing. Our goal was to break the isolation of the housing authorities and their residents, create quality sustainable affordable housing and weave back the fabric of urban neighborhoods that had seriously declined as a result of their proximity to public housing.

In a rational world, who would propose one of the largest neighborhood revitalization programs in the history of urban programs by providing PHAs, arguably some of the weakest public bureaucracies, with grants of up to \$50 million? On the face of it, it is absurd. However, then Secretary Henry Cisneros and others at HUD saw the HOPE VI program as an opportunity to right the wrongs of past policies and create quality sustainable neighborhoods with long-term affordable housing.

Historic context of HOPE VI

Fearing that the Republican administration would eliminate public housing and frustrated with the failure and the financial and human costs of public housing, Congress established the National Commission on Severely Distressed Public Housing in 1989. This blue ribbon commission was a bi-partisan group drawn from various professions and regions of the country. The Commission developed a National Action Plan it knew would “not be easy or painless or cheap to implement”⁹ that called for a ten-year strategy to eliminate severely distressed public housing by the year 2000.

⁹ NAT'L COMM'N ON SEVERELY DISTRESSED PUB. HOUS., *Transmittal Letter, for FINAL REPORT TO CONGRESS AND THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT 1* (1992).

The Commission not only concerned itself with the physical housing stock, but also with the hopelessness and wasted human potential of the residents living in severely distressed public housing. Among its most basic, yet telling, findings were:

- Residents afraid to move about in their own homes and communities because of the high incidence of crime
- High unemployment and limited opportunities for meaningful employment
- Programs designed to address distressed conditions with too little too late
- Programs to assist residents that provide disincentives to self-sufficiency
- Families living in physical conditions that have deteriorated to a degree that renders the housing dangerous to the health and safety of resident.¹⁰

The Commission called for new funding to address severely distressed public housing. The Commission also made a series of recommendations regarding the needs of residents. Among the Commission's most interesting recommendation was one encouraging housing authorities to create collaborations with private and non-profit developers and leveraging additional resources, declaring, "*Working partnerships* are essential in eliminating severely distressed public housing. Together, public housing residents; Federal, State and local governments; housing authorities; and other public and private community based organizations can change the landscape of severely distressed public housing developments. Separately, at best, each group can only make such housing more palatable."¹¹

¹⁰ NAT'L COMM'N ON SEVERELY DISTRESSED PUB. HOUS., FINAL REPORT TO CONGRESS AND THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT xii-xiv (1992).

¹¹ *Id.* at xiv.

In 1992, acting on the recommendations of the Commission, Congress created the Urban Revitalization Demonstration program, later renamed HOPE VI. The program was created through the Appropriations Committee, thus, outside the 1937 Housing Act and its many amendments. This meant no preexisting public housing rules or regulations applied to the HOPE VI program. As a demonstration program, it was intended to be flexible and experimental, and to provide housing authorities with enough funding to comprehensively address an entire development, both physically and socially.

By 1994, nearly one billion dollars of HOPE VI grants had been awarded. We were concerned the program was pouring good money after bad. We were concerned the program would not meet the challenges set out by the National Commission. We also wanted to ensure that after twelve years of Republican administrations marginalizing affordable housing and cities, we were going to have a HUD that could add value to cities across the country.

Rethinking public housing

The first step in re-evaluating HOPE VI and how we could transform it into a neighborhood rebuilding program was to rethink public housing. What is public housing? By its most simplistic definition, public housing is real estate. And, by definition, public housing authorities are publicly owned and managed real estate companies with the public purpose of providing housing for low-income families. Public housing authorities' most basic mission, implicit in their relationship to the 1937 Housing Act, is "to remedy the unsafe and unsanitary housing conditions and the acute shortage of decent safe and sanitary dwellings for families of

low-income.”¹² Since its inception in 1937, public housing has taken on various other missions, such as slum clearance, economic stimulus and housing of last resort, to name a few.

Public housing authorities operate real estate and rental assistance programs. HUD provides public housing authorities with three programmatic sources of funding: operating subsidies, capital dollars (i.e. HOPE VI funds, development funds or other modernization funds) and Section 8 rental vouchers. In the past, a fourth stream of social service funding was available. Essentially, rethinking public housing meant removing the programmatic lens on these funds and viewing them simply as streams of income designed to accomplish certain goals.

At its most basic level, how does public housing work? The public housing development concept is a simple one: use up-front capital to build housing that is debt free. This requires rental income to cover only maintenance and management expenses and no debt service. This is the most appealing financing available in the affordable housing arena.

What are public housing sites? They are “projects” – not apartment buildings. The term “projects” sends a strong message. Projects house some of the lowest income families in our cities in concentrated poverty. If new developments were created for people of varying income ranges, they would not be “projects” and people who live in them would no longer be “public housing tenants” or “those kids that live in the projects.”

Who uses the institution of public housing? The lowest income families in our cities live in public housing. Yet, when they live in public housing, as opposed to the private market using Section 8 vouchers, they are “public housing families.” Unfortunately, those words conjure up a different image of families than the words “affordable housing renters.” If the new developments did not distinguish housing by how it was financed (public housing, tax credit or

¹² United States Housing Act of 1937, ch. 896, 50 Stat. 888 (codified at 42 U.S.C. § 1437 (1982)).

market), those that lived in the development would simply be residents. They would not be marked as public housing residents.

What did we know?

After twelve years of diminishing housing programs under Republican presidents, the largest public housing revitalization program in decades was showing signs of stalling. Some mayors, public housing authority directors and developers wanted to rebuild their public housing, but not in way that would reconcentrate poverty.¹³ That was the only option at the time. In 1994, Richard Baron, an experienced affordable housing developer, presented a proposal to Secretary Cisneros that suggested using HOPE VI funds as debt. This model was based on HUD's highly successful Urban Development Action Grant (UDAG)¹⁴ program of the late 1970s and early 1980s. As debt, the public housing funds could leverage equity raised through the sale of Low Income Housing Tax Credit and other forms of private debt to create economically integrated housing.¹⁵

If we did not figure out how to reformulate this program, there might never again be a chance for public housing in the country. We knew:

- HOPE VI was a flexible demonstration program with enough funding to address large-scale distressed public housing sites. It had no regulations. This was a blessing and a curse. We could experiment, but given HUD's recent history of scandal, HUD staff and PHA staff were understandably reticent to do anything that was controversial.

¹³ Mayor Freeman Bosley of St. Louis, Mayor Tom Murphy of Pittsburgh and Atlanta Housing Authority CEO Renee Glover, all new to their positions, let HUD know they wanted to create economic integration.

¹⁴ The UDAG program provided cities with large project specific grants that they used as gap financing to major redevelopment projects. This program fostered the creation of many public private partnerships.

¹⁵ Richard Baron had initially been asked by the Mayor of St. Louis to develop a strategy to economically integrate a large distressed public housing site that was scheduled to be rebuilt as entirely public housing.

- PHAs, through no fault of their own, were not experienced urban redevelopers and did not have the staff or sophistication to undertake large-scale urban redevelopment. It simply was no longer their business. It had been decades since there was funding available for new development. That function within the PHA system had long since ceased to operate. New techniques of housing finance had evolved over the past decade. The development process would have to somehow be injected with private sector expertise and discipline. Public housing authorities would have to move out of their comfort zones of isolation and work with new partners and stakeholders.
- Rehabbing public housing developments, while creating better quality housing for residents, would not break up the concentrations of poverty or have an impact on the surrounding neighborhoods. Some mayors and housing authorities were objecting to investing tens of millions of dollars only to continue to concentrate poverty.
- Leveraging private dollars into the equation would provide a larger community benefit by fostering public/private partnerships and new stakeholders in the redevelopment process. Beginning in 1978, the UDAG program had shown that HUD could stimulate public/private partnerships to address difficult urban problems. Why not now?
“Public/private” should be consistent.
- There was a cadre of experienced affordable housing developers providing quality affordable housing with tools not available to public housing authorities. Why couldn’t the public housing streams of income be combined with other forms of debt and equity?
“Them” appears to refer to the developers not the tools.

- In order to build new developments, the old ones would have to be demolished. This flew in the face of the statutory “one-for-one” replacement rule.¹⁶ That law would have to be changed.
- Relocation would be complicated and required a significant commitment of Section 8 vouchers for relocation and permanent housing. Residents of public housing would have the option to use Section 8 vouchers and move where they chose.
- Every part of HUD would be affected. We needed to create an inter-departmental working group to create and implement the new strategy. In the end, every operating division of HUD had to waive regulations to allow mixed-finance public housing.

Mixed-finance, Mixed-income public housing

The premise of mixed-finance public housing was relatively straightforward. Design new mechanisms that would create quality economically integrated communities using public housing funds to leverage additional public and private funds in partnership with experienced housing developers. The goals were to:

- Integrate public housing into larger affordable and market-rate rental housing developments. Use the HOPE VI dollars as no interest debt to cover the cost of construction of the public housing units and use the operating subsidy to cover their operations.
- Reconfigure the public housing sites to fit back into the neighborhoods, eliminating super blocks and re-instituting the city street patterns.
- Break up the concentrated poverty that existed at the public housing sites.

¹⁶ The one for one replacement rule required that before a public housing unit could be demolished a replacement unit had to be built or acquired.

- Engage a broader set of stakeholders, specifically the city government and the surrounding neighborhood.
- Use HOPE VI as a neighborhood rebuilding program with long-term affordable housing.
- Use contemporary financing mechanisms to leverage new resources into inner city neighborhoods.
- Free public housing residents to have housing choices.
- Provide existing public housing residents with support systems to enable them to relocate and move back to the new site.
- Destigmatize public housing.
- Encourage new collaborations to create a more comprehensive social support system helping families reach self-sufficiency.

Challenges

A major barrier to our approach, however, was that in order to use Low Income Housing Tax Credits (the primary source of affordable housing capital), the public housing units were required by program rules to be owned by a private taxpaying entity - not by the PHA. Ownership by an entity other than a housing authority was not a situation ever contemplated in any public housing regulations, rules, or procedures. In 1994, HUD's General Counsel ruled that public housing units could be privately owned, if they continued to be operated as public housing and remained subject to all of the accompanying public housing operating rules and regulations. This unorthodox ownership structure opened the door for mixed finance public housing and collaborations between private developers and PHAs authorities. It also radically changed the

role of PHAs from producers, managers and owners of low-income housing to that of lenders, partners and regulators.

Another challenge to creating new communities, as opposed to rehabbing the old ones, was the “one-for-one” replacement rule, instituted by Congress, not long after the St. Louis Housing Authority demolished the infamous Pruitt Igoe development. “One-for-one” required that prior to the demolition of any public housing unit, a new replacement unit would have to be built or acquired. With limited land available in major cities and site and neighborhood standards that did not allow for public housing to be built in largely minority or low-income neighborhoods, there was no reasonable way to tear down obsolete public housing and rebuild it on-site. In order to tear down public housing, new units had to be built. Yet in nearly all cases, the only land available to rebuild public housing was on the existing site that needed to be torn down. With this logic, HOPE VI was destined to be a major rehabilitation program of obsolete public housing. As part of a series of public housing reform packages, the “one-for-one rule” was eliminated, clearing the way for new development on existing public housing sites.

Finally, a mechanism had to be created that would enable public housing authorities to solicit development partners and enter into new arrangements with private developers. In response, the mixed-finance development rule was created. In 1995, the new strategy for creating mixed-finance, mixed-income public housing was unveiled. It encouraged housing authorities to test the mixed-finance concept. A document outlining goals for the mixed-finance public housing program was sent to all eligible 1995 HOPE VI applicants. It stated:

The Department intends to utilize FY1995 HOPE VI implementation funds to support the dramatic transformation of severely distressed public housing rewarding strategies that directly attack the isolation of public housing developments and residents, by blending public housing units into economically integrated communities. The Department encourages PHAs to

work in partnership with organizations in the broader community to plan viable communities that will appeal to both subsidized and unsubsidized renters and homeowners in a competitive marketplace.

PHAs submitting proposals for FY 1995 HOPE VI funding should strive to achieve the following goals:

- Create communities of choice.
- Leverage additional public and private sources of capital.
- Establish collaborations.
- Establish innovative partnerships and approaches to owning and managing public housing.
- Establish innovative approaches to funding and delivery of supportive services.
- Establish community service programs.¹⁷

Selection factors for the 1995 HOPE VI round reflected a sense that placing HOPE VI redevelopments within more comprehensive community planning processes, forming new relationships and using innovative collaborations and transaction structures could:

- Significantly increase the resources available for both development and community and supportive services.
- Break down the physical and psychological divisions in communities keeping public housing residents and others apart.
- Maximize neighborhood revitalization benefits for both public housing residents and the larger communities affected by the new development.

¹⁷ DEPT. OF HOUS. AND URBAN DEV., FURTHER INFORMATION FOR DEVELOPMENT OF PROPOSALS FOR FY 1995 HOPE VI IMPLEMENTATION GRANTS 6-7 (1995).

The selection process also emphasized “readiness to go,” including the degree of support and actual commitment by outside stakeholders including city agencies, public housing residents, surrounding community organizations, and others.¹⁸

Preliminary Results

Among the first cities to take advantage of the mixed-finance approach were Atlanta, St. Louis, Louisville and Pittsburgh. In each of these cities, the public housing is seamlessly integrated into a larger development that includes affordable and market-rate housing. The public housing funds leveraged more than double their value in new investment in neighborhoods that had experienced almost no investment in decades. In these cities, public housing redevelopment has spawned significant revitalization activity in the surrounding neighborhood.¹⁹

Redevelopments in these four cities were the subject of a paper sponsored by the Metropolitan Policy Program of the Brookings Institution.²⁰ They were selected because they were the earliest mixed finance developments funded and subsequently have the longest operating history of any mixed finance developments. In addition, these developments have clearly visible revitalization impacts on the surrounding communities. Also, each of the development collaborations had clearly articulated the desire to use the public housing as a vehicle to transform the larger neighborhood. Briefly, some of the findings were:²¹

¹⁸ *Id.*

¹⁹ See TURBOV & PIPER, *supra* note 2.

²⁰ See generally *id.*

²¹ *Id.* at 22-42.

- Median household income increased between 1990-2000 in each of the neighborhoods, ranging from 23% to 193%.
- Median household income increases significantly outstripped those of the cities and regions.
- Labor force participation increased between 1990-2000 in all cases, in one case from 36% to 69%.
- Unemployment rates dropped between 1990-2000 in all cases, in one case from 35% to 7%.
- Crime rates dropped in the three cases for which data was available. Most significant:
 - In the Centennial Place neighborhood in Atlanta, one of the highest crime rate areas of the city, serious crime dropped by 93% between 1993 to 2003.
 - In the Park DuValle neighborhood in Louisville, known as the most dangerous neighborhood in Kentucky, the overall crime rate before the redevelopment and after the redevelopment dropped by 82%.
- In all cases there was a revival of a private housing market. This took the form of:
 - Increased housing values in the neighborhood.
 - In some cases, housing values increased at higher rate than the city or the region.
 - Increased neighborhood assessed valuation in the one case where such data was available.
 - Privately sponsored new housing developed.
- In the developments that made public school reform a part of the redevelopment, Centennial Place in Atlanta and Murphy Park in St. Louis, elementary school test scores show significant improvement over the first five years after reforms were put in place.

Lessons Learned

Success, in my estimation, is when former public housing residents are seamlessly integrated into the larger neighborhood, when people are not stigmatized by where they live and where neighborhood economies are being recreated. Success is when former public housing residents are provided with a broad array of quality services with which they can tailor a plan to move to self-sufficiency and gainful employment. Success is when new partnerships emerge that bind public housing authorities to the larger city government and bring new civic and neighborhood stakeholders into the redevelopment process and ongoing life of the community. With public housing as the impetus, neighborhoods throughout the country are being revitalized into communities where people with choices are choosing to make their homes. In effect, “opportunity areas” are being created on the former sites of some of the worst public housing.

Following are five basic principals²² for using public housing revitalization as a catalyst for large-scale neighborhood reinvestment:

- 1. Public housing redevelopment plans should be part of a larger neighborhood vision developed and sustained with the active involvement of a broad set of stakeholders.**
- 2. Public housing redevelopments must focus on social mobility and opportunity for affected public housing families.**
- 3. Public housing redevelopments must consciously break the psychological and physical barriers that separate its residents from the mainstream.**

²² Public housing redevelopments must include transparent relocation and right of return policies. Unfortunately, relocation is not the subject of this paper.

- 4. Public housing redevelopments must leverage additional public and private dollars and, in doing so, engage a broader set of stakeholders beyond public housing residents, their advocates and PHAs.**
- 5. The public housing redevelopment must be rooted in market principals.**

1. Public Housing redevelopment plans should be part of a larger neighborhood vision developed and sustained with active involvement of a broad set of stakeholders

In order for public housing redevelopments to transform the larger neighborhood, they should be developed as part of a long-range comprehensive plan for the neighborhood. The plans must look beyond the borders of the public housing sites to engage and incorporate the needs of the larger neighborhood. The significant investment of public and private funds should flow beyond the once clearly demarcated property lines, blurring the division of families by income, class and sometimes race.

Planning for the physical and social needs of a new mixed-income community, one that will include a significant number of public housing families takes time. It is critical that a community engagement process take place that includes, the existing public housing residents, community residents, PHA staff, city staff and political leaders, social service providers, local intuitions, local schools, park districts, the police, market analysts and the developers and their architects. This is not typical neighborhood planning. It requires all of these disparate parties to join together to create a new and shared vision for a piece of real estate and a neighborhood that means different things to each of them.

When done well, the planning process, with its typical multi-day planning charrette, brings the stakeholders together around a vision of the possible. Difficult issues must be resolved including: how many units will be on the site, how many will be in the surrounding neighborhood, income mix, number of rental units, number of for-sale units, infrastructure, schools, parks and commercial space, if applicable.

Generally, the people engaged in these planning meetings have never worked together before and carry with them preconceived perceptions of each other. The process takes time and must be built on trust. Each party has a contribution to make to the new vision of the neighborhood. However, it is imperative the existing public housing residents be engaged. According to HUD rules, residents must sign-off on the plan. They are the ones with the most to lose and the most to gain. This would not be an easy process for anyone, let alone some of the most dispossessed members of our society faced with losing their homes.

An ongoing community stakeholder group or steering committee is also critical to the success of public housing redevelopments. Invariably changes will have to be made to the plan, based on financing, market and city funding. This stakeholder group should serve as an advisory board to the development team, the city and the housing authority.

This type of planning is expensive, often costing as much as half a million dollars. Many cash strapped housing authorities are reticent to expend this level of funding for only the chance of winning a large federal grant. Unfortunately, without this level of engagement and expense, many public housing redevelopment efforts fall short when it comes to implementation.

Experience has taught us that without the investment in good quality planning and honest civic dialogue, the public housing redevelopment often falls short, causing long-term

consequences in the implementation stage. When HUD began the HOPE VI program, public housing authorities could apply for \$500,000 planning grants. Within a few years, HUD dropped this program in a shortsighted attempt to save money. Cities, philanthropy and housing authorities should find a way to fund this community engagement and planning process.

2. Public housing redevelopments must focus on social mobility and opportunity for affected public housing families.

It is easy to get caught up in the complexities of the physical planning, design, financing and real estate transitions. However, the purpose of the HOPE VI program is to improve the life opportunities for very low-income families that reside in public housing. Simply providing attractive housing in a more secure environment is not enough. Assisting public housing families to become self-sufficient and productive members of society is the clearly stated goal of the program. Unfortunately, this purpose is sometimes overlooked.

Successfully integrating former public housing families into economically diverse living environments requires focusing on the needs of the families who are affected by the redevelopment. Just as comprehensive physical plans are developed, comprehensive social service delivery plans must also be created. Often this requires reconfiguring the existing panoply of social service programs into a comprehensive system that addresses the needs of the families. Often, there is a mismatch between the needs of the existing families and the services available to them. A serious assessment of the supportive service needs of affected families should be undertaken to understand gaps in the existing delivery system, as well as provide a level of accountability of the services provided.

Unlike the early days of HOPE VI, most PHAs should not be the primary provider of services. Nor should most private developers. Social service provision is not the core capacity of these organizations. Instead, development teams should include people or institutions with expertise in social service delivery that can make sense of the complex web of service providers, and encourage new systems to meet the needs of the residents as well as the ability to secure needed resources.

Very low-income public housing families often have a variety of issues holding them back from full integration into the work force. These families need help to stabilize their situations such as day care, after school programming, GED classes, substance abuse programs, etc. In a successful redevelopment, a system of case management is instituted to assist help families find the services they need before, during and after redevelopment.

When families are required to have employment, training, or education as a prerequisite for returning to public housing,²³ access to these opportunities must be provided by those engaged in the redevelopment. In a number of successful public housing redevelopments, new stakeholders such as banks, universities and hospitals offer entry-level employment opportunities.

The goals of the National Commission on Severely Distressed Public Housing and the HOPE VI program identified the need to assist families to reach self-sufficiency as well as the importance of bringing new collaborations and resources to public housing families. Improving opportunities for social mobility must be a focus of these neighborhood transformation activities.

²³ These requirements have been instituted by PHAs, developers and sometimes the public housing resident associations.

3.. Public housing redevelopments must break the psychological and physical barriers that separate its residents from the mainstream

Families that live in the “projects” are stigmatized and categorized simply by where they live. Assumptions are made about residents of public housing by neighbors, schools, police and others without even knowing them. Residents of public housing are somehow marked as different because they live in housing that looks different than that in the rest of the community.

Successful public housing redevelopments break these stereotypes wide open. They seamlessly integrate families of differing income levels into the same development. The new developments are designed to meet high quality standards and include features that attract families who have other housing choices. High quality design and amenities should be incorporated into the housing so it cannot be distinguished as low-income housing. Superblocks that once isolated the community and created havens for criminal activity must be broken up to a human scale. Streets are reintroduced into the developments that connect back to the neighborhood. This reconfiguring of the neighborhood infrastructure requires significant collaboration with the city and significant public investment. Where possible, the developments should incorporate vacant tracts of land from the surrounding neighborhood, thus lowering density and blurring the lines of the development.

Quality redevelopments include a range of incomes that include apartments for families with other housing choices. Units are not identified and often float, meaning that a unit occupied by a market-rate family one year could be leased to a public housing or tax credit family the next year. Consequently, no one knows who is a public housing family or not. The image of the development is of one that might be found in market-rate communities.

The “projects” are gone. The stigma is gone. Yet, many of the same people who previously lived in the “projects” now live in the new development.

4. Public housing redevelopments must leverage additional public and private financial and civic capital.

With the changes to the public housing regulations that allowed for private ownership of public housing and the full-scale demolition and rebuilding of new communities, a new set of stakeholders emerged. For the first time in decades, mayors began to lobby HUD for public housing funds. Beginning in 1995, mayors such as Tom Murphy of Pittsburgh and Jerry Abramson of Louisville personally visited HUD Secretary Cisneros to make the case for why their cities should be awarded HOPE VI funds. In every city my colleagues and I visited, the mayor was present to make the case for their city to be awarded HOPE VI funds. Mayors are among the strongest advocates for public housing funding. This has not been the case for over thirty years.

Just as important as mayoral support, civic leaders from various cities began to rally around receiving HOPE VI grants. A consortium of Atlanta business, political and civic leaders hosted a presentation for my HUD colleagues and me to articulate why the Techwood and Clark Howell Homes should be awarded HOPE VI funds. In Baltimore, the mayor, chief of police and the president of the University of Maryland Medical School joined forces exemplifying the level of public and private commitment they were prepared to make if HOPE VI funding was made available for Baltimore’s Lexington Terrace redevelopment. These commitments included additional state funding, employment training and entry-level jobs at the University of Maryland hospitals. A delegation of civic leaders headed by the

president of the Cleveland Foundation met with Secretary Cisneros to plead Cleveland's case for HOPE VI funding. These are just a few of the examples of the civic engagement that emerged around cities receiving public housing funds. In Chicago, the MacArthur Foundation is making a sizable commitment to the CHA Plan for Transformation.

As the public housing development process changed to one that embraced public-private partnerships, developers, lawyers and accountants, lenders joined in the public housing development process, bringing new credibility and influence to the table.

At the local level, business leaders, major institutions, civic organizations and foundations became engaged in the public housing redevelopment process. In St. Louis, over twenty-five local corporations invested in the transformation of George L. Vaughn public housing to mixed-income Murphy Park Homes. Those same investors became the driving force behind a school reform effort in that community. In Pittsburgh, it was the Manchester Citizens Council, the local CDC, that lobbied the City to help them realize their community plan by redeveloping the public housing in their community.

These institutions and community stakeholders have joined with public housing residents and PHAs to create new collaborations aimed at rebuilding former public housing communities and providing new opportunities for the families who live in them. Cities, for the first time in decades, committed significant sums of money for infrastructure and gap financing. Local foundations and institutions provided funding for planning, and reconfigurations of social service delivery systems.

In Atlanta and St. Louis, reconstituted elementary schools became the cornerstone of the redevelopments, with funding and civic engagement from the corporate and civic leaders. These schools have seen significant improvement in test scores for neighborhood children.

In Atlanta, the Centennial Place School serves a low-income African American student body and is now the second-highest performing elementary school in the Atlanta School District.²⁴

Were it not for the mixed-income nature of the development and the revitalizing impact it was anticipated to have on the neighborhood, the new stakeholders necessary to build a new school would not have been part of the redevelopment program.

In city after city, public housing redevelopment was raised to a level of civic dialogue. With the hope that the concentrated poverty can be broken up, neighborhood revitalization is possible and opportunities to create mixed-income communities, public housing, in many communities, is on the civic agenda.

Had HOPE VI remained a traditional public housing rehabilitation program that isolated families and did not contribute to the larger neighborhoods while continuing to concentrate poverty, this type of civic and political engagement around public housing would not have occurred. It certainly did not happen in the early days of the program.

5. The public housing redevelopment must be rooted in market principals.

HUD's original intent in creating the mixed-finance, mixed-income approach to public housing redevelopment was not simply to socially engineer the redevelopments. We wanted to create a mechanism that would protect public housing for low-income families while also making it subject to market forces. We wanted to inject market discipline into the development process by subjecting the developments to real market risk which demanded that private owners and investors maintain a quality environment. Most importantly, we wanted to assure HUD's investment was sustained over time, thereby providing quality

²⁴ Egbert Perry, *supra* note 8.

housing over the long run. By integrating other sources of funds (including tax credit equity, first mortgage debt and other debt), there would be an entirely new set of institutional eyes on the deal, evaluating its viability and requiring returns. Private financing assured that a system of checks and balances was imposed on the development and operations of the property. This was a system that HUD and PHAs were not capable of creating through traditional public housing development mechanisms.

When a market-rate rental component is integrated into the financing of the development, the owner has real risk in the form of real debt on the property that must be repaid. Developers and owners also risk that families with other housing options will not choose to live in the development. Consequently, the property must be built to a market-rate standard. Furthermore, it must be managed and maintained to a market-rate standard. If families with choices leave, the financing of the development will unravel and there will be serious consequences for the owners, lenders and investors.

Establishing these market and financial checks and balances – with real risks for the owner – assures that the development, including the public housing and tax credit units, will be sustainable. When the market-rate component of a development is separated from the direct operations and financing of the public housing units, these assurances are lost. Also of critical importance, when there is a market-rate rental component, the development cannot be stigmatized as a low-income development because it is not. It is a market-rate development with public housing.²⁵

The most successful public housing redevelopments – those that not only create quality housing for low-income families but also transform the larger neighborhood – include a

²⁵ Interview with Renee Glover, CEO Atlanta Housing Authority (Mar. 21, 2003).

market-rate or unrestricted rental component. In these developments, there are public housing units and tax credit units, each serving families under 60% of median area income. However, the subsidy is tied to the housing. People with limited income and little housing choice, must remain at the development to maintain below market or subsidized rent. The history of public housing and project-based Section 8 has shown that, even as management and the physical conditions of the development declines, low-income renters remain in the unit because they have no other housing options. With a captive market, there are few incentives for the owners to continue to improve the quality of the living environment. The market incentives are simply not in place to demand quality over time.

Nearly all of the earliest public housing redevelopments included some form of a market-rate or unrestricted rental component, including all the Atlanta Housing Authority redevelopments (as it is policy), Murphy Park in St. Louis and Park Du Valle in Louisville. Over time, many cities have opted to separate the market-rate component, segregating it as homeownership, while the rental component is strictly low-income. In these cases, there is a clear demarcation by income that one type of housing is low-income, i.e. the rental and the for-sale is market rate for higher income families. Once again, residents are identified and stigmatized by the homes in which they live. Most importantly, the carefully crafted checks and balances that protect the living environment for low-income families are erased.

Conclusion

The institution of public housing is forever changed. Over the past decade public housing has taken a radical departure, from causing neighborhood decline to reversing it. Bureaucracies that functioned outside the mainstream of their cities are now part of the

solution. New developments have radically changed the urban landscape and rebuilt neighborhood economies. Families that lived in dangerous and deteriorating public housing are now living high quality modern apartments, next to families of various incomes and walks of life. Many of the families in this process have broken out of their isolated poverty and are attaining a level of social mobility.

Nearly all of this realignment is the result of enabling public housing to be built in partnership with private developers, creating economically integrated communities. With a vision of new possibilities, entirely new relationships, stakeholders and resources have focused attention on the needs of the lowest income families in our cities. Mayors across the country are focusing local resources on public housing developments and the families that reside within them. New civic and philanthropic stakeholders are engaged in the public housing issue.

When looking back at the goals of the National Commission on Severely Distressed Public Housing, it is clear that the problems they articulated are being remedied and the vision they set forth is becoming a reality in a number of cities. HUD's 1995 goals – creating communities of choice, leveraging new resources, establishing collaborations and innovative partnerships and establishing innovative approaches to funding delivery of supportive services – have been realized in many redevelopments.

When HUD embarked on this journey of changing the way public housing was developed, we were unsure of the outcome, but we believed there had to be a better way to expand for low-income people and it that it was worth trying. At that time, there was talk in Congress of eliminating the public housing program altogether. A series of reforms were enacted in response to that possibility. The slogan at HUD became “ending public housing

as we know it.” For those who worked to change the system, inside and outside of HUD, public and private, our mantra was “saving public housing as we don’t know it.” I think we succeeded.

Today, while HOPE VI is still under siege, Senators, members of Congress, big city mayors, philanthropic and civic leaders have rallied around clearly demonstrated public housing successes. On the sites of failed public housing, new economically integrated communities are being rebuilt with long term affordable housing. Neighborhood economies are being rebuilt with private investment and newfound community confidence. Low-income families are working hard at self-sufficiency and, in many cases, have attained high school diplomas, graduated from college or are fully employed. Many of the children that resided in the dangerous and decrepit public housing have significantly greater opportunities to succeed.

These public housing successes, and the new constituencies they have brought to public housing, have helped fend off the constant attack on public housing and the low-income families it was intended to serve.

Is the program perfect? By no means, there are plenty of HOPE VI redevelopments that do not fully meet the original goals of the program. Many do not transform the surrounding neighborhood. Unfortunately, there are a number of developments where the interests of the residents were lost in the process. It is important to admit the failings and attempt to redress them.

Yet for those redevelopments that have succeeded, the results are remarkably similar to the outcomes Gautreaux has sought: social mobility, economic integration and, on rare occasion, racial integration. In a sense, the successful public housing redevelopments are

creating “opportunity areas” right back on the site of failed public housing. These on-site “opportunity areas” create the choice for low-income African American families to stay in their neighborhood and reap the benefits of new collaborations and new investment.