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PRIVATIZING CHICAGO:

THE POLITICS OF URBAN REDEVELOPMENT IN PUBLIC HOUSING REFORMS

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ABSTRACT

In the early 2000s, Chicago emerged as an archetypal city in the broader movement to remake public housing. Chicago's Plan for Transformation committed upwards of \$1.5 billion to demolish high-rise buildings, rehabilitate a portion of existing stock, and create 12 new mixed-income developments on the footprint of public housing sites. Policy incentives—such as financing for capital development, long-term rental subsidies, and public land transfers—aimed to encourage public-private partnerships. During the 2008 economic crisis and its aftermath, however, the promised transformation proved financially difficult—if not impossible in certain geographic areas—to complete at the scale intended. That shift in the economic context, along with subsequent political responses, thoroughly altered the policy strategy. To date few empirical investigations have analyzed how these changes restructured the very nature of public housing reforms, and what this restructuring means for policies that require market intervention for the provision of public goods. This dissertation performs just that empirical analysis.

Privatizing Chicago examines the city's public housing reforms as an example of “actually existing” (Brenner & Theodore, 2002) neoliberal urbanism and explains how specific political actors, processes, and institutions altered market-based policies intended to reshape urban poor neighborhoods. Viewing Chicago as a neoliberal city requires both recognizing its political landscape as one where the primary aim of municipal government is to promote an entrepreneurial agenda that positions the economic success of the city above all other interests, as well as viewing the potential for progressive movements to contest this agenda. Prior to this study, Chicago's reforms had not been examined across time or geographic areas using critiques of neoliberal urbanism, nor through qualitative methods. This study fills that gap and uses the case of Chicago to improve the empirical understanding of neoliberal urbanism more generally.

The study accomplishes this through a case study of Chicago's public housing reforms between 2000 to 2016. It shows how government officials, real estate developers, bankers, lawyers, planners, grassroots activists, and others pursued policy strategies favorable to their interests over a 16-year period—a time marked by the economic recession. My methodological approach is a theory-driven form of ethnography, and my analysis draws from 61 in-depth interviews, field observations over 22 months, archival research of over 500 documents, and the analysis of financial data. This approach brought to light the multiple and contradictory visions at work within the neoliberal framework: competing ideas of the proper partnerships between the public and private sectors, shifting authority among local and national government agencies, and struggles for community redevelopment on the land where high-rises once stood.

In probing these conflicts and contradictions, I argue that the overall effect of the reforms was to burnish Chicago's status as a "global city," but it also contributed to land appropriation, capital accumulation, and the displacement of thousands of low-income African-American residents. The cycle of government intervention into market failure will continue as long as the role of the state remains dominated by an agenda of capital expansion, rather than of equitable urban development that ensures a place for low-income, predominately racial minority communities to live. Theoretical contributions related to neoliberal urbanism align around four themes: (a) political agency and resistance; (b) privatization and financialization; (c) local state control, federal devolution, and global processes; and (d) the relevance of race. A set of policy implications drives towards recommendations regarding affordable housing policy, democratic governance arrangements, collective action focused on social justice, and market-based policy strategies.

CHAPTER ONE: INTRODUCTION

Problem Statement

Prior to the 2008 global financial crisis, Chicago emerged as an archetypal city in the broader movement to restructure public housing. Chicago's reforms, the Plan for Transformation (Plan), committed upwards of \$1.5 billion in federal funding to demolish high-rise buildings, rehabilitate a portion of existing stock, and create 12 new mixed-income developments on the footprint of public housing sites.¹ Launched in 2000, the 10-year Plan sought to remake the city's physical landscape and craft different housing opportunities for public housing residents, the majority of whom are African American.² Policy incentives—such as financing for capital development, long-term rental subsidies, and public land transfers—aimed to encourage private sector firms to partner with local government. Public housing sites that had previously been perceived as economically risky for market investment became more attractive for redevelopment, while coveted public housing sites located in gentrifying neighborhoods were sought after by real estate developers.

Chicago Mayor Richard M. Daley and HUD Secretary Henry Cisneros cited the Plan as evidence that public-private partnerships between government, corporations, and non-profit organizations provided better housing for low-income households in safer environments as

¹ The 2000 Plan slated 10 sites for redevelopment, but those numbers have shifted over time. In this study, I refer to 12 public housing mixed-income redevelopment sites as these have been most central in the Plan's progress. I present a map of these sites in Chapter Four. In addition, the original Plan allocated \$1.5 billion in federal funding. The total investment to date into the Plan has never been officially documented. I estimate a total cost of \$8 billion over the 16 years based on taking the last Chicago Housing Authority (CHA) reported figure in December 2009 of \$3.2 billion and adding the additional funding each year since then to arrive at the estimate of \$8 billion (CHA, 2009a; CHA, 2014a).

² While the Plan originally was scheduled to be completed in 10 years, the goals were not completed by 2010. It is currently in its 16th year.

compared to isolated concentrations. While those claims turned out to be questionable, there was no denying that the Plan radically changed Chicago's inner city landscape.

Mayor Daley, legal advocates, HUD officials, and other policymakers who supported the replacement of public housing with new economically diverse housing communities argued simply that traditional public sector interventions had failed. If racially segregated, disinvested neighborhoods were to be radically reshaped, they said, a significant number of public housing units needed to be replaced with market-rate housing that incorporated a portion of affordable rental apartments.³ This mixed-income housing strategy would attract a more affluent population who would, in turn, create demand for life-enhancing amenities and commercial goods. Daley and other policymakers presented the Plan as a win-win for all involved. The policy incentives would attract investors and developers by making affordable housing production a profitable pursuit. Those incentives would extend benefits to both urban neighborhoods by generating well-resourced environments and low-income populations by creating opportunities to experience improved life trajectories. Chicago's global economic competitiveness, they argued, would be enhanced by seeding new market ventures in historically disinvested areas.

During the 2008 economic crisis and its aftermath, however, financing for building costly new mixed-income developments became less stable. The promised transformation of Chicago's public housing proved financially difficult—if not impossible in certain geographic areas—to complete at the scale intended or with the continuum of socio-economic diversity expected. That shift in the economic context, along with subsequent political responses, thoroughly altered the policy strategy and changed the direction of anticipated outcomes. As macroeconomic forces

³ In 1999 prior to launch of the Plan, the CHA owned approximately 38,000 housing units. The Plan intended to demolish 18,000 of these units (CHA, 2000).

created heightened constraints in the overall housing market, significant policy questions arose: Will investors, developers, and others in the real estate industry continue to advance redevelopment projects, especially if the financial returns are no longer as profitable? Will local government officials proceed with offering incentives so as to maintain partnerships and complete the Plan’s goals? Will tenant leaders, advocates, and other policy stakeholders take action to alter the reform agenda, and if so, for whose benefit? What would be the fate of low-income neighborhoods and households affected by the privatization of public housing?

To date few empirical investigations have analyzed how the economic shocks and subsequent political responses of the past eight years restructured the very nature of public housing policy reforms, as well as what this restructuring means for policies that require market intervention for the provision of public goods. This dissertation performs just that empirical analysis by addressing the following two research questions:

1. How do Chicago’s political actors, processes, and institutions shape market-based policies intended to remake urban poor neighborhoods?
2. How and to what extent do reforms that privatize public housing work, particularly during the post-recession period?

Theoretical Overview

This project draws on the Marxist critique of neoliberal urbanism to examine public housing reforms as indicative of “actually existing neoliberalism” (Brenner & Theodore, 2002, p. 2).⁴ Neoliberalism refers to an ideology and associated policies and practices that embrace the

⁴ “Actually existing neoliberalism” refers to the idea that how cities evolve is largely shaped by “path-dependent, contextually specific interactions between inherited regulatory landscapes and emergent neoliberal, market-oriented restructuring projects at a broad range of geographic scales” (Brenner & Theodore, 2002, p. 2). After establishing the case of Chicago’s public housing reforms as one indicative of “actually existing” neoliberal urbanism, I will no longer

universal applicability of a self-regulated market economy (Harvey, 2005). Over the past 40 years, cities became strategic flashpoints for the struggle between economic restructuring that produces inequality and political movements that seek to redistribute benefits and preserve social justice. Furthermore, cities are now under new levels of fiscal constraint following decades of federal government program withdrawal, such as in the area of national welfare protections. In response, local government actors have mobilized around neoliberal policy strategies—such as tax-free districts, commodification of public space, and privatization of municipal services—in order to attract economic investment. The creation of new incentive structures intends to capture value from city assets, simultaneously reproducing and obscuring the underlying inequitable conditions within market capitalism. The “neoliberal city” is thus conceptualized as a place where the primary aim of municipal government is to promote an entrepreneurial agenda that places the economic success of the city above all other interests, including those of social welfare and equity (Brenner & Theodore, 2002; Hackworth, 2007; Harvey, 1989; Peck, Theodore, & Brenner, 2009; Weber, 2002).

Neoliberal cities are also spaces where urban social movements, place-centered battles, and other forms of activism demand alternative, progressive policy paths (Fields, 2014; Leitner, Sheppard, Sziarto, & Maringanti, 2007; Sites, 2007). Contesting neoliberalism, these struggles reshape urban governance towards strategies aimed at social justice. Neoliberal urban policy reforms and those actors promoting them must contend with the resistance that often occurs in urban terrains (Mayer, 2012).

continue to reference this term as one associated with Brenner and Theodore (2002). Rather, I adopt its use for my research goals in this dissertation.

The privatization of public housing, and in particular its mixed-income housing development strategy, fits within this frame of neoliberal urbanism. The critique from this perspective is that urban redevelopment generates profits for elites seeking both access to real estate in public housing sites and public incentives to produce housing (August, 2014, 2015; Crump, 2002; Duke, 2009; Fraser, DeFilippis, & Bazuin, 2012; Glynn, 2009; Goetz, 2013a; Hackworth 2007, 2009; Hanlon 2010, 2012; Imbroscio, 2012; Lees, 2008; Wyly & Hammel, 1999, 2000). Much of this literature exposes structural inequalities reproduced by public housing reform but does little to explain the role of state actors, policy processes, and political institutions which together shape the incentives for market activity within urban neighborhood redevelopment projects. This study intends to fill that gap in the literature by investigating political processes of public housing reforms in Chicago that have created conditions in which contemporary market-based policies are accepted as standard practice.

Crucial for this study is the idea of actually existing neoliberalism as it is shaped within distinct geographic space and time, as well as how it unfolds through uneven, contradictory processes. A disjuncture exists between neoliberal visions of competitive free markets and the political operations that occur through state intervention to enforce market activity. Neoliberalism in the real world, rather than as an ideology, is best understood within the “contextual embeddedness” (Brenner & Theodore, 2002, p. 2) of any given restructuring project. This study investigates Chicago’s public housing reforms as an example of “actually existing” (Brenner & Theodore, 2002) neoliberal urbanism and unpacks the specific political processes that facilitate market engagement in urban neighborhood redevelopment efforts. I examine Chicago’s Plan as reflective of “creative destruction” involving a double movement that occurs in other neoliberal policy transformations: the simultaneous “roll-back” (destruction) of

collectivist redistributionist systems, such as public housing, along with the “roll-out” (creation) of restructured state institutions, policies, and governing approaches focused on capital expansion (Peck & Tickell, 2002, p. 43).

Public housing in Chicago contributed to and reinforced pervasive racial segregation and hyper-concentrations of low-income African Americans in the city. At the same time, the redevelopment of the central city in the 1990s generated profitable investment opportunities, while raising Chicago’s global profile. Select neighborhoods, such as the South and West Loop, were targeted for redevelopment to attract wealthier populations and commercial ventures. Within this political context, Mayor Daley and other city officials announced plans to demolish public housing buildings and relocate nearly 25,000 households, while also initiating novel redevelopment strategies to be undertaken by private sector actors. Not surprisingly, the response to the reform agenda varied extensively across different political interest groups, including generating an organized resistance effort. This inherited institutional framework lay the groundwork for what would become a dynamic, ever-evolving, 16-year reform effort.

As one of the largest and most expensive public housing restructuring efforts in the world, Chicago’s public housing reforms have yet to be empirically examined across multiple years or geographic areas using ethnographic methods. Furthermore, the largely theoretically-driven body of literature on neoliberal urbanism requires that its conceptual development be situated, challenged, and extended upon using data collected during the post-recession era, as well as through qualitative study accounts.

This case of Chicago’s public housing reforms thus provides empirical ground to understand the processes of neoliberalism as they actually play out on the ground. In doing so, this project articulates a more precise explanation of urban governance, real estate development,

and community efforts aimed at resistance in one U.S. city and within the policy domain of public housing and urban redevelopment.

Research Goals

This study concerns itself with the shifting, co-constructive relationship between political economic structures and local action that shape the politics of urban redevelopment within public housing reforms. The study has four primary research goals.

First, it aims to illustrate how mayors, CHA officials, and other local government actors consider the city's financial interests within the array of goals outlined in the Plan. I explore the political interests and governing approaches of these local officials as they engage actors from private and civil society sectors. I also examine the role of local government officials with the turn towards "entrepreneurial" (Clarke & Gaile, 1989; Harvey, 1989) urban governance.

Second, the study seeks to illuminate how radical shifts in the broader political and economic environment influenced public housing policy reforms in Chicago. The transition towards federal devolution of public housing in the early 2000s allowed for less federal oversight and greater municipal-level authority which resulted in extensive flexibility for Chicago's public officials to determine the allocation of significant amounts of federal subsidies. Later, the impact of the 2008 financial crisis and its enduring effects were exceptionally acute because of failing housing markets, particularly in low-income and African-American neighborhoods where most public housing sites were located. I explore these and other shifts in the broader political and economic context as important factors in shaping local political processes.

Third, the study attempts to understand how the privatization of public housing functions as a policy framework. Privatization refers to actions of public officials—elected representatives and government bureaucrats—to shift the direct provision of public housing and the

responsibility to redevelop urban areas from the state to the private sector. The study thus accounts for the policy incentives—government-issued contracts, fiscal policies, and land transfers—that stimulated a response by private sector entities to conduct work previously undertaken by the Chicago Housing Authority (CHA). I explore the role of housing development corporations and investment firms that hold stake in the mixed-income development projects.

Fourth, the study seeks to show how political and market actors in Chicago organized to promote, shape, and later alter public housing reforms. In particular, I examine how grassroots activism mounted by community organizations, tenant leaders, legal advocates, and others shaped discourse and policy decisions. The study thus accounts for the interactive relationship between resistance efforts and market-oriented political agendas in influencing how processes of neoliberalism played out over time.

Dissertation Overview

In *Privatizing Chicago*, I employ the extended case method study design to investigate Chicago's public housing reforms within the political context of the city. My inquiry focuses on how political and market actors—for example, housing developers, government officials, financiers, non-profit organizations, and policy advocates—influenced reforms before, during, and after the economic crisis across the period of 2000 to 2016. My methodological approach is a theory-driven form of ethnography focused on the discursive framing, decisions, and behaviors of key actors (Burawoy, 2009). My analysis draws from 61 in-depth interviews, field observations over 22 months, archival research of over 500 documents, and the analysis of financial data.

In this chapter, I have provided an overview of the conceptual perspectives embraced by the study. Chapter Two presents the argument for interpreting the challenges encountered by

public housing reforms through Marxist critiques of neoliberal urbanism. Chapter Three explains the extended case method and its relevance for this study. Chapter Four provides an overview of public housing reforms within the political context of Chicago.

The empirical chapters that comprise the main body of the dissertation—Chapters Five through Eight—examine four domains where the interplay between the urban political economy and local politics contributed to the evolution of the reforms: (a) mayoral influence, (b) federal policy devolution, (c) use of the private sector and changing economic conditions, and (d) contested redevelopment of public housing sites. All four chapters use data compiled about the entire 16-year reform period (2000-2016) and attempt to take into account changes over time. Chapter Five explains how the mayoral administrations of Richard M. Daley (1989-2011) and Rahm Emanuel (2011-present) differed in policy strategies and political tactics while embracing a similar agenda that prioritized Chicago’s global economic competitiveness. Chapter Six explicates how the confluence of a HUD federal devolution policy framework and Chicago’s local political influence led to the advancement of privatization in the post-recession period, though not without community resistance. Chapter Seven examines the rationales, policy tools, and impacts of privatizing public housing across different economic conditions to show the dominance and threats of market-oriented policy frameworks. Chapter Eight shows how actions undertaken by government officials advanced a strategy of selling and transferring public land increasingly over time, as well as how two different resistance efforts influenced policy priorities. Chapter Nine concludes this dissertation by bringing together cross-cutting themes from the four domains to specify how Chicago’s public housing reforms reflect actually existing neoliberal urbanism. It then identifies implications for urban theory, policy, and practice.

CHAPTER TWO: THE POLITICAL ECONOMY OF A NEOLIBERAL CITY

Introduction

This study draws on the Marxist critique of neoliberal urbanism to examine Chicago's Plan for Transformation as an "actually existing" (Brenner & Theodore, 2002) neoliberal policy agenda. In this chapter, I briefly review two key theories of political economy and consider their application to public housing reforms. I then present the argument for interpreting Chicago's public housing through the particular Marxist lens.

Ways of Understanding the Political Economy

Two theories of political economy, political institutionalism and urban regime, provide an important backdrop for situating this investigation as one that considered the importance of institutional structures of the welfare state and urban political governance. Applying either of these perspectives to Chicago's public housing reforms could have been useful, though both have limitations for the current study, leading me to rely more centrally on Marxist-influenced theory.

Political Institutionalism Theory

Theories of political institutionalism explain how institutional configurations (e.g., government administrations and political parties)—and their associated formal policies and informal processes—drive the development of political and economic change during different political eras (Hall & Taylor, 1996; Katznelson, 1998; Pierson, 1995, 2000a; Robertson, 1993). Accordingly, government institutions comprised of political actors such as elected representatives, judges, and administrative bureaucrats shape rules and resource distribution within a context of inherited political legacies (Hacker, 2002; Hacker, Mettler, & Soss, 2007).

Scholars have applied this theory to the study of the welfare state with the goal of understanding how different political institutions shape politics and policies related to social

welfare. While scholars categorize the U.S. welfare state in different ways—from a liberal welfare regime (Esping-Andersen, 1990), semi-welfare state (Katz, 2001), or public-private welfare state (Klein, 2003) to a divided (Hacker, 2002), shadow (Gottschalk, 2000) or hidden welfare state (Howard, 1997, 2007)—there is consensus that market orientations have had a strong influence on U.S. policies. One explanation emphasizes the fragmented and decentralized U.S. constitutional system where constituency groups, particularly those with economic and political power, have influenced national legislation, administrative regulations, and local implementation of programs. In this climate, U.S. public policies progressively reorganize regulations and fiscal incentives to facilitate private-sector markets, allowing for self-directed purchasing of social protections (Pierson, 2007).

The key concept of “policy feedback” suggests that policy structures inherited from prior historical periods influence the political context, which in turn influences the political viability of reforms (Pierson, 1995). Path dependency helps explain how the timing and sequencing of events create processes whereby “policies passed at one point in time shape subsequent political dynamics” (Hacker, 2002, p. 53). These dynamics in turn create “developmental trajectories that are inherently difficult to reverse” (Hacker, 2002, p. 53). Thus, the status quo can come to outweigh the costs “of switching to some previously plausible alternative” (Pierson, 2000a, p. 252). The potential harm of course-diversion results in policy paths that appear “locked in” because of invested resources, up-front costs, established organizational capacities, and devoted political constituencies (Hacker, 2002, p. 55).

Policy approaches that privatize public goods and services may be more inclined towards path dependency patterns than policies that are the sole responsibility of the state (Hacker, 2002). This inclination is due in part to an institutionalized build-up of “interwoven” private-public

structures and vested constituencies (Hacker, 2002, p. 55). Promoting market mechanisms for social provision constrains the possibility for any alternative models, let alone radical reforms. It is, however, possible for events to occur that cause significant changes in the path-dependent policy trajectory. These events, called critical junctures, are conceived of as “moments of political opportunity when significant new policy departures may be put in place or when the forces for change are strong enough to cut into on-going, path dependent development of an existing policy and alter its trajectory” (Hacker, 2002, p. 59). The potential harm of departing from an existing course results in policy paths that are increasingly challenging to overturn, due in part to inertia within political institutions. The farther along a policy is in its path dependent trajectory, the more difficult it will be for any departures to take place.

As applied to my research goals, this perspective helps explain how the early formation of federal public housing programs shaped the boundaries between the provision of private and government-assisted housing. The inherited policies of past eras, including those originated in the New Deal and the later Urban Renewal periods, influenced more recent reforms by creating path dependent patterns. The mid-1990s’ federal reforms focused on privatizing public housing have increasingly worked to fuel market responses towards the development of affordable housing in previously disinvested urban neighborhoods. Yet, these reforms were constrained by institutional structures (e.g., HUD and public housing authorities) and by prior programmatic designs (e.g., the separation of public housing and housing voucher funding). Thus, previous institutional configurations and policy frameworks in federal public housing policies guided how Chicago’s Plan for Transformation would be fashioned. This orientation also illuminates how new policy incentives put in place during the launch of the Plan—such as public-private partnerships, layered mixed-financing arrangements, and long-term affordability contracts for

housing operations—may become progressively difficult to overturn due to their interwoven connection to private real estate corporations. However, the 2008 financial crisis and its ensuing upheaval in housing markets may serve as a critical juncture that reworked the very nature of these relationships.

While political institutionalism helps to situate Chicago's reforms within a broader set of policy trends of the contemporary U.S. welfare state that reorganize the role of government around market principles, it had some limitations in its application for this investigation. First, this orientation typically focuses on federal policies and national contexts, failing to consider how urban political processes interact with political structures across scales but in ways that are largely led by actors working within cities (Pierson, 2000b). Second, the theory's focus on political institutions, policy processes, and government actors minimizes the roles that the capitalist economy, housing markets, and private entities (e.g., bankers and real estate developers) play in regulating political processes. Third, the focus on state structures also minimizes the importance of citizen activism and social mobilization to shape policy (Piven 2007; Piven & Cloward 1993). Finally, the theory's focus on historical change requires that an investigation focus on a more extensive stretch of time. In the case of this study, the data on housing policy and its local implementation would have had to stretch back to the 1930s to consider the passage of the first federal public housing law and the institutionalization of Chicago's public housing policies since then. For these reasons, I chose to set this theory aside.

Urban Regime Theory

Urban regime theory focuses on those actors who have the capacity to shape urban policy, interventions, and the allocation and distribution of resources (Elkin, 1987; Stone, 1989, 1993). It highlights the relationship between government and private sector actors and their

collective capacity to shape pro-growth and other agendas (Mossberger & Stoker, 2001; Stoker, 1995; Stoker & Mossberger, 1994). A regime refers to “an informal yet relatively stable group *with access to institutional resources* that enable it to have a sustained role in making governing decisions” (Stone, 1989, p. 4). Regime theory assumes that coalitions of actors across state, market, and civil society sectors work together to shape urban policy through arrangements aimed at meeting diverse interests.¹ These coalitions possess some level of local autonomy within the wider political economy and thus can create governing strategies that assist in determining future growth (Clarke and Kirby, 1990; Eisinger, 1998; Goetz and Clarke, 1993; Imbroscio, 1998a; Stone, 1989).

According to Stoker (1995), political order is established through the “capacity to provide leadership and a mode of operation that enables significant tasks to be done” (p. 69) rather than through domination. Regimes hold long-standing institutionalized power that can withstand time, turnover in elected officials, and social unrest (Reed, 1999; Stone, 1989). Coalitions tend to be relatively stable where “one solution and one view tends to dominate” (Stoker, 1995, p. 56), thus decreasing opportunities for radical realignment of power. However, when regimes are forced to adapt to changes within the broader context or from internal conflict, possibilities arise for the redistribution of resources or turnover in the regime (Stone, 1989).

In contrast to Marxist structural determinism, regime theorists synthesize notions of structure and agency to explore the interconnections between economic and political actors in shaping power and decisions (Lauria, 1997; Stoker & Mossberger, 1994; Stone, 1989). Power is conceptualized as “fragmented...[due to the] division of labor between market and state” (Elkin,

¹ Stone conceptualized regimes as inclusive of a variety of sectors (civic, nonprofits, foundations, minority-led, neighborhood-based, and faith-based) though with the necessity of governmental and business (1989). Elkin conceptualizes the primacy of state and market actors and sees a strong tie of local and national forces (1987).

1987, p. 18) whereby market actors and local government officials are viewed to be separate but aligned in working together. For example, Reed explores how governing coalitions are subject to pressures to legitimize their power among citizen and business interests, thus constraining African-American elected officials who straddle pressure from diverse constituencies (Reed, 1999).

As applied to Chicago's housing policy reforms, urban regime theory is useful for interpreting how the public housing redevelopment agenda was shaped by particular actors who together drew on their institutional resources in order to drive the reform agenda. Scholars have characterized the governing approach of Mayor Richard M. Daley through this particular regime lens (Bennett, 2010, 2011; Gebhardt, 2009). In particular, Daley's governing coalition is thought to have been influential in managing the public housing reforms in ways that allowed for the formal arrangement of power among private development corporations and key stakeholders, such as those affiliated with civic planning organizations, universities, philanthropic foundations, and neighborhood organizations representing low-income people. Regime theory would lead us to assume that these various actors and their affiliated institutions held different interests and desired particular benefits, but that they shared an overall commitment to implementing the mayoral-led reform agenda.

A crucial turning point in this investigation occurred after starting fieldwork that ultimately led to a decision to set aside urban regime theory and to reorient the investigation so as to draw upon Marxist-influenced critiques of neoliberal urbanism. In my initial interviews, I was struck by the extent to which many government officials focused on the importance of Chicago's valuation by private investors and the structure of federally devolved public housing policies that provided flexibility to consolidate programs, streamline financial accounts, and

layer multiple funding sources. Relatedly, some housing developers and investors focused on financial concerns in the post-recession context as they described their business strategies and the financial viability of affordable housing strategies as a way to “smooth out the bumps” within their broader national portfolio of real estate projects. I also interviewed activists, legal advocates, representatives from community organizations, planners, and others who highlighted how policy change was largely constrained by the realities of housing markets and financing. My fieldwork allowed me to understand how professionals charged with shaping Chicago’s public housing reforms shared a common concern related to economic structures and their impacts on reforms. Some of the respondents sought to create “marketplaces” out of urban poor communities and “market consumers” out of public housing residents (see Chapter Seven).

While informants differed in their perspectives about the benefits and drawbacks of market logics in the policy reforms, they held similar perspectives, namely that reforms sought to create efficiency where government programs had failed. Privatizing public housing would result in a stronger “bottom line” financial performance for development projects. The commodification of affordable housing would be the only way to ensure its continued existence, and this process of privatizing public housing required partnerships with developers and investors, many of whom were headquartered beyond Chicago’s local context. I sought to understand and situate these informants’ perspectives and actions within a set of theoretical arguments that highlighted the importance of market capitalism and of extra-local forces within the political economy.

There are two major reasons why urban regime theory did not meet the criteria and thus was not employed in this investigation. First, its focus on the influence by actors within the economic structure of capitalism acknowledges how market actors pursuing economic interests

have significant influence over urban political reforms. The theory, however, fails to account for how economic structures first come into being and then how those structures (e.g., businesses interests within capitalism) operate as a cause or an effect of political agency (Davies, 2002). This study, however, needed to account for the ways political actors within the city are indeed dependent on the capitalist economic system and how the alignments among state and market actors is largely structurally determined by capitalism (Imbroscio, 1998a, 1998b).

Second, I needed to draw on a body of literature that placed cities, and in particular Chicago, within the national and global political economy. While urban regime theory could provide a useful lens for interpretation, particularly for those data related to the power of mayoral administrations to control growth agendas, it does not fully account for how institutional actors outside of cities shape urban policy agendas, including the local state and its governor, national policies and affiliated institutions (e.g., HUD and PHAs), or supranational institutions (e.g., bond rating agencies and global financing firms) (Burns, 2003; Burns & Gamm, 1997; Lauria, 1997; Hackworth, 2002; Sbragia, 1996; Smith, 2010). Some investigations using urban regime theory tend to be overly “localist” (Stoker, 1998, p. 67), as they are predominately focused on the internal workings of local coalitions at the expense of contextualizing the national or global structures influencing urban change. By grounding my analysis in the Marxist critique of neoliberal urbanism, I can better explain how and why urban political processes focused on public housing redevelopment take shape in ways that are largely influenced by actors, institutions, and forces operating within *and* outside of the city.

In short, my research questions never changed, but my choice and use of theory altered after serious reflection about the need to ensure integration between observation and theory. My

choice to explore Marxist-influence theories came early enough in the project that I was able to employ its use throughout the period of data collection and analyses.

Using Marx to Understand Neoliberal Urbanism

A Marxist understanding of political economy is guided by a set of assumptions about the dialectical relationship of a historically specific capitalist economy (base) and the development of social phenomena, such as politics, religion, and culture (superstructure). Under this theory, capitalism is regarded as a highly unstable economic system, one that experiences cycles of crises. The role of the state is to facilitate the reproduction of capitalism by providing the necessary systems and arrangements (e.g., monetary and legal) aimed at social control (e.g., welfare policies and the penal system) (Harvey, 1978).

Marxist theories of political economy were particularly vibrant in the late-1970s and 1980s. In that period of time, critical urban scholars traced the processes of economic liberalization and analyzed the variations of those processes within and across localities, nations, and the globe (Castells, 1979; Harvey, 1978). Moreover, processes of liberalization emerged from a capitalist crisis in the early-1970s. This crisis involved a major decline in profits for industrial firms that were centered on mass production and located in nations with advanced capitalist economies. The crisis also presented challenges to the stability of the Keynesian welfare state when federal policies that provided assurances for labor came to be understood as an anti-competitive and an unsupportable cost of production (Amin, 1994; Jessop, 1994, 2002). In response to the crisis, capitalists sought to expand their investments through the use of international markets in other regions not yet exploited for development (Harvey, 1978, 2004). At the same time, advanced capitalist economies like the United States were forced to address the effects of urban deindustrialization and disinvestment and simultaneously the effect of

national economic stagflation. Intensified global competition then led to high degrees of uneven spatial development, affecting both the built environment and the social structures within it (Brenner & Theodore, 2002; Harvey, 2005, 2010; Peck & Tickell, 2002; Smith, 2002).

Moreover, the Marxist critique of neoliberalism held that responses of nation-states to economic restructuring led to retrenchment of the state's prior role in redistributing resources that were needed to address the needs of disadvantaged populations. Rather than adopting policies that responded to those populations' needs, policies were instituted that prioritized upward resource redistribution to actors and institutions with economic power.² This shift in policy is best reflected in the United States by the Reagan administration and in the United Kingdom by the Thatcher administration. This shift, referred to as the neoliberal turn, involved a transition in federal policies to focus on the liberalization of markets and encouragement of free trade and simultaneously the deregulation of state control over industry, the devolution of federal authority to localities, and the retrenchment of social welfare redistribution programs (Harvey, 2005; Lipietz, 1994; Peck & Tickell, 2002; Swyngedouw, 1997).

Prominent in Marxist theoretical development was a focus on urban spatial transformation. This focus, following largely from Harvey (1978), envisioned how urban environments are important sites for the expansion of capitalist wealth; in these sites, real estate is used as a central means for accumulation. Harvey, along with other scholars, developed a Marxist critique of neoliberal urbanism (Brenner & Theodore, 2002; Hackworth, 2007; Harvey, 1978, 1989; Peck & Tickell, 2002; Smith, 1996, 2002). This critique builds on the definition of

² Neoliberalism is an analytical and political idea under constant definitional debate with its scholarly usefulness and lack of exactitude under question (Aalbers; 2013; Hilgers, 2013). Harvey (2010) claims neoliberalism dominance and refers to it as a "class project" that espouses a "rhetoric about individual freedom, liberty, personal responsibility and the virtues of privatization, the free market and free trade" while using the state to "restore and consolidate capitalist class power" (p. 10).

neoliberalism as the ideology of the universal applicability of a free market.³ While neoliberal ideals embrace individual competition within a self-regulated market economy that is presumed to distribute resources in ways that are fair, efficient and optimal, in part facilitated by the lack of state intervention, Marxist scholars by contrast demonstrate that neoliberal practices often involve the active use of state authority that aims to expand the power of capital (Brenner & Theodore, 2002; Harvey 1989; Lake, 1997; Lipietz, 1994; Peck & Tickell, 2002; Weber, 2002). Marxist scholars claim that dominant institutional practices include the deregulation of industry and financial service sectors, the promotion of free trade across borders, the privatization of public services and land, and a host of other free-market innovations aimed at enhancing capital accumulation. These scholars tie neoliberal practices to evidence of “pervasive market failures, new forms of social polarization, a dramatic intensification of uneven spatial development and a crisis of established modes of governance,” in turn requiring further state intervention to “manage the consequences and contradictions of such marketization initiatives” (Peck, Theodore, & Brenner, 2009, p. 51). Cities are viewed as places where these processes are undergoing an extreme form of restructuring, in part due to the role of urban governance arrangements (Harvey, 1989; Leitner, 1990). This theoretical perspective also explains the role of political mobilization and activism of opponents who resist neoliberal reforms.

Crucial for this research on privatizing Chicago is the idea of actually existing neoliberalism as it is shaped within distinct geographic space and time and as it unfolds within the embedded contexts of cities. In contrast to neoliberal ideology that assumes market forces function according to an immutable law, neoliberalism is viewed as a process influenced by

³ Neoliberal ideas are associated with Friedrich von Hayek and the Chicago School of Economics (led by Milton Friedman) who advocated for returning to neoclassical economic theories through restructuring the economic system towards increased competition in capital markets.

different contexts, each shaped by historical legacies of inherited policy frameworks, practices, and political struggles. The actually existing processes of neoliberalism are in a constant state of dynamic change, highly contingent on time and space. The often unpredictable and contradictory nature of neoliberal processes therefore present multiple trajectories and outcomes across and within cities as well as over time (Brenner & Theodore, 2002; Hackworth, 2007; Mitchell, 2001; Peck & Theodore, 2012, 2015; Peck & Tickell, 2002; Wacquant, 2012). To extend this theory, it is important for research investigations to document how cities are being restructured so as to clarify how neoliberalism exists in its actual form, rather than imagining its dominance.

Yet, much of the foundational literature on neoliberalism is written at such a level of theoretical abstraction that it fails to show *how* political processes unfold within local space. There exists, then, a need for core constructs of neoliberalism to be grounded in empirical accounts, such as ethnographies or case studies that themselves are situated within political contexts. Some empirical literature has started to develop that explores how neoliberal ideologies are experienced at the street level. Still, there is a need to build on this work at mezzo-levels of neoliberal policymaking (Boyle, McWilliams, & Rice, 2008; Brash, 2011; Eizenberg, 2011; Fairbanks & Lloyd, 2011; Peck & Theodore, 2015; Ruming, 2005; Sites, 2012; Wacquant, 2009; Weber, 2015).

Furthermore, much of the literature on neoliberal urbanism fails to consider the central role of racism as it is embedded within urban policies, politics, and space (Brenner & Theodore, 2002; Hackworth, 2007; Harvey, 2004; Peck & Tickell, 2002). Given the focus of neoliberal urbanism on economic structures, some of the literature almost inevitably fails to specify how neoliberal processes are intertwined within a context where enduring systemic white privilege and power has generated and maintains institutionalized racism. In particular, American cities

are contested places in which historic and contemporary racist politics and policy processes contribute to producing racialized spaces, such as public housing sites (Goetz, 2013b; Hirsch, 1998). There is an opportunity for a stronger connection to be made between the literature on neoliberal urbanism and that of critical race theory and thereby to explain if and how neoliberal processes produce both race and class marginalization (Bonilla-Silva, 2010; Delgado & Stefancic, 2001; Mills, 2003; Steinberg, 2007).

“Actually Existing” Neoliberal Urbanism in Housing Policy

This research project adopts six analytical frames drawn from the critiques of neoliberal urbanism: (a) creative destruction; (b) urban “entrepreneurial” governance; (c) devolution; (d) privatization, (e) property rights and commodification; and (f) contestation. The first frame situates Chicago’s reforms within a historical and political context. The second through fifth frames are used to interpret findings in each of the empirical chapters, respectively (Chapters Five, Six, Seven, and Eight). The last frame, contestation, carries throughout much of the empirical chapters. These frames warrant explanation.

Creative Destruction in Public Housing Policy

This project situates Chicago’s public housing reforms within the broader historical evolution of housing policies in order to illuminate both continuity and change during the recent neoliberal turn. Historically, the intent of public housing policies was to provide government-assisted housing that would not compete with privately owned housing produced in the marketplace (Bratt, 1989; Marcuse, 1995; Marcuse & Keating, 2006; Orlebeke, 2000; Vale, 2000, 2013; von Hoffman, 2012). Although this historical relationship between the market and state in this arena shaped the contemporary expectations, the current moment in housing policy embraces more fully the use of the private market in the delivery of subsidized housing.

To that point, Marxist-influenced theory conceptualizes the state as the facilitator of capitalism and the protector of elite capitalists. Capitalists and property owners have historically held “exclusive political sway” over state affairs (Marx & Engels, 1906, p. 15). This theory and its associated line of inquiry helps to explain how the original formation of federal housing policies in the 1930s prioritized provision by the private sector. New Deal legislation for homeownership maintained capital flows to private mortgage lenders even as it limited public housing as a non-entitlement program that would not compete with private market housing.⁴ Later, mid-century federally supported Urban Renewal programs focused on central-city redevelopment of blighted areas through targeted demolition of housing stock. Large-scale slum clearance came without any federal mandate to construct replacement housing in direct proportion to that which was torn down. These federal policies thus contributed to extensive displacement of low-income, minority communities (Bratt, 1989; Gotham, 2001; Hirsch, 1998; Jackson, 1985; O’Connor, 1999; Sugrue, 1996; Teaford, 2000; von Hoffman, 2012).

Over an 80-year period, the provision of federally-assisted affordable rental housing transitioned from the primary responsibility of the state to the private sector. Now, the complex arrangement between the state (through funding, incentives, land, tax breaks, and regulations) and the market (through financing, ownership, development and management) facilitates the provision of housing across all economic continuums, but it does so in ways that are unequal. This historical trajectory and its contemporary iteration produce inequitable distributional

⁴ Furthermore, the later 1940 Lanham Act required that new public housing units be transferred to private owners or demolished so as not to compete with market housing. In part, the threat of competition between public and private housing was relieved by elements of the law that reduced the supply of housing, a practice which came to be known as slum clearance. By law, for every new unit built, an unsafe or unsanitary unit had to be demolished. This practice addressed concerns that public housing construction would create an oversupply of housing, thus reducing competition within the market.

consequences that inherently stratify citizens on the basis of income, race, spatial location, and housing tenure.

It is fairly easy to pinpoint specific policies that led to the retrenchment of state provision. It is harder to understand how the state's power intensified with the turn towards neoliberal policy frameworks (Jessop, 2002). This is where the idea of creative destruction is helpful (Peck & Tickell, 2002; Schumpeter, 1942).

The idea of creative destruction as applied here illuminates the path-dependent process of producing actually existing neoliberalism with its double movement towards destruction and creation:

Concrete programs of neoliberal restructuring tend to combine the *rollback* of oppositional institutional forms through the dismantling of collectivist, progressively redistributionist systems and the contradictory deregulation of economies, along with the *rollout* of new modes of institutional regulation and new forms of statecraft (Peck, Theodore, & Brenner, 2009 p. 55).

State actors (e.g., elected officials, public managers) implement government policies that are deliberately aligned with the interests of the dominant elite class. Policy reforms, then, intend to extend capital investment and legitimize the use of the private market as the most efficient producer of public goods, such as housing. Thus, the changes to political institutions—which may or may not lead to further capitalist accumulation—lead to a reconstitution of the “political arenas and stakes through which subsequent struggles over the regulation of capital accumulation” can unfold (Peck, Theodore, & Brenner, 2009, p. 57).

The roll-back of government responsibility for public housing started in the early-1970s, when Congress and the Nixon administration began to downsize HUD's public housing and related programs. In 1973 Nixon's administration instituted a federal moratorium on housing assistance. Later, HUD Secretary Henry Cisneros unveiled the 1995 “Blueprint for Reinvention,”

a plan to phase out public housing, provide voucher certificates, and consolidate programs. This plan and action taken pursuant to it resulted in the demolition of public housing complexes and the loss of thousands of housing units that would not be replaced. Demolition activity beginning in 2000 has been greater in cities where African Americans are disproportionately represented among public housing residents and where local officials targeted much of their efforts to the redevelopment of public housing located in areas ripe for financial profit (Goetz, 2011a; 2013a).

The roll-out of housing policy reform entailed embedding market logics into federal affordable housing policies. The roll-out took several forms. First, since the early 1970s, the strategy of government-issued and regulated mortgage loans and insurance boosted the production of moderate and low-income housing and created the capacity for this housing to be used as a profit-driven investment tool. A second roll-out was HUD's implementation of policies that provided tenants supplemental rental assistance through tenant-based vouchers that could be used to subsidize the cost of housing in the private market. A third roll-out was the introduction in 1986 of the Low Income Housing Tax Credit (LIHTC) program. This program provides economic benefits to banks and other investors through federal income tax credits, tax shelters in the form of deductions and depreciations, and positive regulatory ratings under the Community Reinvestment Act (CRA) (McClure, 2000). Finally, the most important roll-out of market-based housing strategies for the purpose of this investigation involves the use of government incentives to promote the strategy of mixed-income development.⁵

⁵ For the purpose of this study, I define mixed-income housing as “deliberate efforts to construct and/or own a multifamily development that has the mixing of income groups as a fundamental part of its financial and operational plan” (Brophy & Smith, 1997, p. 5). This strategy uses land and financing subsidies to entice the private development of rental housing for residents with varying income levels. This strategy, launched in the mid-1990s, is now one of the most commonly used interventions for the redevelopment of urban space in areas where demolished public housing buildings once stood (Goetz, 2012; Joseph, Chaskin, & Webber, 2007).

What makes these roll-back and roll-out phases of neoliberal policies different from earlier periods is that subsidized housing is now an even more profitable pursuit. Whereas policies from prior eras aimed to create a boundary between market housing and subsidized housing in order to reduce the potential for competition, the current trend involves incorporating public programs into market processes. Not only does this resolve the historical debate about competition, but it also ensures that policies function to stimulate economic benefits for private entities. This ongoing, incremental, and uneven transformation further marginalized low-income renters (most of whom live in cities and many who are minorities) even as it expanded the wealth of property owners and businesses.

Urban “Entrepreneurial” Governance

A second frame within critiques of neoliberal urbanism explains the use of “entrepreneurial” strategies in the governance of cities. Chicago’s mayoral administrations of Richard M. Daley and Rahm Emanuel are ripe to be interpreted within this frame. While the public housing agendas of the two mayors differed, they nonetheless shared a focus on capital investment and redevelopment projects as a means for bolstering Chicago’s global agenda (see Chapter Five).

Marxist critiques of neoliberalism take careful account of how cities arose after the 1970s as new sites of power in which the financial interests of municipal governments intersected with those of profit-driven corporations. This movement from “managerial” to “entrepreneurial” logics for municipal governments has been termed a “paradigmatic shift” (Clarke & Gaile, 1989, p. 574) in urban governance given its widespread impact on how cities are governed. The governing arrangements between public and private sectors became important means by which a city functions in its approaches to attract capital (Cox, 1993; Harvey, 1989; Lake, 1992; Leitner,

1990). Whereas government officials once led through “managerial” logics that focused on efficient delivery of public services, urban leaders now have moved towards “entrepreneurial” logics that are centered on positioning their respective cities within a competitive global economy. The financial positioning of local governments, such as with global bond rating agencies, has also become valued over policies that promote equitable redistribution of public resources (Hackworth, 2000, 2002; Sbragia, 1983).⁶ It is true that, in part, this shift in strategy was a reaction to massive cut-backs in federal subsidies and decreased property tax revenue from declines in city dwellers. But it is equally true that the shift has had profound effects on housing policy and residents living in public housing.

In an entrepreneurial way, mayors, city administrators, and local elected officials now tend to operate city government as if it were a corporation. The officials’ adoption of business practices (e.g., pay-for-performance management strategies) encouraged cost saving models while not necessarily ensuring the delivery of higher quality public services. Policy incentives and financial mechanisms—leasing public space, Tax Increment Financing districts, land swaps, profit-sharing ventures, taxable bond deals, and private contracts for necessary city services—provide novel approaches to delivering necessary public services such as education and transportation (Ashton, Doussard, & Weber, 2014; Doussard, Peck, & Theodore, 2009; Lipman, 2012; Weber, 2010). These mechanisms, however, also create opportunities for private firms to earn profit.

⁶ A line of inquiry with critical urban geography also argues that the new global economic order diminishes the role of national governments. In their place, other spatial units existing within a global economy, such as supranational entities (e.g., World Bank, International Monetary Fund, bond-rating agencies), have come into a dominant position of power (Hackworth, 2002, 2007; Harvey, 2005; Sassen, 1991; Sites, 2003; Swyngedouw, 1997).

It is hardly unexpected that some scholars conclude that mayors, city administrators, and local elected officials use their positions of power to “put a particular stamp upon the nature and direction of urban entrepreneurialism, perhaps to shape it, even, to political ends” (Harvey, 1989; p. 7). Obviously, local politicians may benefit politically when they are instrumental in aligning coalitions of businesspeople, financiers, and institutional partners (e.g., hospitals and universities) around a specific agenda or when they obtain financial support for special projects.

An important effect of this turn towards entrepreneurial governance is that it puts private entities even more clearly in the role of co-managing public needs and responsibilities. This effect contrasts with prior models that stressed public administration by government bureaucrats. A strict Marxist perspective suggests that the state always functions to promote capitalists’ interests, and this transition in urban governance clearly shows the role of the state as a facilitator of these interests.

Mayors and other local state actors leading cash-strapped local governments, however, may be overly focused on financial instruments as a means of managing municipal debt and of expanding global presence. Urban policy agendas may then facilitate financialization processes (Moreno, 2014).⁷ Financialization occurs through the use of financial instruments that are traded in global markets, such as through the securitization of future property tax revenues from Tax Increment Financing districts, bundled mortgage loans, and social impact bonds for human development programs (Ashton, 2009; Gotham, 2009; Lake, in press; Weber, 2010). These financial instruments enable cities to attract billions of dollars while putting public property and

⁷ Financialization refers to the process through which the financial sector commands an increasing share of the economy, ultimately leading to a form of capitalism where growth relies on financial markets, products, and practices (Fine, 2009; Krippner, 2005). Beyond the economy, political practices (and even society more broadly) are also organized according to the logic and rationality of finance, which impacts the development of cities (Fields, 2014; Lake, in press).

public services into market transactions. Critical scholars claim this transition places cities at risk when the “reimagining, repurposing, redesign, and implementation of urban governance [becomes] a practice directed by the logic of the financing instrument rather than a practice driven by the social and economic needs of urban residents” (Lake, in press, p. 62). Indeed, from the earliest planning of the Plan for Transformation and in its subsequent implementation, both of Chicago’s mayors – Daley and Emanuel – sought to expand market-driven reforms, sharing with each other the goal of meeting the economic interests of capital investors such as those in the banking, real estate, and financing sectors.

Federal Devolution

A third frame within the neoliberal policy transition involves the devolution of authority and responsibility from the federal government to lower levels of government. Indeed, Chicago’s entry into the HUD’s Moving to Work (MTW) demonstration program created local control over fiscal and policy decisions in ways that had negative consequences for the distribution of housing assistance (see Chapter Six).

As part of the neoliberal transition, federal programs and policies that are focused on the provision of assistance for low-income populations have increasingly shifted decision making authority to the local level (Harvey, 2005; Jessop, 2002; Lake, 1997, 2002). Starting with President Nixon’s New Federalism in the 1970s, federal officials led efforts to unravel New Deal programs and to retract federal funding. As a consequence, local government officials now have a central role in shaping policy decisions (Eisinger, 1998; Frug, 2014).

Federal affordable housing policy initiated during President Roosevelt’s New Deal established a distinct role for local Public Housing Authorities (PHAs) that had significant influence over program implementation. Nonetheless, the 40-year progression towards federal

devolution provided latitude to state and local governments to adopt housing strategies and community development funding priorities (Newman & Ashton, 2004). An early transition towards increased discretion for states and localities began in 1974 with the creation of the Community Development Block Grant Program. This program replaced categorical federal programs with block grants controlled by municipal governments. Later, the creation of the Low Income Housing Tax Credit program in 1986 further solidified the role of state housing financing agencies as key facilitators in outsourcing the creation and management of affordable housing programs (Scally, 2009). In the mid-1990s, the political movement to restructure federal responsibility for public housing intensified through efforts to “reinvent” HUD and place more power in the hands of local officials. The contemporary approach to devolved public housing policy continues, most notably through a twenty-year HUD initiative called the MTW demonstration, allowing select PHAs flexibility to set local policies and determine allocations of federal subsidies across different programs.

Devolution can occur through at least three different and at times interrelated processes. First, decentralization takes place by shifting decision-making authority in order to provide local officials more control over policy design, implementation, and resource allocation. Second, deregulation occurs when federal statutes and administrative regulations are removed or reduced, providing local jurisdictions increased flexibility to determine policy. Third, de facto devolution occurs when federal policy expectations remain in their present posture but localities receive reduced federal subsidies (Smith, 2000). In response, lower levels of government develop their own programs and funding sources, operating more efficiently with fewer federal subsidies.⁸

⁸ HUD’s federal budget has demonstrated steady decline over time, while localities have faced increased expectations to provide matched and leveraged funding arrangements. This can be seen in the movement by federal officials to institute extensive HUD budget cuts and cost-neutral

There are several reasons why this federal devolution framework has reached acceptance by policymakers as an indispensable approach (Kleit & Page, 2008; Orlebeke, 2000; Quercia & Galster, 1997). Political conservatives justify it based on the challenges of large federal bureaucracies mired with complex administrative rules that hamper creative innovations (Kamensky, 1996; Kellough, 1998). This argument suggests that “reinventing government” through reducing the size and scope of the national government will create more efficient and cost-effective delivery systems. A related argument for devolution, advanced by both conservatives and liberals, favorably regards its potential for strengthening democratic processes by situating power within local communities. When programs can be adapted to the interests within each unique, indigenous context, a more equitable provision of housing arguably will be made possible (Dreier & Hulchanski, 1993).

The turn towards devolution played out through federal public housing policy shifts in the mid-1990s that enabled PHAs to gain greater flexibility for implementing federal requirements. These changes led to new hybrid arrangements between private firms, non-profit organizations, and PHAs (Bratt, 2009, 2012; Erickson, 2009; Nguyen, Rohe, & Cowan, 2012). In addition, PHA officials now have more authority to determine program funding allocations through fungible financing arrangements.

Critical urban scholars stress that the rescaling of state regulation produces uneven development within and between localities. According to their perspective, deregulation and decentralization allow local actors to single-mindedly embrace a neoliberal path (Brenner & Theodore, 2002; Hackworth, 2003, 2007; Newman & Ashton, 2004; Smith, 2000; Wyly &

revenue adjustments. Some cities faced challenges meeting these expectations because of diminished revenues and pressures to fund other essential services. Even as recently as 2015, HUD’s budget was 12% below the funding levels established in 2010 (NLIHC, 2015).

Hammel, 1999, 2004). As applied to public housing, some PHAs have embraced policies that ensure a one-to-one replacement of demolished units and more legal protections for tenants. Others, however, in cities such as Chicago, Atlanta, and New Orleans, have led efforts at massive public housing demolition while overlooking the realities of discrimination and the lack of supply of affordable, market-based housing (Goetz, 2013a; Hanlon, 2010, 2012). Whether by decentralization or deregulation, political influence by local elite coalitions shapes how devolution unfolds and creates the possibility of unjust consequences for the most oppressed populations across race, economics, gender and spatial differences (Newman & Ashton, 2004).

Only a few scholars situate HUD's MTW demonstration as part of the historical transition towards a devolved state (Kleit & Page, 2008, 2015; Smith, 2000; Webb, Frescoln, & Rohe, 2016). Some literature goes as far as critiquing its inequitable distributional impacts for the most vulnerable populations and across geographies (Sinha & Kasdan, 2013). Drawing on these critical perspectives, I suggest that HUD's MTW demonstration is illustrative of the broader neoliberal transition (see Chapter Six). Local officials now have significant levels of discretion over policy decisions about federal assistance, such as about intended beneficiaries, type and extent of assistance, and the stipulations tied to the allocation of resources. This literature on devolution and welfare state restructuring are useful for examining how Chicago's actors implemented this MTW devolution policy experiment and for determining what impacts it may have had on the politics of policymaking within local space.

Privatization

A fourth frame for explaining Chicago's reforms is privatization.⁹ Chicago's reforms increasingly worked to fuel the privatization of public housing and land in previously disinvested urban neighborhoods, to the benefit of private firms that generated development fees. As Chapter Eight will show, mixed-income public housing redevelopment shifts the ownership of public housing units from public authority to private sector entities and allows for the wholesale redevelopment of the land on which public housing complexes once stood.

The process to privatize federal affordable rental housing dates back to the mid-1960s, when HUD officials began instituting pilot programs for housing vouchers and later authorized the sale of existing units to tenants at reduced prices (Bratt, 1989; Schill, 1990; Stegman, 1991). The call to privatize public housing was made crystal clear in a report issued by President Reagan's Commission of Privatization; the report similarly endorsed private ownership (U.S. Executive Office of the President, 1988). By the mid-1990s, HUD reforms legitimized public-private partnerships, mixed-finance models, mixed-income development, and private property management (Fraser, Oakley, Bazuin, 2012; Vale & Shamsuddin, 2016). During this same period, elected officials reduced direct expenditures within HUD's budget, resulting in the lack of any new publically owned units. Even in the post-recession era when private housing financing mechanisms had proven disastrous, the Obama Administration's Rental Assistance Demonstration (RAD) furthered privatization by allowing PHAs to convert public housing stock

⁹ In this investigation, privatization refers to the actions of public officials, such as elected representatives and government bureaucrats, to shift the direct provision of federally subsidized rental housing from the responsibility of the state to the private sector. Private sector actors include for-profit corporations and non-profit organizations that now are doing the work that was previously undertaken by the government to develop, own, and manage subsidized housing.

to private ownership and to create tools for raising funds using private capital (Smetak, 2014; Smith, 2015).

The 50-year political movement to privatize U.S. government-assisted housing and related services was, furthermore, part of a much wider neoliberal transition aimed at restructuring the entire housing system (Aalbers & Christophers, 2014a, 2014b; Glynn, 2009; Hackworth 2009; Hodkinson, Watt, & Mooney, 2012). In this transition, housing became, above all, a commodity with exchange value: public housing was converted into private ownership so that investment schemes could allow these units to be used to build further wealth (Fraser et al., 2012a; Marcuse, 1995). Activists for the rights of public housing residents pointed out that this transition was executed in a manner that shielded the shifts from public scrutiny. They argued that housing was a right, not a commodity, and sought to create alternative approaches for the provision of housing, reestablish democratic relationships between the state and its citizens, and revive social movements that build power among low-income people (Arena, 2012; Duke, 2009; Lees, 2008; Marcuse, 2012; Mitchell, 2003; Sinha & Kasdan, 2013).

Privatization of federal low income housing assistance typically refers to two different, but related, actions taken by public officials. First, privatization occurs when government policies shift public sector responsibilities to the private sector through changes in funding, regulations, and other policy tools. Private sector actors may include for-profit corporations or non-profit organizations that now are doing the work previously undertaken by the government. A second and even broader form of privatization occurs when policymakers reduce spending while also shifting responsibility to the private sector (Schill, 1990; Starr, 1988). This form of privatization is considered a form of “government load-shedding” (Schill, 1990, p. 882), with government separating itself from both the production of goods and the financing of them.

Government policies shape and protect the market through laws pertaining to the protection of private property and related activities, and thus the private sector operates with state-instituted subsidies, tax preferences, credit guarantees, and regulatory flexibility. But the tenuous boundaries between the market and the state pose an even greater degree of uncertainty in the domain of subsidized housing (Marcuse & Keating, 2006; Schill, 1990; Starr, 1989). The distinctions of “public-private” and “state-market” are exceedingly fragile given both law and policy implementation. Yet in order to analyze privatization, these ostensible binary constructs are necessary because they provide crucial landmarks that enable one to note the shifting roles, functions, and financing arrangements.

There are a variety of ways the privatization of government-assisted housing occurs. For example, a radical form of privatization involves transferring public assets to private ownership through the reassignment of property rights. Government action may involve property sales, swaps, or lease arrangements. The public property being transferred may include land, buildings, infrastructure, or utilities. Privatization also occurs when public officials contract out activities or institute voucher programs in an effort to shift to market-based housing delivery systems. Finally, a more implicit form of “demand-driven privatization” occurs when government terminates public programs without explicitly shifting responsibility (Starr, 1989, p. 15). This approach can be seen in the retraction of federal subsidies for the production of any new public housing units, since the lack of government action creates space for private owner-developers to meet the housing demands of renters whose needs are not being met by government-assisted housing.

Advocates of privatization claim that it responds to the inherent inefficiencies of state bureaucracies. Private sector entities, they say, seek to maximize profits and are therefore driven

to deliver quality housing at lower costs (Schill, 1990). This rationale of economic efficiency entices policymakers to reduce expenditures under the assumption that quality housing will be maintained by the private market. Related to this, the goal of revitalization is seen as possible only with the power of private capital. Thus, supporters of the latest RAD program present it as the *only* strategy to fund the nearly \$26 billion backlog of capital repairs in federally assisted housing. Broadly speaking, policymakers can make the claim that if contractors adhere to federal laws, such as those related to non-discrimination in housing, the effect will be both more affordable housing and more legal rights for tenants (Freeman, 2003; Short, 2005).

Privatization efforts are also justified on the basis that they reduce the dependence of citizens on the state. Individuals become *free to obtain* private-sector housing (Ellickson, 2010; Glaeser & Gyourko, 2008; Husock, 2003). Housing Choice Vouchers are one strategy to encourage delivery of housing outside of public ownership. Akin to this rationale are policy goals of voluntary associations, community organizations, and other mission-driven third-sector actors. These entities are positioned between large state bureaucracies and citizens; in that position, they mediate between public policies and individual needs through community-based efforts (Dias & Maynard-Moody, 2006; Marwell, 2004). In the realm of housing, privatization efforts encourage affordable housing development led by non-profit organizations (Bratt, 2009, 2012).

Scholars critical of the privatization agenda have refuted these arguments. They have shown that changes in economic conditions result in mortgage foreclosures, crises when financial investors shift their interests, and the inherent instability of ownership once the legal affordability requirements expire (usually after 40 years) (Aalbers & Holm, 2008; Marcuse & Keating, 2006; Murie, Tosics, Aalbers, Sendi, & Mali, 2005). They highlight how cost-efficient

strategies disproportionately harm those citizens most in need of assistance, particularly those who are low-income, have disabilities, or otherwise are disadvantaged (Galvez, 2011; Goetz, 2011b; Kleit, Kang, & Scally, 2016). Rather than realizing the promise of market freedom, this line of critique shows individuals ill-equipped—but nonetheless forced—to navigate a private housing market filled with systemic barriers including blatant discrimination. Furthermore, they outline the multiple threats privatization poses to a thriving democratic state (Miraftab, 2004). How, they ask, are private sector actors to be held publically accountable for their profit-motivated decisions? The alignment of public and private-sector interests, such as those manifest in the HOPEVI program, create a constricted environment for public debate and diminished accountability for implemented policy (Freeman, 2003; Harvard Law Review, 2003; Imbroscio, 2012; Lee, 2015; Steinberg, 2010). The recent Great Recession that followed the collapse of the housing market, which exposed the vulnerability of the privatization frameworks, is read as wholly predictable, the product of capitalists' inevitable shift to ever-new opportunities for financial exploitation (Aalbers & Christophers, 2014a, 2014b; Hodgkinson, Watt, & Monney, 2013; Pani & Holman, 2013; Rolnik, 2013).

Commodification of Public Property

A fifth frame relates to the commodification of public property. The concerted effort to make use of public land where public housing once stood evidences a greater movement to transition public property into the marketplace.

Analyzing how the broader political economic environment shapes urban space, Marxist scholars consider how the complex relationship of deindustrialization, centralization of large multinational corporations, the information technology revolution, and spatial urban gentrification all contribute to a new logic of global-local relationships (Harvey, 1989; Smith,

2002). Some argue that economically advanced “global” cities have unique patterns of urban redevelopment in which revitalization projects increase the influx of wealthy residents and established corporations (Sassen, 1991). The higher-income, white-collar, professional class at one extreme requires a vast number of low-wage workers in the service economy to meet business demands. This hourglass trend results in a bifurcated labor market, greater income polarization, and urban gentrification.

The role of the state in urban redevelopment, some scholars claim, is to assign value to land, buildings, and spaces with the goal of reclaiming select areas for real estate development (Charney, 2001; Davidson, 2008; Gotham, 2001; Lees, Slater, & Wyly, 2008; Marcuse, 1986; Smith, 1996, 2002; Slater, 2004; Weber, 2002). Political “negotiation and renegotiation” (Mayer, 1994, p. 324) over urban redevelopment projects is thought to generate benefits for narrow networks of capitalists, state officials, and privileged constituencies, though not without resistance from organized progressive coalitions. State actors first advance an agenda of redevelopment through a range of practices and take concrete actions that assign value to certain urban areas, and then advance policy changes that allow land and those areas to become available for market investment (Christophers, 2010; Hackworth & Nowakowski, 2015; Li, 2014).

Critical scholars explain the use of private property as one source for the accumulation of wealth (Harvey, 1978, 2004; Smith, 1996). The political movement to privatize property owned by the state is emblematic of the broader turn towards neoliberalism, for it shows how government policies produce private investment in spaces that previously were situated as public domain.

Following this line of argument, scholars claim that the strategy of mixed-income development is a revanchist scheme, facilitating private sector access to public land so as to redevelop central city areas and bringing with it forced demolition, displacement, and control of marginalized, largely minority populations (Crump, 2002; DiFilippis & Fraser, 2010; Fraser, Burns, Bazuin, Oakley, 2012b; Hackworth, 2007, 2009; Lees, 2008; Lipman 2009; Wyly & Hammel, 1999, 2000). In this view, government officials “sell off” cities to private interests, generating speculative investment in gentrifying neighborhoods (Atkinson, 2004; Bridge, Butler, & Lees, 2011; Lees, 2008; Peck & Tickell, 2002; Slater, 2004; Smith, 1996; Weber 2002). While this body of literature provides a useful interpretative lens, not much of it draws from empirical observation of the mixed-income strategy and political processes required to implement it. However, there are important exceptions (Arena 2012; August, 2014, 2015; Chaskin & Joseph, 2013; Darcy, 2013; Hanlon, 2012; Smith & Stovall, 2008; Wyly & DiFilippis, 2010).

These various lines of critique are reflected in Harvey’s concept of “accumulation by dispossession” (2003), a concept that provides a crucial interpretative lens through which to understand the limitations and impacts of public housing reforms. The reform agenda is an exemplary case of expanded capitalist control of resources, with the state as a facilitative partner that adapts to further the interests of capital.

These arguments about neoliberal urban restructuring serve as an important background to my empirical findings about the disposition of public property for the purposes of private profit (see Chapter Eight). In the case of Chicago’s reforms, public housing sites were first planned for development as mixed-income housing that would draw private sector developers and financiers. However, after the 2008 financial crisis called into question the viability of this housing strategy, the vacant, undeveloped public land started to be transferred for other purposes,

such as for commercial ventures. Chicago's reforms increasingly worked to fuel market responses towards the commodification of public land.

Contestation

The final frame, known as contestation, suggests the possibility of organized resistance to neoliberal agendas and the promotion of alternative approaches to restructure the political-economic environment. Political protest, organized activism, and social movements that challenge dominant ideals or practices of contemporary capitalism have been documented through empirical research (Castells, 1983; DeFilippis, Fisher, & Shragge, 2010; Fields, 2014; Kaika & Ruggiero, 2015; Leitner, Sheppard, Sziarto, & Maringanti, 2007; Marwell, 2007; Mayer, 1999; Saegert, 2006; Sites, 2003, 2007, 2012). Marxist theory provides a variety of conceptual approaches by which to understand the various strategies, coalitions, and processes involved in resistance efforts (Harvey, 2008; Lefebvre, 1996 [1968]).

Certain interpretations of neoliberalism suggest that without more concerted macro-reform initiatives that dislodge the dominance of market logics within state institutions and policy approaches, it may be difficult to achieve the progressive demands of many of today's urban social movements (Brenner, Marcuse, & Mayer, 2009, 2012; Merrifield, 2014; Purcell, 2014). Neoliberal capitalism may be so institutionalized that organized urban resistance efforts face daunting challenges. However, other theorists present contrasting conceptualizations in order to highlight both the potential and limitations of mobilization, in part by focusing on how organizing has shifted within a neoliberal context (DeFilippis, Fisher, & Shragge, 2010; Fisher, Katiya, Reid, & Shragge, 2013; Fisher & Kling, 1997; González & Vigar, 2008; Liss, 2012; Mayer, 2012; Sites, 2007).

Some scholars go as far as conceiving of “contestation as more than just resistance to neoliberalism,” (Leitner et al., 2007, p. 2) envisioning a symbiotic relationship between neoliberalism and contestation that does not necessarily favor (or start with) neoliberal capitalism as the dominant configuration. Rather, processes of neoliberalism must be examined within a wider lens of contestation in order to understand how challenges to it by a range of actors operating within and beyond government (e.g., in activist movements, think tanks, and foundations) have shaped its articulation. Variations to neoliberal tendencies within cities can be explained, in part, by resistance efforts and outcomes. Just as there are tendencies towards certain market-driven practices within neoliberal urban policy agendas, there are also socio-spatial struggles whose impacts are often unpredictable. Neoliberalism’s dominance, then, both as a theoretical idea and as an actually existing political project, should be questioned, given the alternative possibilities and efforts underway to create non-neoliberal approaches.

There are at least two rationales for this approach to analysis. First, it enables one to see beyond neoliberalism’s all-encompassing dominance over cities and instead to view it as a process that unfolds and responds to ongoing pressures and resistance. Neoliberal approaches are thus shaped and reshaped by grassroots activism, decisions within government by public officials, and social movements that force a reworking of what otherwise may be created. Second, the focus on the interdependence of contestation and neoliberalism allows for a complex reimagining of what may be possible to create for the future of cities. Here, scholars suggest the value in research that seeks to explain non-neoliberal practices that envision a different understanding of rights, justice, freedom, and democracy. Efforts at documenting and explaining the variety of alternatives must not be reduced simply to efforts to oppose neoliberalism, but

rather should be seen as complex projects in and of themselves that coevolve with neoliberalism in ways that shape the political economy of cities (Leitner et al., 2007).

Chicago's reforms must be understood by examining the relationship between neoliberalism and contestation that ultimately shapes how neoliberalism develops within specific cities over time. The importance of this line of inquiry relates to a set of empirical findings that document how activism by grassroots organizing coalitions sought to block the advancement of privatization of public housing and land. This literature that focuses on efforts to contest neoliberalism helps shape this analysis.

Chicago as a Case of “Actually Existing” Neoliberal Urbanism

Why are this case and the city of Chicago appropriate for examining actually existing neoliberal urbanism? Four reasons help align this case study with these theoretical perspectives. First, reforms aimed at large scale public housing restructuring are more evident in the reflection of roll-out and roll-back neoliberal policy than other federal policies. According to Hackworth (2009), the wider processes of neoliberalism embodied in the reforms to privatize public housing “tend to be more exaggerated, and thus more readily observable in this sector than others,” (p. 234) due in part to the historic politically marginalized nature of the federal public housing program. As one of the nation's largest PHAs, Chicago's public housing reforms provide a worthwhile case for empirical observation and theoretical extension about the nature of urban politics within a city where neoliberal policies, such as privatization, have been widely embraced.

Second, scholars who critique neoliberal urbanism describe the shift towards a decentralized federal state and the corresponding localization of regulatory power. In this case, HUD awarded CHA entry into the MTW demonstration, a federal policy devolution initiative

providing local control to 39 PHAs (out of approximately 3,100 PHAs in the nation) (see Chapter Six). CHA's MTW status provided specific waivers to some federal public housing law, but it also guaranteed over \$1.5 billion in federal funding over a 10-year period. Chicago's receipt of the highest levels of federal public housing subsidies per unit for any one city in the country pushes against the critique that devolution thrusts financing responsibilities to localities who then must engage in "entrepreneurial" paths, such as those taken up by Mayors Daley and Emanuel. Accordingly, this research is well-placed to shed light on local political influence within a larger framework of federal policy devolution.

Third, by investigating the shifting political interests of the mayors and of representatives of the CHA, one can better understand how neoliberal ideologies come to exist as real policies and practices, and how they vary over time. The reorganization of local government authority with a transition in mayoral leadership, along with the use of agency by other local political actors, allows one to understand the variegated and contested nature of neoliberalism.

Finally, the case of Chicago's Plan is useful for investigating the role of policy actors' influence during and following a period of economic crisis. Mayor Emanuel and CHA officials launched a revised policy statement in 2013 in response to the challenges in completing the original Plan. This case is thus useful in explaining how financial crises produce constraints in the market that then facilitate further policy responses. The case then enables one to understand the role of the state in altering incentives to private entities and thus managing the consequences of market failures.

Conclusion

Recent scholarship has sought to explain how Chicago's political dynamics and policy reform agendas relate to the expansion of neoliberal approaches (Bennett, 2010; Farmer, 2011;

Lipman, 2009, 2012; Sternberg & Anderson, 2014; Sites, 2012; Smith, 2013; Weber, 2015). This investigation adds to this literature about the local manifestations of Chicago's neoliberalization by explaining the processes of and resistance to neoliberalism as they unfolded in Chicago's Plan for Transformation. The analysis that follows seeks to clarify how these reforms are reflective of neoliberal urbanism.

CHAPTER THREE: METHODOLOGICAL APPROACH

Introduction

I employed the extended case method approach to investigate Chicago's public housing reforms within the political context of the city. My investigation relies on nearly two years of embedded fieldwork and on extensive document analysis. It thus complements prior studies that applied ethnographic and case study approaches to study Chicago's public housing reforms (Bennett, Smith, & Wright, 2006; Chaskin & Joseph, 2015; Fennell, 2015; Gebhardt, 2009; Pattillo, 2007; Venkatesh, 2000).

Ethnographic Approach: Embedding of the Researcher

This project uses a theory-driven form of ethnography, the extended case study method, to examine the influence of actors, policy processes, and political structures on public housing reforms. This qualitative research approach, which I explain later in this chapter, requires reflexivity on behalf of the researcher not only to maintain integrity within the research process and avoid bias, but especially when the researcher is both explicitly and implicitly embedded within the social phenomena she seeks to systematically examine. Thus, it is important to discuss how the execution of this research methodology was achievable due to my professional experiences, networks, and expertise cultivated over the course of eleven years in Chicago. Doors opened and perspectives were shared because of (1) the professional identity that I have developed, and (2) the many housing and community development professionals I built relationships with over the years as a practitioner and researcher in Chicago. It is essential to disclose this in order to situate my ethnographic approach as influenced by my professional experiences in the field—and the relationships I developed—without which the design of this project would not have been possible to execute.

In 2005, I became employed at a non-profit organization that owned, developed, and managed affordable and mixed-income housing in Chicago. My work involved designing policies and programs intended to shape “community life” for a cross-spectrum of residents living in neighborhoods throughout Chicago. In addition, I was directly involved in overseeing the organization’s compliance with laws, regulations, and funding requirements. I was situated at the “mezzo-level” of policymaking, as I never lived or worked on a daily basis within one of the mixed-income communities nor was I positioned within the senior circle of Chicago’s city government. Instead, I had the advantage of being involved in shaping how policies—such as those dictated by the city administration, CHA, HUD, and financing investors—would be implemented within the organization’s standard practices.

Often, my role required that I attend meetings that brought together developers, lawyers, advocates, social service providers, CHA officials, philanthropic partners, and researchers to tackle challenges that arose in the process of policy implementation. It was in one particular 2007 meeting held by a reputable civic organization with the goal of uniting housing developers that the questions I pose in this study started to percolate. I remember sitting in this elaborately decorated boardroom at the Chicago Culture Center overlooking Millennium Park, a place that that represented “all things Chicago” and located on prime city real estate. As I listened to the conversation among these developers, I asked: What is happening here in this particular space? What are the real purposes of these reforms that I am a part of implementing? Who is included and excluded at this table? I suddenly observed myself as working alongside a set of public and private actors who had been assembled for the purpose of leading these reforms in ways that did not explicitly include low-income people for whom these reforms were purported to benefit. I knew then that I needed to begin a different journey, one that would entail learning from and

cultivating relationships with these “experts.” Since leaving my role as a practitioner in 2007, I have formally interviewed, observed, and maintained relationships with many of Chicago’s key policymakers and leaders through my work as a researcher at the University of Chicago and the Urban Institute. This particular project launched in 2014, but it is through these years of professional endeavors that my methodological approach in this project was made possible.

Part of the ethnographic journey is to be embedded within a site in ways that allow for the uncovering of new insights. For me, this process required that I discern patterns across the perspectives, decisions, and behaviors of people who I knew closely, as well as others who I came to know through this study and concurrent research endeavors. My relationships with key policy shapers developed over many years. The trust cultivated through these connections is what likely allowed me access to their perspectives and to documents that probably would have been otherwise prohibited to a newcomer. I had the advantage of being an insider in the center of political reform processes that were constantly in debate by advocates, policymakers, journalists, resident leaders, and even researchers.

I am a social worker who is trained to recognize her biases. The questions I asked aloud during interviews, posed in solitude during analysis, and then processed with research mentors involved critical reflection about these biases. I needed to maintain awareness of my role, why I was asking certain questions, at certain times, and what that meant for the findings. I purposefully sought to remain as open as possible to the variety of interest groups involved in the reforms, seeking to understand political processes from divergent perspectives. But I always remained aware of how my affluent-class status, white racial identity, early career trajectory, and affiliation with the University of Chicago positioned me to fit within the community of policy actors who held power and influence.

This dissertation intentionally does not foreground explicit exchanges between key informants and myself. I understood that the research process itself was inherently political given the actors I engaged and the topic of the study. I carefully navigated this political context during my data collection so that I could maintain credulous relationships with key actors who held opposing points of view from each other. For example, I readily corresponded with housing developers and CHA officials, many of whom were the main targets of an organizing strategy led by community activists. At the same time, I had a connection to these activists that enabled me to understand how they planned, framed, and executed their strategies. To ensure that confidentiality was upheld in the evidence presented in this study, I focused the analysis and writing away from explicit exchanges between myself and key informants who were part of shaping policy. Finally, I undertook meticulous efforts to ensure that the evidence was based on multiple data sources and to deemphasize identification of all individuals who shared information with me.

The extended case method approach also required that I adopt an analytical lens to guide observations and interpretations. This discovery process meant that I had to walk a fine line between documentation and explanation, simultaneously seeking to learn as much as I could from others while also holding open various theoretical interpretations. Most of the findings and arguments that I make in this dissertation depart from my original conceptions about the rationales, logics, and beneficiaries of public housing reforms. I did not develop this study's design or analytic strategy with the critical lens that I later developed through the process of collecting and analyzing data, as well as interpreting findings. Thus, this study represents both an evolution in the discovery of original research findings, as well as an evolution in my own conceptual perspectives as a scholar studying urban redevelopment and public housing reforms.

Overview of the Extended Case Method

Most associated with the work of Burawoy (2009), the extended case method seeks to refine existing theories by analyzing how microprocesses of a single case (or small number of cases) relate to historical and structural patterns (Burawoy 1998, 2009; Eliasoph & Lichterman, 1999; Small, 2009).¹ Detailed observations of events, interviews, informal conversations, and the collection of artifacts and texts are sources of data. An ongoing “reflexive understanding” (Burawoy, 1998, p. 5) of positionality influences the research process.

This method is distinguished from other analytical methods, such as grounded theory, by reason of its explicit use of theory to formulate research questions and draw conclusions (Tavory & Timmermans, 2009). Instead of disciplined induction, in this method the researcher starts with a set of theoretical assumptions to be explored. These assumptions might illuminate connections between micro-level dynamics within the case as they relate to macro-level patterns. In its most ideal application, the researcher builds conclusions based on systematic observations combined with both deductive and inductive analyses of data. The researcher makes efforts to examine critically concepts within theory so that abstract arguments can be specified and reconstructed.

There are four principles at work in the extended case method: (a) the assimilation of the observer into the community being investigated; (b) researcher observations over a period of time and the space within a field site; (c) researcher documentation of micro-level processes as they connect to macro-level forces; and (d) emergence of theoretical contributions.

¹ Burawoy built off a longer tradition of ethnography that included contributions by many scholars, most notably Jaap van Velsen of the Manchester School of social anthropology. See Burawoy (1998, 2009) for historical background and comparison of the extended case method to other methods.

Assimilation and Researcher Observations

Two principles require a researcher's connection to the people, processes, and places being studied and a reflexive critique of the researcher's observations. As previously described, this dissertation study emerged from my own professional experiences working at a Chicago non-profit organization that developed and managed affordable and mixed-income housing. I proceeded to launch my research career as project director for the University of Chicago's Mixed-Income Development Study under the leadership of Dr. Robert Chaskin and Dr. Mark Joseph.² This research project stimulated my curiosity about how and why political and economic factors might condition the opportunities, resources, and physical redevelopment of neighborhoods. By the time I launched this study, I was also working as a policy researcher for the Urban Institute. This work was beneficial to the dissertation in two important ways: it facilitated access to municipal-level policy actors and it helped position me to be regarded as a fellow policy actor by them.

I sought to recognize how my own positionality (e.g., my race, age, professional status, and prior experiences) related to my observations. This approach made me aware of my multiple roles as an observer and scholar; under each role, I was accountable to not only academic audiences but also to a wider public audience. Burawoy (2009) describes the balance of these multiple positions this way:

As social scientists we are part of the world we study... which forces us to think more deeply about our relations to that world—relations that both are specific to the immediacy of the communities we study and extend to our responsibilities and

² This six-year project investigated the transformation of three Chicago mixed-income communities. The 2015 book, *Integrating The Inner City: The Promise and Perils of Mixed-Income Public Housing Transformation*, by Robert J. Chaskin and Mark L. Joseph is based on this research study. I co-authored two published articles using data from this study (Chaskin, Khare, & Joseph, 2012; Khare, Joseph, & Chaskin, 2015).

obligations as social scientists more generally, independent of the techniques we use. (p. 267)

I kept my commitment to the academic community by upholding ethical standards of research and consulting with other researchers while conducting fieldwork. I sought their guidance about how to understand the range of perspectives from key informants and how to handle sensitive material. I also consulted with a group of five key informants about what questions they faced and what information they needed to make policy decisions. In this way, I sought practical application of emerging findings. The dynamic relationship between observation and participation led me to a greater commitment to ensure that my own scholarly contributions have the purpose of informing policy processes with the aim of creating more equitable cities.

Case Construction and Theoretical Contributions

Two additional principles of the extended case method require that the case be delimited and that theory guide interpretation. Case constitution involves a double process of viewing the site of inquiry in both realistic and imaginative ways. The researcher first views the site as grounded in the “broader political and economic context” (Burawoy, 2009, p. 203). The researcher then examines empirical observations using theoretical frameworks as a means of interpretation. Theory becomes the “lens” (Burawoy 2009, p. 205) through which to view the site beyond its particularities. Burawoy (2009) argues that a suitable theory must offer predictions about the case, be global in scope, and assume that larger structures affect social life. Marxist theory meets these criteria.

In constituting the case, I began by broadly considering Chicago’s public housing reforms. Over time, I increasingly situated my observations as reflective of processes of neoliberalism. I viewed the behaviors of key informants as social processes unfolding within a real context and also as expressions of the macro-level forces in which these actors are

functioning. I then relied on theory to interpret informants' behaviors and decisions. For example, I observed how housing developers lost profits in the aftermath of the recession, as well as how they responded favorably when elected officials enacted policies that awarded higher levels of funding for rental housing production. I used theory to interpret how these specific policy incentives were one expression of a neoliberal policy framework wherein state actors intervene to address challenges that occur in the implementation of market-based policies. This interpretive process took place towards the end of my fieldwork and throughout analyses.

Data

Data for this dissertation include interviews with key actors, observation, and document review. I collected the data between May 2014 and March 2016. The sequencing of data collection started with interviews, followed by subsequent observations and document review. One rationale for the use of multiple sources was the need to triangulate across sources so as to produce a more robust and comprehensive understanding of how and why reforms occurred as they did. Multiple sources did, in fact, lead to points where the data diverged, as well as provided new angles for empirical and theoretical discovery.

Interviews

My primary data came from 61 semi-structured interviews with political and market actors who influenced Chicago's public housing reforms during the period of 2000 to 2016. As I previously noted, critiques of neoliberal urbanism suggest that elite actors from both public and private sectors are positioned to control policy agendas. In the realm of housing policy, there is considerable evidence that certain actors, including banking executives, government officials, and real estate developers possess significant decision-making power (Chaskin & Joseph, 2015; Erickson, 2009; Fraser & Kick, 2007; Urban Institute, 2009). I sought to understand not only

these elite actors' perspectives and experiences but also the perspectives of other actors who sought to influence agendas through advocacy and grassroots efforts.³

Sample construction. I created a stratified purposeful sample using four types of policy organizations where actors worked (Miles & Huberman, 1994; Patton, 2001; Small, 2009; Weiss, 1994; Yin, 2009). These four sectors included: (a) financial institutions, (b) housing development corporations, (c) government, and (d) advocacy organizations. I considered each of these four categories to be equally valuable.

I sought to include specific key actors based on their expertise and initially developed a list of 48 potential informants. My process of selection and recruitment occurred through an iterative process, including snowball sampling (Rubin & Babbie, 2009). I started recruitment through a formal invitation email and follow-up phone calls as needed. In addition, I approached potential informants in person during public events. I also used *LinkedIn* as a tool for making professional connections. Together, these processes were relatively uncomplicated because I had met approximately one-half of the initial list of potential informants through my prior professional work. At the conclusion of each interview, I also requested that the informant provide recommendations of people whom I should interview. I added to and adjusted this list over time in order to arrive at a set of new informants. Of the total 61 informants in my sample, 37 of them were referrals.

³ I refer to elites throughout this study as actors and their associated formal and informal organizations that work to shape policies and political agendas towards an agenda that prioritizes wealth accumulation and economic growth. In this investigation, this term includes regional and national real estate development firms with portfolios of over \$1 billion in assets and financiers such as multinational banks, investment firms, insurance companies, and others who invest in real estate. Occasionally, the term elites will also refer to actors representing historically powerful civic society institutions (such as universities or foundations) or advisors to elected government officials.

My final sample included a fairly balanced distribution of informants across the categories: 10 from financial institutions, 18 from housing development corporations, 16 from government, and 17 from advocacy or other non-profit organizations.⁴ Informants from financial institutions included executives in tax-credit divisions of international banking and equity firms, director-level staff of private foundations, and directors at intermediary institutions such as the Enterprise Foundation. Informants from housing development corporations included director-level executives (e.g., developers and directors of asset management) from for-profit and non-profit development corporations that developed Chicago's 12 mixed-income public housing sites. Informants from government included high-level appointed and elected officials from municipal and state administrations (e.g., the City of Chicago, the Illinois Housing Development Authority, and the CHA) who directed financial, operations, and policy departments. Informants from advocacy organizations included legal advocates, researchers, policy analysts, community organizers, and planning consultants.

Informants should not be considered as representatives of organizations or sectors. Rather, they were selected for their unique perspectives based on direct professional experiences working on Chicago's reforms. Of the entire sample, about three-fourths of the informants held at least two positions in different sectors over the 16-year period. For example, a developer of a mixed-income site later worked for CHA, while another developer went to work for a financial institution. A government official who served at the city during the launch of the Plan was working at a development corporation when the interview took place. The movement of these key actors across organizations prevented me from considering their perspectives as emblematic of actors within any one sector. I, therefore, analyzed the data with a careful consideration of the

⁴ Of the total sample, there were 32 women and 29 men. The race of respondents was as follows: 40 white respondents, 18 African-American respondents, and three multiracial/other respondents.

multiple roles that these actors held across time and space. In sharing direct quotations, I masked the identity of individuals, while also indicating the policy realm in which informants worked. I attempted to note if informants held a prior position that provided them knowledge to speak about the particular topic I explored in the analyses.

Interview procedures. I conducted interviews between June and September 2014. Through the interviews, I sought to discover how macro-level and contextual factors were brought to bear on micro-level decisions. My interviews aimed not only to document specific facts about the events, processes, and relationships involved in the policy reforms but also to capture the subjective perspectives of the actors.

The formal interviews followed a semi-structured approach (Bernard, 1988; Chirban, 1996). The interviews primarily focused on issues of privatization, market-based policy tools, the economic downturn, and how changes in political context impacted public housing reforms.⁵ Interviews followed the protocol approved by the University of Chicago's School of Social Service Administration/Chapin Hall Institutional Review Board, #13-0648, including a thorough oral review of the informed consent process and a signed informed consent agreement.⁶ Most interviews took place in the informant's workplace, while some others occurred on the phone with informants whose offices were located in other cities. Interviews lasted two hours on

⁵ The interviews yielded perspectives about the rationales for (and against) privatizing public housing; the nature of influence on policy decisions; how policy tools facilitated (or discouraged) private sector engagement; how governance and collaborative structures (e.g., public-private partnerships) functioned; the nature of the 2007-2009 economic recession and response to it by public and private sector actors; the extent to which changes in the political environment at the national and local levels mattered to these reforms; and how particular elements of Chicago's reforms (e.g., racial segregation and a federal policy devolution demonstration) may be uniquely relevant in this case.

⁶ The Informed Consent for Participation outlined protections, which included: (a) confidentiality to the extent allowed by law; (b) voluntary participation; (c) digital files and transcriptions of interviews that do not include identifying information; and (d) recorded files that will be destroyed within a specific time period.

average. With the consent of informants, I digitally recorded and later transcribed almost all interviews.⁷

I first conducted four pilot interviews and then made revisions to the interview protocol. In each interview, I posed a set of questions in the same order (see Appendix for interview guide). I then followed each informant's responses with further inquiry, especially when an informant's perspective did not align with what theory would suggest. For example, informants from city government and CHA occasionally described the need to protect public housing and land from private profit-seeking development firms, while financiers occasionally highlighted public housing reforms as a means to address institutionalized racial discrimination. These examples contrasted to what theory suggests and provided a more complex story in which to understand how actually existing neoliberalism functions.

I took detailed field notes immediately following interview sessions in order to make linkages to parts of the empirical story, document emerging new topics to add to the interview protocol, and record unanswered questions. By consistently posing a set of ordered questions and covering a prescribed set of topics, I was able to compare perspectives across interviewees. Nonetheless, the interviews did evolve over time, as earlier interviews shaped my knowledge entering into those that followed.

I employed the sequential interview technique until I reached a point of saturation such that the last interviews revealed very little new knowledge (Small, 2009). I sought to reach saturation within each of the four categories of actors rather than to reach saturation across all groups. After about the 50th interview, similar responses and patterns started to emerge to the

⁷ Only two of the 61 informants asked not to be recorded. In these cases, I took handwritten field notes during the interviews. These notes do not include identifying information. Nine of the 61 informants asked me to turn off the audio recording at least one time during the interview.

extent that new discovery declined. I concluded the interview process after the 61st interview when it became clear that responses were becoming aligned around a set of themes, including those derived using theory and also those that emerged inductively. I believe that by interviewing until the point of saturation within the four key actor categories, I achieved a level of comprehensiveness that would allow for a thorough analysis (Lieberson, 1991).

Observation

During the 22-month period from May 2014 to March 2016, I observed 49 events, meetings, and activities, the majority of which were planned and/or facilitated by informants interviewed in this study. About half of these events were open to the public; the remainder required a personal invitation from informants. These occasions included CHA Board of Commissioner meetings, budget and policy hearings, development-level planning meetings, policy advocacy meetings, organizing rallies, press conferences, award ceremonies, panel presentations, film and art screenings, policy conferences, neighborhood tours, and fundraisers. At some events, I participated as an active member by locating myself within the group of participants, such as when the event was a structured meeting with an agenda. At other times, such as at protest rallies or press conferences, I placed myself on the margins of the scene more as an observer than as a participant. I sought to note the roles of the variety of participants; the discursive framing of policy issues in their words; their nonverbal communication and behavior; and by their words and behavior, any explicit and implicit tensions and/or conflicts over policy decisions.

The level and nature of my participation allowed me an extended opportunity to witness the behaviors of actors and gain a greater understanding of political processes. Observational data proved useful in situating informant interviews and analyzing documents. In line with the

extended case method, it was helpful to have face-to-face contact in group settings so as to better understand how actors expressed their ideas in their own language, observe how they related to each other, and triangulate multiple points of data.

The majority of this observational activity took place after I had completed the 4-month interview fieldwork (June to September 2014). By following the interviews with observation, I gave informants the opportunity to share even further their perspectives, almost always in informal conversations with me. I was able to have these kinds of exchanges with 29 of the 61 interview informants, across each of the sectors of finance, development, government, and advocacy organizations. These exchanges helped me build trusting relationships with informants, who, over time, shared documents, insights into not-yet-announced policy actions, and descriptions of recent policy decisions. For example, I was informed of anticipated leadership changes at CHA, the status of contract negotiations between CHA and HUD, private meetings with officials in the mayor's office and the advocacy community, details of development deals that went forth with minimal public notice, media stories in the planning stages, unrevealed plans for new master site plans, legal notices in preparation to be filed in court, and other types of events that largely took place behind closed doors.

In most cases, these informal conversations took place before and immediately after an event, and included follow-up email and phone exchanges with informants who provided further details about how and why events took place as they did. I used these exchanges to probe emerging themes, having the intent of connecting the analyses of data with the ongoing fieldwork.

Given the sensitive nature of much of these informal conversations, I remained extremely careful to maintain ethical research standards of confidentiality and attempted to verify all

information with multiple sources prior to including it as data for my analyses. To this end, I took careful field notes with descriptive details either during or immediately following events, depending on the level of acceptability of writing notes during events. I also noted my own impressions, ideas, and questions so that I might link the notes to explanations of other emerging patterns in the data.

Document Review

I augmented the data from interviews and observations by analyzing administrative, financial, and archival data and by carefully studying relevant news stories. Through government agencies (e.g., CHA and HUD) as well as private sources, I gained access to document archives. I reviewed and analyzed approximately 585 documents; they ranged in length from several paragraphs to 300 pages. These documents were an essential source of data because they enabled me to verify the events, processes, and decisions that informants discussed in interviews and provided contexts for my own observations.

I requested and was given documents directly from informants. Key actors I interviewed, as well as those who learned of my study, shared electronic and hard copies of plans, financial reports, and promotional material. In addition, I was able to review approximately 240 additional documents from the CHA not originally intended for public view. In order to access these documents, my study went through a CHA review process, and I was subsequently granted approval in August 2014.⁸ I determined what documents to request based on informants'

⁸ CHA required that I submit a formal research proposal and go through a screening process (similar to the IRB approval) in order to have this research study approved. Following that time, I was directed by CHA staff to not use the Freedom of Information Act process, but instead to submit requests directly to CHA officials. I submitted three letters to request numerous types of documents. CHA officials met my request for most but not all documents. In addition, this process allowed me to have access to seven CHA staff and board members for the purpose of an interview.

suggestions about pertinent data. The documents included financial reports, legal agreements, GIS maps of land use, minutes from Board of Commissioners' meetings (not previously made publically available), and historical files. For example, I obtained financial reports that included the sources and amounts of both public and private financing for each phase of mixed-income housing development.

I reviewed approximately 60 administrative, financial, and legal documents external to CHA but relevant to the reforms. These included City of Chicago budgets, Office of Mayor press releases, HUD program regulations related to the MTW demonstration, government reports by the Congressional Research Services and the Government Accountability Office, and HUD Notice of Funding Applications. I made several requests through the Freedom of Information Act (FOIA) to the Illinois Housing Development Authority and to the City of Chicago. I used the documents to situate Chicago's public housing in its larger policy context.

I also reviewed local and national news and other media sources. I used the University of Chicago's *ProQuest* database to conduct a systematic search of media documents pertaining to the Plan for Transformation during the period of 1999 to 2016. This search generated over 4,000 articles. I conducted more limited searches using key terms (e.g., mixed-income development, housing finance) related to the study. In addition, I created a *Google* alert for daily notifications of media articles that referenced "Chicago Housing Authority" and "mixed-income development." I initially skimmed approximately 300 articles for content and then carefully reviewed about 80 articles.

Data Analysis

To conduct data analysis, I used both inductive and deductive processes. For the interview data, I coded 61 interview transcripts and notes by using NVivo, a qualitative data

analysis software package. I organized the coding scheme and subsequent analyses around key themes that I defined deductively by the research questions and informed over time by interim inductive analyses of data. My coding scheme was broad in its design. It incorporated ideas about urban political economy and associated political processes. During the process of analyzing the data, I was able to clarify how and when the data aligned with, departed from, and/or extended the theoretical assumptions with which I began.

My coding schema included 142 codes, which I tested on 12 transcripts. I then revised it to align more clearly with the study's guiding theoretical framework, as well as to incorporate codes that were derived inductively through the first round of coding. I then recoded the first 12 transcripts and the remaining 49 transcripts. While coding, I took detailed notes on emerging themes, developed new questions to pose in informal conversations, and listed documents to obtain. I then constructed a series of matrices to identify themes. I grouped these themes into priority order for analysis. I then reviewed observation field notes and documents as they related to the themes. Using this systematic process, I summarized interpretations in memos and clarified what data from documents was still necessary to review.

After identifying themes and summarizing my initial interpretations, I began my more extensive analysis of documents. My analyses of this data included systematic review of documents that directly related to content from interviews, comparison of the same or similar documents across different years (e.g., annual financial reports), and comparison of similar documents for different mixed-income development projects (e.g., Master Site Agreements and ground leases). In most cases, I reviewed the documents to verify information that had been shared in interviews and to make abstract ideas more concrete. For example, a set of respondents shared descriptions of CHA's financial resources and property assets. Informants described the

availability of public and private financing before and after the 2008 financial crisis. Using financial reports that described the sources and amounts of funding each year, I attempted to explain how informants' perspectives held up when compared with actual financial documents. My work entailed understanding, from their perspectives, the financial frameworks of these deals and then following the allocation of money in order to best explain policy decisions.

This process also illuminated contradictions and thus led to new areas for exploration in the CHA archives. It required that I make additional requests to CHA for specific types of documents. After securing these documents, I analyzed them in relation to memos of emerging findings.

From my interpretive memos, I outlined the content of empirical chapters and created a prospectus of the dissertation as a whole. I shared the dissertation prospectus and a list of findings with my research advisors for feedback. I also met informally with several key informants who provided helpful feedback about emerging themes. I also met twice with informants from government and advocacy sectors. With each group, I presented an overview of key findings and elicited feedback about potential policy recommendations based on findings. Feedback from these meetings centered on realistic challenges to putting policy goals into action.

Study Limitations

The extended case methodology offers analytic advantages and disadvantages. As is the case with regard to other case studies, I did not design this investigation to test probabilistic causal propositions that suggest that the presence of a given factor will increase the frequency or likelihood for an outcome to occur. A single case cannot be replicated for further testing, nor is it considered representative of other cases of a similar population. The logic of extended case study methodology is not to describe the particularities of the individual case in order to then

generalize to non-observed cases, but rather to generalize observations within a body of theory (Burawoy, 2009). Researchers thus avoid using one case as a representation of a population of similar cases, since the method assumes that inherent variation exists even between cases that may appear to be similar (Small, 2009; Tavory & Timmermans, 2009).

Another limitation of the extended case method is that the use of existing theory for interpretative explanation may limit what an investigator observes, as the theory guides what to observe and how to interpret those observations. The method, therefore, is susceptible to critique when researchers constrain the inductive process by prioritizing existing theories in ways that make it difficult to uncover new hypotheses and conceptual relationships (Burawoy, 2009; Eliasoph & Lichterman, 1999; Small, 2009).

To account for this limitation, I considered how other theories might explain those same observations. If the data did not appear readily consistent with one or more existing theories, I sought to probe for alternative explanations that may not be well explained by existing theories. For example, a set of findings from interview data suggested that, during the early stages of the reforms (2000-2003), officials within government sought a balanced approach towards privatization, as demonstrated by a rejection of demands by private real estate developers to transfer large sections of public land. These findings do not support Marxist assumptions that the role of government actors is to facilitate capital expansion. When findings such as these did not fit within the theoretical propositions, I sought to examine and explain them by resisting a temptation to rely on theoretical assumptions.

My use and analyses of documents may also have its limits. The sources I used provide a limited account of certain elements of policymaking and implementation, while leaving out others. I did not conduct an extensive review of case law, nor of federal-level non-governmental

policy reports (e.g., those from advocacy organizations, policy think tanks, and foundations). However, I believe the use and analyses of documents was helpful to the extent that it complemented the other data sources and enabled me to gain insight into Chicago's political context.

A final limitation relates to the challenges of observation. While the method of observation argues for the value of situated and contextual embedded research, my insider position within Chicago's housing policy arena may have led to biases in how I made methodological decisions and interpreted my findings. I addressed tensions with my own positionality in a few key ways. First, I sought a level of inclusivity with the informants I interviewed through the snowball sampling technique in order to engage a wider group of informants than those already known to me. Second, I aimed to observe events and access documents about which I had no prior information. Accordingly, I acquired new knowledge about community organizing efforts that I did not go into fieldwork expecting to find. Third, I had to develop skills in analyzing CHA budgets and financial statements in order to widen the scope of the findings to track spending patterns over time. I triangulated the analysis of financial data with other sources. Fourth, my embeddedness also required on-going critical reflection on my part about why an informant might be sharing information with me and how best to probe for more information. I constantly questioned my own role as someone who actively participated, and at times, also influenced the shaping of policy—even if by just posing a certain set of questions to key informants. Finally, although my research sought to present a comprehensive and accurate account based on data collected, there are portions of the data that I could not include, in part due to the need for further analyses.

Conclusion

My perspectives, expertise, power, and position faced moments of true challenge during these nearly two years of embedded investigation as a researcher studying the politics of policymaking in a field in which I am also one of the actors. With systematic data collection and analyses, my ideas in this dissertation depart from my own original conceptions about the purpose and outcomes of urban redevelopment through public housing reforms. My professional participation in Chicago's housing and community development field enabled me to detail observations of events in real time and to capture perspectives of political and market actors, some of whom told me they rarely agreed to interviews. It is largely through this extended case method that I was able to ask and answer questions pertaining to how urban political processes unfold through complex, and at times unexpected, action by a wide range of actors holding distinct interests.

CHAPTER FOUR: THE POLITICAL CONTEXT OF CHICAGO'S REFORMS

Introduction

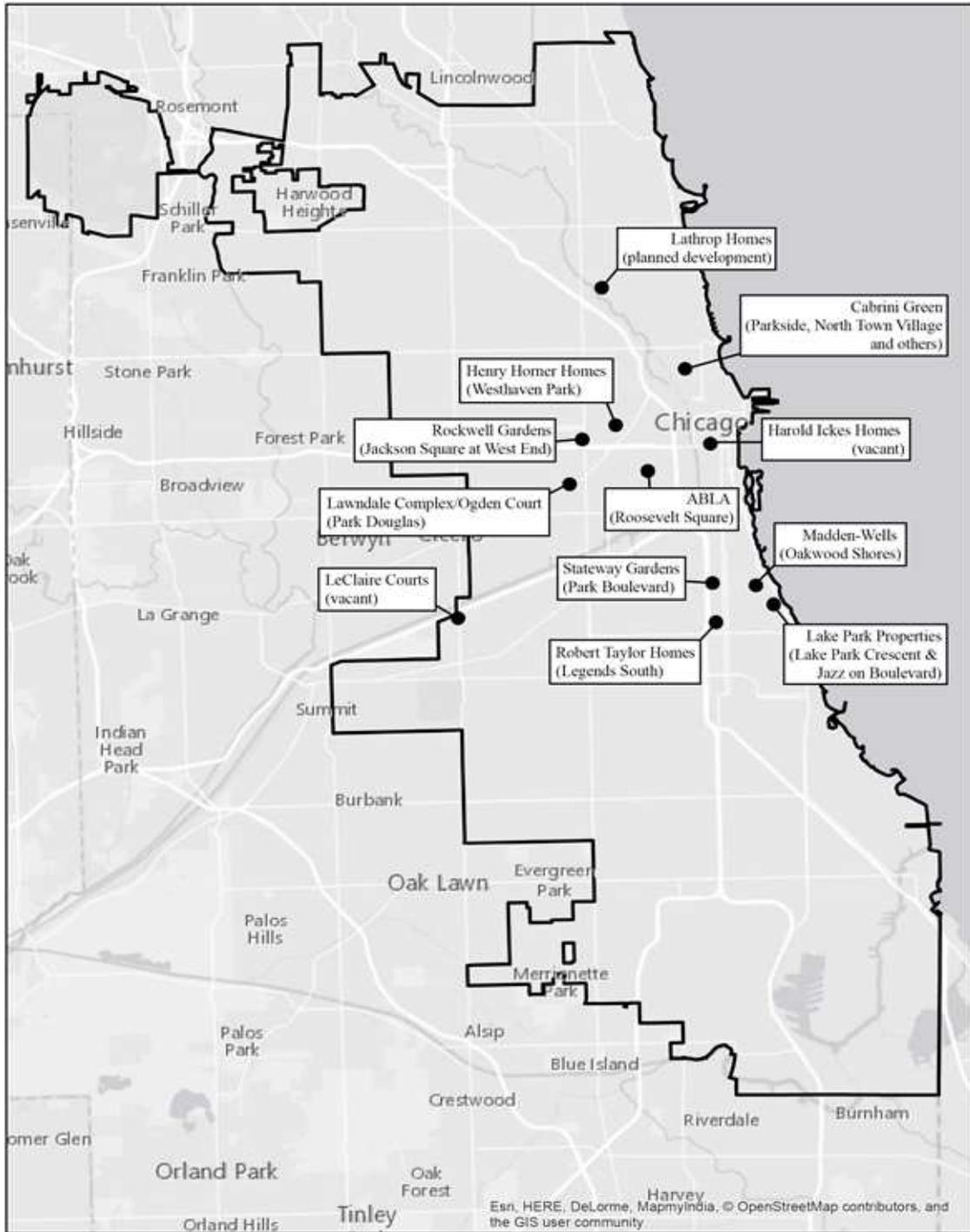
Chicago's "Plan for Transformation," now in its 16th year, is one of the nation's most ambitious efforts to restructure public housing. After a five-year federal receivership imposed by Congress, Mayor Richard M. Daley launched the Plan in 2000. It aims to remake the city's physical landscape and craft different housing opportunities for public housing residents, the majority of whom are African-American. The Plan relies principally on strategies to disperse residents into privately owned apartments using vouchers and to demolish high-rise buildings, rehabilitate a portion of existing stock, and create 12 new mixed-income developments on the footprint of public housing sites (See Map 4.1).¹ To achieve those ends, upwards of \$8 billion of public and private funding has been brought to bear.²

Much has been written about the reforms related to its two goals of redeveloping urban neighborhoods and altering opportunities for households (Bennett, Smith, & Wright, 2006; Chaskin & Joseph, 2015; Fennel, 2015; Goetz, 2013b; Joseph, 2006; Oakley & Burchfield, 2009; Pattillo, 2007, 2009; Popkin, 2013; Smith, 2013; Vale, 2013). Less is understood about its third goal of transforming the role of the Chicago Housing Authority (CHA) and thereby providing public housing through market mechanisms. This chapter provides an overview of the Plan's

¹ The 2000 Plan slated 10 public housing sites for mixed-income development, but subsequent changes have included additional sites. Thus, I use 12 sites as the number of sites that the reforms currently consider for mixed-income housing development.

² HUD originally committed \$1.6 billion in 2000 for a 10-year period. CHA received an approval for another 10 years of funding in 2008. CHA's last official estimate was \$3.2 billion, including both private and public funding (CHA, 2009a). The total investment to date has never been documented. I estimate \$8 billion based on taking the last reported figure of \$3.2 billion and adding the additional funding provided to CHA each year since then to arrive at the estimate of \$8 billion (CHA, 2009a; CHA, 2014a).

aims and explains its evolution using three interpretative frames: urban governance, devolution, and privatization.



Map 4.1. Chicago Housing Authority's Plan for Transformation: Public housing sites and associate mixed-income developments within city of Chicago. SOURCE: Chicago Housing Authority.

Brief Historical Overview of Chicago's Public Housing

Chicago's public housing policy has long been an instrument of deliberate racial segregation and a creator of economic benefit for protected private property owners and businesses in the real estate industry. From the outset in the 1930s and 1940s, CHA officials faced challenges from City Council members and other elites concerning site locations and the need to ensure that public housing would not compete with private market housing. Early decisions reinforced existing patterns of segregation. These included: (a) locating much of the housing in the city's "Black Belt," (b) slum clearance without relocation assurances, and (c) compromises with private owners related to non-competitive rent levels and exemptions from local property taxes.³ As CHA targeted centrally located neighborhoods for new projects during the late 1940s and 1950s, the federal "neighborhood composition" rule produced even more racial segregation, to the benefit of majority white neighborhoods, assuaging their residents' concerns about potentially depressed property values (Hirsch, 1998; Hunt, 2009; Polikoff, 2006; Smith II, 2012; Vale, 2013).⁴

These patterns of racial and economic segregation persisted after World War II. City government leaders led Urban Renewal efforts that demolished "blighted" neighborhoods, causing displacement without mandates for proportional replacement housing (Bratt, 1989; Hirsch, 1998; Hyra, 2012; Vale, 2000, 2013; von Hoffman, 2012). The city's partnership with white-dominated businesses and institutions rested on "containment" policies for public housing,

³ Projects, such as Ida B. Wells and Dearborn Homes, were located in areas that were populated by African Americans. For example, one of the largest CHA developments with 1,500 units, Altgeld Gardens, was built to house African Americans who worked in factories supporting supplies needed for World War II (Hunt, 2009).

⁴ See Hunt (2009) and Polikoff (2006) for a summary of the use of the composition rule. HUD policy allowed localities to control site selection. In Chicago, the early developments were intentionally racially segregated.

even while providing federal resources for more profitable downtown real estate and transit development (Hirsch, 1998).

At the same time, suburbanization and the growth of white middle-class homeownership occurred throughout the Chicago metropolitan region. These developments were made possible by federal policies that favored mortgage-interest deductions and low-interest loans (Jackson, 1985; Katz, 2001; O'Connor, 1999; Sugrue, 1996).⁵ Redlining, local zoning policies, real estate steering and blockbusting, and restrictive covenants further benefited private investors and homeowners while contributing to racial segregation of areas adjacent to public housing (Massey & Denton, 1993; Smith II, 2012).

By the 1960s, political organizing, especially in the 1966 Chicago Freedom Movement, focused on housing discrimination. Residents living in Chicago's public housing sought redress of the conditions under which they lived by filing two class-action lawsuits in 1966—together called the *Gautreaux* case (Polikoff, 2006).⁶ An eventual Supreme Court decision found that HUD and CHA had engaged in racial discrimination. The subsequent order from a lower federal court, implementing the finding of intentional racial discrimination, prohibited CHA from building in predominately African-American areas and creating dense housing concentrations.

⁵ Federal Housing Administration (FHA) insurance of home loans and preference for single-family, new constructed homes reflected policies favoring home ownership for white citizens. FHA's redlining appraisal rating systems devalued ethnic minority neighborhoods (Jackson, 1985; Immergluck, 2009). These policies institutionalized racial segregation within cities and across metropolitan regions.

⁶ Ms. Dorothy Gautreaux and five other public housing residents, with the support of their legal counsel, Mr. Alexander Polikoff, brought class-action lawsuits against CHA and HUD in violation of the U.S. Constitution and of the 1964 Civil Rights Act. They charged that the government agencies practiced a form of racial discrimination through the concentration of more than 10,000 public housing units in African-American neighborhoods. The cases were heard at multiple courts, and ultimately the Supreme Court affirmed the plaintiff's position. For more on the *Gautreaux* cases and the political and legal context surrounding the Plan for Transformation, see Polikoff (2006).

The Court's decision and the lower courts' implementing orders would have long-term impacts on Chicago's housing policies. For one thing, a court-imposed metropolitan-wide remedial plan focused on housing provision through vouchers, thus bolstering the use of the private market in the provision of public housing. At the same time, however, CHA's budget faced major cuts as federal appropriations retracted and tenants faced growing levels of poverty.

By the 1980s and 1990s, Chicago's public housing had become emblematic of the multi-faceted failure of high-rise projects in areas of concentrated urban poverty (Kotlowitz, 1991; Walinsky, 1987). The projects had become places that were homes to low-income populations—"black reservations" (Massey & Denton, 1993, p. 74)—and that symbolized "social disorder," (Massey & Denton, 1993, p. 74) characterized by violence. High vacancies, hazardous maintenance conditions, inadequate heating and utilities, rodent infestation, crime, and abandonment of needed services contributed to public housing communities' unrelenting devastation. The CHA's and the city's disinvestment in the physical areas and neighborhood-based public services eventually gave rise to collective efforts to improve the buildings and neighborhoods, led by residents needing grassroots and other strategies for basic survival (Feldman & Stall, 2004; Fuerst & Hunt, 2003; Kotlowitz, 1991).

National housing reform efforts in the mid-1990s required CHA to conduct viability tests to determine if buildings should be rehabilitated, while CHA officials began plans to use HOPE VI for a combination of rehabilitation and demolition (Bennett, 1998; Goetz, 2013b; Hunt, 2009; Smith, 2006; Zhang & Weismann, 2006).⁷ But these initiatives made little headway given the

⁷ Section 202 of the Omnibus Consolidated Reconciliation Act (OCRA, 1996) required that all Public Housing Authorities assess the viability of any property with 300 or more units and a vacancy rate over 10% to determine if the cost to rehabilitate these developments would be greater than to demolish and provide vouchers for residents to move out. When CHA initiated viability tests in 1996, thousands of units failed, showing that the costs to rehabilitate were

mismanagement and corruption that, starting in 1979, had placed CHA atop HUD's list of Troubled Public Housing Authorities. Notwithstanding the fact that CHA continued to receive HUD subsidies to operate buildings, major management impediments persisted. Indeed, CHA lacked resources for redevelopment without additional HUD funding (Government Accounting Office [GAO], 1995; Hunt, 2009). Furthermore, public housing communities remained a low political priority for city government officials, outside of an occasional need for intervention when violence erupted to the extent that it disrupted business interests' need to maintain control. CHA's difficulties made it ripe for larger-scale reforms.

Congressional approval in 1995 for a federal takeover of CHA attempted to address the agency's systemic pattern of failed operations (GAO, 1995; Hunt, 2009).⁸ Mayor Daley and the CHA Board willingly yielded to extensive federal oversight as HUD Assistant Secretary Joseph Shuldiner took leadership. He contracted out property management, privatized the housing voucher Section 8 program, obtained new HOPE VI grants, and transferred CHA security functions to the city's police department.⁹ CHA's operations improved, as did their HUD

greater than the revenue that would be generated to operate units. HUD's Housing Opportunities for People Everywhere (HOPE VI) program united a coalition of advocates around an agenda to demolish public housing projects, relocate public housing residents, and privatize public housing through contracting out the development and ownership of subsidized housing and services. The program started in 1993 and ended in 2009. HOPE VI funds paid for the demolition of public housing units without a commitment to rebuild all units and a net loss of public housing units occurred. This policy raised concerns due to the overall loss in the number of publically-subsidized units (Goetz, 2013a).

⁸ There is an important distinction between administrative receivership and judicial receiverships. HUD administrative receiverships require Congressional approval and involve a HUD employee or contractor taking over the management of a Public Housing Authority, as was the case in Chicago between 1995-1999 (GAO, 2003). CHA was also under federal court-appointed receivership starting in 1987 for a portion of the agencies' operations that managed the rehabilitation and new development of scattered-site and public housing units.

⁹ HUD's Section 8 program, now called the Housing Choice Voucher program, is currently the primary approach for providing housing assistance and impacts housing for 2.2 million households. It was originally enacted as a small demonstration program in 1961 and later

ratings.¹⁰ But HUD officials nevertheless faced the dilemma of serving as the agency charged with the incompatible tasks of both managing CHA and overseeing CHA operations (Hunt, 2009). Moreover, the HUD takeover contravened the growing national trend to devolve authority to local governments.

After nearly five years of federal oversight, Daley sought to reinstate local control of CHA, seeking regulatory and legislative flexibility from HUD. Federal laws required extensive demolition and HUD would now offer subsidies through the HOPE VI program. Daley planned to use his office to advance a larger agenda focused on private reinvestment (Bennett, 2010, 2011; Goetz, 2013b). After the initial announcement of a signed “Memorandum of Understanding” with HUD in June 1999, Daley’s administration held public forums as required by federal law. While the public-hearing process demonstrated government officials’ attempts to secure resident and advocate consultation, Daley officials also negotiated plans with other individuals and agencies in state and federal government, as well as in the business and real estate industry, to conduct their own version of public housing reform (Smith, 2006; Wright, 2006).

Housing activists and tenant leaders, organized as the Coalition to Protect Public Housing, pressured the city and HUD officials to institute one-for-one replacement of public housing units, arguing that an adequate supply of rental housing did not exist in the region (Bennett, 2006b). Coalition members used their city-wide power to appeal for stronger oversight of CHA, relocation rights, and resident-led models of inclusive decision-making (Smith, 2006;

formally authorized in 1974 as the Section 8 program. The program provides tenant-based assistance in the form of a voucher that pays for a portion of the rent to a private owner.

¹⁰ The score at the beginning of receivership was 51.07, then 64.73 two years into receivership, 69.96 three years into receivership, and finally 65 at the end of receivership (GAO, 2003).

Wright, 2006).¹¹ While some advocacy groups joined in supporting their policy proposals, the Coalition faced challenges of diminishing support among elected resident leaders on the Central Advisory Council.¹² Indeed, Daley's success in managing opposing forces, through bargaining tactics aimed at specific community benefits (e.g., replacement units, community spaces, and jobs), resulted in endorsements for Daley's plan from groups that had previously opposed it (Wright, 2006). Daley's appointees and high-ranking HUD officials moved deliberately toward submitting the draft plan that rejected the one-to-one replacement of all units. They did agree, however, to the creation of site-level advisory groups with two resident representatives, a legal right to return to housing, and relocation and mobility counseling services (Hunt, 2009; Wright, 2006).

After just one month of federally required public hearings held to review the Daley administration's draft plan, the Plan for Transformation formally began in February 2000 when CHA and HUD officials signed the 10-year MTW Agreement that provided the legal framework to implement the Plan.¹³ HUD officials committed to providing a total of \$1.565 billion over 10

¹¹ As required by the federal Quality Housing and Work Responsibility Act, the Plan cites the clear resistance to specific proposals including a list of objections gathered from statements made in public forums. Some of the issues of concern related to the high number of evictions, the looming threat of high-rise demolition, and the need to maintain the overall number of publically owned units through a policy of one-for-one replacement.

¹² For example, the Central Advisory Council (CAC) initially opposed the draft plan and then later endorsed it. The CAC is comprised of elected representatives that represent residents of public housing communities through a Local Advisory Council. The CAC and LACs have a long oppositional history with CHA, though at times resident-elected representatives have also bargained with CHA officials to obtain their desired needs (Feldman & Stall, 2004; Wright, 2006).

¹³ The MTW Agreement included a Memorandum of Approval for 27 waivers to federal law and a Resident Protection Agreement (CHA & HUD, 2000). It was originally a 10 year agreement, though it was reinstated in 2008 for an additional 10 years. In May 2016, HUD and CHA officials announced that the MTW Agreement would be extended another 12 years (CHA, 2016a; HUD, 2016a).

years to CHA.¹⁴ HUD officials also allowed CHA to secure access into a deregulation initiative, the MTW demonstration, that provided CHA 27 waivers from federal law (e.g., for rent limits, policies about the “allowable costs” to develop new units, and authority to carry forward unexpended balances into future fiscal years).¹⁵ In exchange, CHA committed to “assist substantially the same total number of eligible low-income families...[with a] comparable mix of families by family size” (CHA & HUD, 2000, p. 3).¹⁶ At a press conference in Chicago, HUD Secretary Andrew Cuomo said that CHA’s public housing had become a “national symbol of failed urban policy” and that, like its own high-rise buildings, “CHA must come down” (HUD, 2000, p.1). As if echoing the imagery of public housing’s violent reputation, he added: “You cannot put a band aid on a bullet wound” (HUD, 2000, p.1). The dressing for that wound, Cuomo saw, required the relocation of approximately 25,000 households.

The Plan called for the whole-sale demolition of 60% of public housing units, approximately 18,000 units, located mostly in 51 high-rise towers. This meant a projected net loss of 13,000 units (CHA, 2000).¹⁷ The Plan committed to rehab or redevelop 25,000 units

¹⁴ The MTW Agreement spelled out the formula for subsidies under what it calls the “operating fund” agreement, which was \$176,451,193 in 1999. In addition to these annual operating funds under MTW, CHA also received additional annual HUD subsidies such as \$139 million for capital redevelopment. Federal funding included subsidies for operating, capital, and Section 8 programs, as well as some smaller programs (city/state partnership for Housing Assistance Payments; HOPE VI, grants for drug enforcement security). In addition, HUD committed additional funding of at least \$350 million through the Community Development Block Grant program (CHA & HUD, 2000).

¹⁵ CHA requested 29 waivers to federal regulations. HUD denied one request (related to health and safety inspections) and partially denied one other request (CHA & HUD, 2000).

¹⁶ CHA’s MTW Agreement establishes a baseline number to be served as 51,066 households. CHA’s latest report states the total households in both public housing and in the voucher program is 62,462 (CHA, 2015b). However, the CHA is obligated to serve substantially the same composition of residents as it did in 2000. This goal has been more difficult to achieve as more seniors than families have been served (Vale & Graves, 2010).

¹⁷ The number of units lost to demolition because of the Plan has been presented differently by CHA reports and by researchers (Goetz, 2013b; Smith, 2006, 2013). I am using CHA’s official

within 10 years. This goal included building 5,000 new units located within new mixed-income housing developments and redeveloping another 5,353 units at large public housing sites through new construction and rehabilitation.¹⁸ The vast majority of units (14,647) would be those rehabbed in senior buildings, scatter-site apartments, and traditional low-rise family developments. Residents would receive options to move into the private market using a Housing Choice Voucher or a unit at a mixed-income development. CHA would privatize property management and other core operations.

The Plan's stated aim sought to improve the lives of people living in public housing through their social and economic integration, providing them new housing opportunities that were assumed to also create stronger connections to employment, schools, recreational places, and other life-enhancing resources. By moving away from the clustering of extremely-low-income communities, reformers hoped that the poverty experienced by individuals and families would be alleviated. By focusing only on economic integration, the public housing reforms downplayed the institutionalized racial segregation that Chicago's public housing had exacerbated and reproduced. Considering the city's history with Urban Renewal, the Plan failed to explicitly acknowledge the historical and contemporary challenges of housing discrimination for African Americans (Hunt, 2009; Khare, Joseph, & Chaskin, 2015; Smith & Stovall, 2008; Turner, Popkin, & Rawlings, 2009).

numbers here, although I acknowledge that the net loss is greater than 13,000. It is likely upwards of 16,000, since CHA has demolished more units than the 2000 Plan projected by about 3,000. In addition, CHA designates some units as "off-line" meaning they are pending redevelopment, demolition, or capital maintenance plans. The last report slated 2,951 units as "off-line" (CHA, 2016b, p. 6). A portion of these units are subject to demolition in the future.¹⁸ The number of projected public housing units located in mixed-income developments has varied over time in different CHA reports. The highest estimate set the goal of 6,319 units (CHA, 2006).

Transformation in Policy Frameworks

In addition to transforming the lives of public housing residents and the urban spaces where they live, the Plan also pursued a vision to transform the identity of CHA from a direct provider of housing to a “facilitator of housing opportunities” (CHA, 2000, p. 4). This shift meant that the agency served as an asset manager that contracts with private firms for the provision of housing and as a financier for the redevelopment of new and rehabilitated projects.

Starting in 2004, CHA used a marketing campaign to proliferate its new message: *CHANGE*. After 2013, there was yet another rebranding with an updated logo and color scheme coordinated for the unveiling of the revised Plan Forward. Under the gloss, the real transformation of CHA consisted of a radical intra-organizational and cross-sector shake-up in governing approaches.

In 2010, to mark the 10-year anniversary of the Plan’s implementation, the MacArthur Foundation issued a report titled “The Chicago Housing Authority’s Plan for Transformation: What Does the Research Show So Far?” In their more than 100-page report, authors Dr. Larry Vale and Dr. Erin Graves described three “transformations” the Plan aimed to produce: of places, of people, and of CHA operations.

While significant contributions have been made to demonstrate the impact of the reforms on the first two dimensions (i.e., people and places), they argued that CHA operations have not yet been carefully investigated. Vale and Graves concluded that “a fuller assessment of the success of the Plan for Transformation would take [the CHA operations] dimension more seriously and centrally” (Vale & Graves, 2010, p. 7), a goal that this dissertation study seeks to address.

To be clear, what did the Plan state about its aim to achieve this third transformation in

CHA operations? According to a section of the Plan titled “Towards a New Role for the CHA” (CHA, 2000):

This Plan contemplates much more than the physical transformation of public housing. It envisions a new role for the CHA. In the past, the CHA was primarily an owner and manager of public housing. In the future, the CHA will be a facilitator of housing opportunities. It will oversee a range of housing investments and subsidy vehicles. Where appropriate, it will own housing, but it will just as likely provide financial assistance to other private and non-profit development organizations to expand housing opportunities. (p. 4).

The redesign of policy, fiscal, and administrative approaches to accommodate this new role required CHA to leverage and expand privately-owned housing in the market for use by low-income households, and do so in a context where increased local control and stronger networks across government and other sectors would be encouraged.

To examine how Chicago’s reforms reflect the broader neoliberal turn in housing policy, I consider three policy frameworks: urban governance, devolution, and privatization.

Urban Governance

The first transition in policy frameworks relates to CHA’s shift from an agency operating in isolation from city government and local partners, to one that is incorporated within the mayoral-led governing coalition of the city administration. This shift required CHA leadership to function with a broad concern about its relationships with actors outside of government and to establish partnerships with key stakeholders that held a variety of interests in the Plan’s agenda.

City oversight. Strong mayoral control has often made CHA responsive to local political pressures and an array of stakeholders (Hirsch, 1998; Hunt, 2009). The Illinois Housing Authorities Act (Illinois General Assembly, 1991) and subsequent legislation provides mayoral power to nominate CHA’s Chief Executive Officer and the 10-member Board of Commissioners. City Council holds authority to confirm these appointments. The state statute also provides City

Council with powers to make decisions about CHA policy. Since 1972, however, a court order in the *Gautreaux* case has given CHA power to make decisions about site acquisition *without* having to gain City Council’s approval (*Gautreaux, et al. v. Chicago Housing Authority, et al.*, 1972). Notwithstanding the order, Aldermen still have some influence over CHA policy, since they are given zoning oversight over new construction projects in their wards and can use that power to influence CHA’s leadership in matters related to redevelopment.

Further, CHA’s legal status as a quasi-independent “municipal corporation” (CHA, 2015a, p. 2) blurs the boundaries between the agency and the city’s government administration. Day-to-day management is the responsibility of its CEO. The Board of Commissioners oversees the “management and control of all officers, employees, property and businesses” (CHA, 2015a, p. 2), but mayoral oversight in hiring and firing the CHA CEO and Board means that CHA’s leadership functions in response to the mayor’s requests. Also, CHA’s designation as a “sister agency” of the city, in ways similar to the Chicago Public Schools and Chicago Transit Authority, requires its leadership to operate within the broader operations of the city administration, with sensitivity to other departments and sister agencies. In the first ten years of the Plan, interagency collaboration between departments for land clearance, infrastructure improvements, and redevelopment site plans heightened the need for CHA officials to build relationships with city officials.

CHA’s leadership by CEOs during the Plan has been relatively unstable. Over the course of the 16 years, there have been eight CEO directorships.¹⁹ The turnover in CEOs has occurred

¹⁹ The CHA CEO directorships during the Plan included leadership by the following individuals: Philip Jackson (1999-2000), Terry Peterson (2000-2006), Sharon Gist Gilliam (2006-2007), Lewis Jordan (2008-2011), Carlos Ponce (2011-2011, interim), Charles Woodyard (2011-2013), Michael Merchant (2013-2015), and Eugene R. Jones Jr. (2015-present, acting status made permanent in February 2016). CHA Chairpersons of the Board during the Plan included

more frequently under Mayor Emanuel than under Mayor Daley, with five CEO transitions since 2011.

The CEO and Board of Commissioners meet on an almost monthly basis to review and determine strategic operations, finances, contractual relationships, human resources, and asset management. Commissioners' appointments are for five years, though some members have served for more than three terms with periods as long as 12 years. Since 2011, under Mayor Emanuel, the Board has experienced significant turnover, consisting of mostly new members but only two tenant representatives.²⁰ The small number of tenant representatives arguably violates Illinois law and CHA's By-Laws, which require at least three CHA tenants on the Board (CHA, 2015a; Illinois General Assembly, 1991). The Board members demonstrate a strong alliance with each other, with very few disagreements and almost no split votes. Meeting minutes from 2000 to 2015 show that almost every resolution brought forward by the CEO received unanimous support.

Partnerships and political influence. Beyond governance, the implementation of the Plan has required CHA to engage with organizations and institutions, both within neighborhoods and those more broadly related to higher-level policy issues. Some of these groups have formal authority through administrative or legal representation, whereas others have to make their interests heard through political strategies such as insider-track relationship building, legislative influence, public education, and/or community organizing. Such a variety of policy actors have shaped the reforms that its impossible to summarize all of them, but there were key stakeholders

leadership by the following individuals: Sharon Gist Gilliam (1999-2006), Martin H. Nesbitt (2006-2010), James Reynolds (2010-2011), Zaidwaynaka Scott (2011-2015), and John T. Hooker (2015 to present).

²⁰ Most of the current CHA board members have come onto the Board since the election of Mayor Emanuel in May 2011, with only one hold over from the Daley administration, Bridget Reidy (2009-present).

who held extensive power to influence CHA's policy agenda. Some of these included resident leaders, legal advocates, housing developers, and practitioners working within community organizations, and researchers. The power of these policy actors changed over time, as later chapters will document.

As noted above, the *Gautreaux* court had formal oversight over CHA's redevelopment decisions, owing to the judicial receivership of the CHA. There were several dimensions to the *Gautreaux* case that helped establish a strong role for the actors associated with the case. First, Alexander Polikoff and his legal associates at Business and Professional People for the Public Interest (BPI), in their role as counsel for the plaintiffs in the *Gautreaux* case, had legal standing to shape public housing redevelopment. Second, the judge, Marvin Aspen, had the power to declare that a physical site was in fact a "revitalizing area" appropriate for new public housing construction. Finally, the judgment found that the management of CHA's scattered-site housing program should be placed in private hands through a court-appointed receiver, The Habitat Company.

For its part, BPI had the legal power to influence how and where rehabbed and new public housing units were to be built—either to support new development plans or block those plans based on claims related to racial discrimination. BPI's agenda focused on social mobility for residents and relied on a long-term, incremental approach for achieving racial integration. According to a policy expert interviewed and familiar with BPI's reasoning:

The way that mixed income is seen from a *Gautreaux* lens is that if you create a high quality mixed income community that those communities may over time become racially integrated... Robert Taylor, Cabrini, Horner, Stateway... Those developments were built with the intention of segregating black public housing residents. So if those communities could become more of a mix then you break down those walls of segregation... So while you are not requiring a racial mix in the community, the hope is that if you create requirements of an income mix there is at least more of a possibility.

BPI associates worked with CHA executives and the court-appointed receiver to determine an appropriate mix of housing units in new developments. These agreements were then presented to the courts. BPI lawyers also pursued legal action, public education, and direct advocacy in order to reverse CHA's policy decision to maintain some of the traditional family developments as 100% public housing (BPI, 2009).

Once the Plan for Transformation was launched and with the *Gautreaux* court approval, Daniel E. Levin, Chairman of the real estate development firm The Habitat Company ("Habitat"), expanded the role of the court-appointed receiver.²¹ Habitat served as the primary conduit among the mayor's office, HUD, CHA, BPI, Judge Aspen, and mixed-income developers. Habitat was given control over HUD subsidy withdrawals while also serving as a contractor of the CHA for the provision of property management services at senior buildings. The company's strong political ties, and its leadership by Levin and CEO Valerie Jarrett (who left in 2009 to work in the Obama administration) helped secure the Plan's support among Chicago's elite business community. As a key private-sector partner, Habitat held extensive oversight for finances and planning for the mixed-income sites. When Judge Aspen terminated the judicial receivership of CHA in 2010 after determining it was no longer needed, Habitat transitioned out of this role, prompting challenges for CHA's internal capacity to bring planned redevelopment projects to fruition (*Gautreaux, et al. v. Chicago Housing Authority, et al.*, 2010).

²¹ In 1987, Judge Aspen appointed the receivership to Levin and Habitat to have power to oversee the development of non-elderly public housing. Habitat's strength in the financing, development, and management of housing includes luxury condos, student dormitories, and subsidized and senior buildings. This real estate development firm holds an extensive housing portfolio (20,000 units in six states by 2014) (Matthews, 2014). Though never fully detailed in CHA documents or other primary sources publically available, Levin, Jarrett, and the Habitat team had strong ties to the early policy design of the Plan. Levin's leadership team at Habitat operated as an extended departmental arm to CHA's fiscal and administrative operations. My data from interviews and informal conversations provided insight to me into the political and administrative dynamics between CHA and Habitat.

Private developers and financiers served a primary function by specifying how CHA's overarching policy aims would be put into practice. Housing developers obtained Master Developer Agreements from CHA that entailed specific responsibilities for planning, financing, building, and operating the mixed-income developments. Many of the developers worked in other cities throughout the country and almost all were for-profit corporations.²² Private banks, equity syndication firms, and other financing corporations provided necessary capital for the array of housing types included in the mixed-income model. The Federal Home Loan Bank also provided support, though most of the loans and equity contributions came from multinational banks, such as J.P Morgan, BMO Harris Bank, Chase, and PNC.

Across the city, non-governmental officials, foundation officers, and corporate executives engaged in strategies to finance, promote, and support public housing reforms. In a lead role, the MacArthur Foundation directed millions of dollars in funding for local neighborhood-based services and research on resident and community-level outcomes. Leadership by the Metropolitan Planning Council (MPC) also resulted in two forms of collaborative arrangements.²³ First, the Developer's Roundtable brought together the real estate developers of the mixed-income sites with some policy advisors. Together, they addressed CHA policy concerns, such as waitlists and funding arrangements. Second, MPC staff organized quarterly forums focused on best practices, research, and policy approaches being used in Chicago and in other cities. Further, the Chicago Community Trust coordinated an alliance of foundations, including the MacArthur Foundation, in order to create the Partnership for New Communities.

²² A detailed summary of the development firms is included in Table 7.1, Chapter Seven.

²³ MPC is a non-profit organization, originally established in 1934, that promotes planning and policy development on a range of issues, including housing, transportation, regional economic development, and the environment. MarySue Barrett, its director, is Mayor Daley's former chief policy advisor.

The Partnership used its political capital to organize Chicago's elite business leaders in support of the Plan. It brought in over \$2 million in private funding used to support services not allowable under HUD funding rules, such as an initiative to integrate the city's workforce development agencies.

The Local Advisory Councils (LACs) and Central Advisory Council (CAC), comprised of elected resident representatives, also had capacity to influence policy reforms, though their power diminished after 2008 when CHA's board voted on and HUD approved a policy not to officially hold elections or fund LACs in the new mixed-income development sites (CHA & HUD, 2008). This decision led to less organized coordination with residents living in mixed-income developments, though the other LACs at traditional public housing developments continued to function at least to the degree that representatives collaborated through the Central Advisory Council. CHA provided funding to the CAC, raising concerns by legal advocates and grassroots activists about the CAC's capacity for independent leadership outside the constraints of CHA control. Even so, CAC's legal representative, Robert Whitfield, proved to be one of the fiercest public critics of CHA policy.

Two major grassroots organizations with activist approaches sought more public accountability from the mayors' office and CHA. The Coalition to Protect Public Housing organized in the mid-1990s in response to Congressional action that eliminated the one-for-one replacement rule. When the Plan was first announced, coalition members sought to ensure residents would receive a right to remain housed despite the planned demolition. The Coalition gained early support from established organizations, such as the Jewish Council on Urban Affairs and the MacArthur Foundation. The Coalition's greatest contribution, alongside the CAC, was in pressuring officials to ensure a legally enforceable right of return for all residents

displaced from public housing buildings through CHA's Relocation Rights Contract (Wright, 2006). The Coalition also helped to influence a policy that CHA would maintain land control prior to developments being built at public housing sites.²⁴ Once many of the high-rise buildings were demolished, however, the Coalition's tenant leadership faced challenges in maintaining power, since residents were scattered throughout the city and the call for unit preservation and replacement seemed unlikely. By the mid-to-late 2000s, the Coalition appeared no longer influential in shaping reform efforts as a collective, though some individual members still remained active during periods when CHA pushed forward yet another set of policy changes in 2013.

Another organization, the Chicago Housing Initiative (CHI), created in 2008 and staffed by 2010, sought to expand the power of subsidized tenants. CHI's nine community organizations represented a geographically and racially diverse population of low-income tenants living in federally subsidized housing, as well as homeless populations.²⁵ Their contributions to shaping the Plan in the post-recession context demonstrated their command of the financial and legal underpinnings of the CHA. Yet, the creation of CHI outside of the LACs and CAC created drawbacks and benefits. The organization did not face difficulty by being intertwined with CHA

²⁴ The legal contract between CHA and the CAC specified that residents considered in "good standing" as of October 1, 1999 would be guaranteed their choice of a permanent housing option (voucher or unit), a timely and clear procedure for relocation, and funding for moving expenses. These "10-1-99 residents" (to which they became commonly referred) included approximately 8,300 seniors and 16,846 households (CHA, 2011). The actual number of people living in these households is unknown. There is no extensive accountability for youth members, nor for the individuals living in the units but not officially on the lease. Research documents that CHA's population likely included approximately 53,000 households representing about 140,000 individuals (Goetz, 2013b; Vale, 2013).

²⁵ The multi-issue grassroots organizations include Access Living, Jane Addams Senior Caucus, Kenwood Oakland Community Organization, Logan Square Neighborhood Association, Lugenia Burns Hope Center, Metropolitan Tenants Organization, Organizing Neighborhoods for Equality: ONE Northside, People for Community Recovery, and Southside Together Organizing for Power.

funding and governance that CAC members have historically held; however, CHI did not have historical legitimacy as a formal representative of public housing residents, which meant that CHA officials could discount CHI's representation of them.

Advocacy groups also had varying levels of influence. Legal advocates represented individual tenants; in some cases, they represented a class of residents at public housing sites, such as the former Henry Horner Homes and Cabrini Green. Lawyers from the Sargent Shriver National Center on Poverty Law and the Legal Assistance Foundation had access to CHA's leadership, and they worked through internal channels, as well as legal processes, to ensure tenants' rights.

Formal collaborative structure. CHA established Working Groups as the major collaborative governance mechanism to guide redevelopment at mixed-income sites (CHA, 2000). First described in the 2000 Plan and quickly instituted by CHA, the Working Groups were designed to facilitate dialogue related to the selection of the development teams, design of the site plan, eligibility criteria for residents, neighborhood-based concerns and supports, and other matters crucial to the success of redevelopment. In general, staff from CHA's Office of Real Estate Development or from Habitat facilitated the monthly meetings, which were attended by a set group of members appointed by CHA in consultation with the Mayor's office.²⁶

²⁶ Historically, participants of the Working Groups included representatives from Habitat, BPI, the Alderman's office, development teams, two resident representatives from the LAC, public officials from the City's Department of Planning and Development and other arms of government (e.g., Chicago Public Schools and Office of Workforce Development), and institutional partners from community organizations. A CHA proposal in 2010-2011 would have changed the composition of the Working Groups, and it is unclear if CHA ever formally adopted a change in policy or in practice at the time of writing, despite attempts to clarify as part of this investigation. As LACs were disbanded by an amendment to the MTW Agreement in 2008, questions must be raised about the extent to which the institutionalized process to ensure the representation of relocated residents into Working Groups actually functions to do so (Chaskin, Khare, & Joseph, 2012).

Private sector development teams also had a major role in the process, despite not having a formal vote on the Working Groups. By creating the site plans, developers had the first shot at determining important decisions such as use of space and types of housing units. Over time, the role of developers and contracted property managers increased. As occupancy became a more central focus of the meetings once residents moved in, development partnerships could largely dictate decisions given their ownership of units and the primary legal authority over tenants' rights. The Working Groups stopped meeting as often in some sites once development stalled and also after CHA leadership turned away from their early focus on cross-sector coordination.

CHA instituted resident representation on the Working Groups, partly in response to HUD requirements, but also to ensure political support of the new redevelopment sites (Alexander, 2009). However, Gebhardt (2009) suggests that while the Plan included avenues for public involvement, the process could—at certain times and for some sites—curtail democratic participation. The groups were “insulated from popular control” (Gebhardt, 2009, p. 16) by CHA and Habitat representatives, and there is indeed evidence showing how Working Groups in three mixed-income sites “provide[d] little room for significant resident influence on actual decision making” (Chaskin, Khare, & Joseph, 2012, p. 885). The Working Groups primarily served as partnership meetings for private developers, CHA staff, Habitat, BPI, and others who needed a structured space to share information, and at times, work towards compromised solutions. In large part, Working Groups served the interests of those who already held existing power by legal appointment or by financial contract, as well as those who needed to maintain a level of internal influence within the mayoral-led agenda.

Devolved Authority: From Federal to Local Control

A second transition in policy frameworks relates to CHA's participation in the MTW (MTW) demonstration. MTW provides participating PHAs the flexibility, through waivers to federal regulations, to use HUD subsidies outside the restrictions of the Housing Act of 1937. In this way, PHAs hold decentralized decision-making control over the structure of programs and finances.

Over the past 16 years, Chicago's local officials have had a large degree of independence in using their discretion to allocate federal subsidies across a range of housing assistance programs (e.g., capital development, operating funds, and Housing Choice Vouchers), as long as they met basic obligations pertaining to the special agreement. While initially a 10-year commitment, CHA and HUD officials renegotiated and extended the MTW Agreement in 2008 for another 10 years (CHA & HUD, 2008).²⁷ In May 2016, HUD and CHA officials announced that the MTW Agreement would be extended another 12 years (CHA, 2016a; HUD, 2016a).

The MTW status allowed CHA to combine different subsidy programs into a single revenue stream: a block grant referred to as the MTW general fund. The funds from those programs may be directed towards projects deemed most beneficial by those overseeing CHA's fiscal policies. In CHA's FY2016 budget of \$1.067 billion, about 97% of the total budget, is

²⁷ The Amended and Restated MTW Agreement in 2008 with its four attachments clarified the terms of the participation. Attachment A includes a calculation of HUD subsidies based on formulas for operating subsidy, capital funds, and Housing Choice Voucher Program; Attachment B includes the required elements for the Annual MTW Plan and Annual MTW Report; Attachment C includes specific sections of the 1937 Act and/or its implementing regulations that a MTW PHA can waive as part of its MTW flexibility; and Attachment D incorporates parts of the original Agreements or other authorizations unique to CHA.

designated into this MTW fund.²⁸ In contrast, the approximately 3,050 other non-MTW PHAs across the nation must maintain separate program-specific accounts (e.g., for public housing, housing vouchers, and capital construction).²⁹ MTW also allowed CHA reduced financial reporting responsibilities outside the standard HUD expectations.³⁰

CHA officials and others interviewed for this study highlighted the value of MTW flexibility, crediting it with providing the ability to undertake complex and expensive capital redevelopment projects. However, a group of advocates suggested that the MTW status led to a pattern of CHA not effectively utilizing HUD subsidies, in part because no incentives existed for performance-based annual funding renewals or for required utilization rates (as expected with non-MTW agencies) (Center for Tax and Budget Accountability, 2014). The MTW demonstration proved to be one of the most controversial aspects to the reforms due to the extensive level of local control and flexible subsidy arrangements (see Chapter Six).

Privatized Housing and Services

A third transition in Chicago's housing policy involves a shift in CHA's role from a direct provider of goods and services to an asset manager that contracts with private firms and attempts to attract private capital. Federal housing policies had already begun to embrace privatization approaches long before CHA's launch of the Plan. The policy shifts towards vouchers and the Low Income Housing Tax Credit program laid the groundwork for the provisions of the Plan explicitly committing to public-private partnerships and private financing.

²⁸ In FY2016, CHA received a 9.3% increase in revenue as compared to FY2015 due to the "build-up of planned capital-related projects and targeted 90% voucher utilization," which refers to monies gone underutilized (CHA, 2016c, p. 10).

²⁹ CHA's spread across these different programs in FY2016 included 47.1% (\$502 million) for the HCV program, 28% (\$299 million) for capital construction and development, 16.5% (\$176 million) for property operations, and 4.1% (\$43 million) for resident services (CHA, 2016c).

³⁰ HUD oversight of CHA finances comes through the approval of the Comprehensive Annual Budget and of the annual Comprehensive Audited Financial Report.

Chicago followed national trends through two key approaches: the privatization of housing and the privatization of services. In the first approach, CHA reduced the total supply of hard units by demolishing 18,000 units and replacing only those occupied at the time of the announcement of the Plan, yielding a net loss of at least 13,000 units (CHA, 2000). New units would only be those developed as privately-owned housing, and residents would be relocated into the private rental market through vouchers. CHA put in place three policy strategies to privatize housing: mixed-income development strategies, housing choice vouchers, and the project-based voucher program.

Beyond the privatization of housing, the Plan also restructured the delivery of CHA's day-to-day services: property management, maintenance, tenant patrols, emergency security, family and youth programming, and other core services. CHA had already begun the process of transferring these responsibilities as early as the 1980s when the *Gautreaux* court required that the court-appointed receiver, Habitat, manage CHA's scattered-site housing program. Later, in the early 1990s, CHA hired Resident Management Corporations to run site-based building management offices. CHA then privatized the management of its voucher program in 1996 to a company called CHAC that screened tenants, inspected units, and administered voucher funding.³¹ Privatization of services was clearly well underway prior to the Plan's launch, but two types of services became even more crucial to the Plan's conversion: property management and resident services, which will be explored below.

Mixed-income development. Under the first strategy, CHA has contracted with private development teams to create 12 new developments and the ownership of public housing units located within them. The Plan's rationale for doing so was to "attract additional private funds"

³¹ CHAC is not an acronym, rather it is the formal name of the firm.

and “access needed development capacity” (CHA, 2000, p. 2) for redevelopment. In contrast to past approaches, physical buildings and hard units were created and owned by private firms.

In order to accomplish this privatization initiative, CHA offered a set of attractive incentives that attempted to entice private developers. CHA oversaw the selection of development teams, specifying through legal agreements the various financing options and obligations, and monitored private firms’ progress in the development and long-term operations. The Plan sought to have private developers produce at least 5,000 public housing units that would be located in mixed-income developments. CHA officials allocated the greatest percentage of its MTW funds to demolition and redevelopment. However, financing and building public housing units in mixed-income communities faced immense challenges before and after the recession; only about 50% (2,547) of the planned units have been constructed (CHA, 2016b). The result is that only 13% of relocated residents secured a unit in one of these new mixed-income developments (Chaskin, Joseph, Voelker, & Dworsky, 2012).

Housing choice vouchers. The second strategy relies on private owners to offer rental units to people who have a Housing Choice Voucher.³² The demand for private rental housing was created because of HUD and CHA’s decision to diminish the supply of public housing units. This strategy assumes that owners’ interest in the financial benefits of a consistent stream of rental income would draw them to want to participate, thereby relying on the private market to create a supply of affordable housing.

CHA’s voucher strategy had been underway for nearly two decades before the launch of the Plan, but the planned relocation of at least 6,000 residents into the private market was not

³² CHA has two types of voucher programs it is authorized to administer: Block Grant vouchers and Leasing vouchers. The Block Grant vouchers are funded through the flexibility created in CHA’s MTW Agreement. The Leasing vouchers are those funded directly by HUD prior to the Plan and MTW Agreement.

well conceived in light of the lack of available supply, especially in economically integrated areas envisioned by the Plan's advocates. Furthermore, the relocation process was problematic in its design since demolishing buildings and preparing the land for redevelopment took priority over residents' needs to secure housing prior to compulsory transfers. Nevertheless, demolition started as early as 2001 and proceeded steadily. The majority of families who relocated with a voucher, approximately 85%, moved to predominantly lower-income, African-American neighborhoods on the West and South sides (Chaskin et al., 2012; Oakley & Burchfield, 2009; Sink & Ceh, 2011). Chicago's tight rental housing market, at a 4.2% vacancy rate, obviously could not provide an adequate supply of housing options for low-income households with vouchers (Smith & Lenz, 1999), but no concerted efforts were made at scale to address Chicago's inequitable segregated rental market terrain (Smith, 2013). CHA's relocation and services program, Service Connector, failed in its attempts to deliver quality supports that would allow residents time and adequate preparation to move (BPI, 2009). Residents who were forced to move out under extreme time pressure often ended up in high-poverty, racially segregated neighborhoods.

Project-based vouchers. In 2010, responding to the lack of production of units in mixed-income developments, and the need to show movement towards the goal of producing 25,000 units, CHA officials initiated a third form of housing privatization. CHA officials made an unprecedented decision to count units being subsidized through the project-based voucher program, and HUD later approved an amendment to the MTW Agreement (CHA & HUD, 2011a).³³ The impact was that units already receiving rental operating support, as well as new

³³ CHA CEO Lewis Jordan signed the amendment with a "date of execution" on March 16, 2010. Fifteen months later, HUD Assistant Secretary Sandra B. Henriquez signed the amendment with

units planned for rehabilitation and development, could be counted towards the 25,000 goal. Some advocates charged this strategy both failed to deliver units and inflated the progress towards the Plan's promised commitment, since many of these units existed in buildings that already housed income-eligible tenants. Thus, these units are not necessarily located in mixed-income buildings. Furthermore, the program largely targets specific special populations and provides limited access for many prospective tenants on CHA's waitlist. CHA officials defended the practice based on the grounds that the units were in the CHA stock and already received subsidies, so should have been counted since the beginning of the Plan. To date, 2,954 units—even more than the 2,547 mixed-income units—have been counted in this category (CHA, 2016b). Of these, about one half are units that were not previously funded by CHA, indicating CHA's shift towards using this strategy was an effort to secure more new or rehabbed units in the private sector.

Property management. The Plan envisioned contracting out all property management responsibilities to Resident Management Corporations and private property management firms.³⁴ CHA proclaimed that if it could “get out of the business of managing real estate,” the result would be “lower costs and better services” (CHA, 2000, p. 2). CHA created a Department of Asset Management as the “quality assurance” (p. 27) arm of the agency that monitored compliance (CHA, 2000). Property budgets were restructured so that private firms received monthly operating and capital maintenance payments, and a quarterly reconciliation ensured

a “date of execution” on June 29, 2011. It is unclear why there was a delay and if there was internal discussion among HUD officials to allow CHA to move forward with this request.
³⁴ HUD Assistant Secretary Harold Lucas recommended, and the Plan included, a specific reference to the use of resident management corporations as part of the “planned privatization of property management; resident employment opportunities should be provided in the construction and minority business entrepreneurs should be included as contractors and subcontractors” (HUD, 1999).

fiscal control. The quality of these property management services varied over time, and this resulted in CHA officials' decision to reduce the number of firms it contracted, moving to a more regional approach. By 2015, five private firms with five-year contracts, including Habitat, managed almost all CHA's units (18,000 units in family and senior developments).

Resident services. The Plan also contracted out the provision of community and social services to private non-profit organizations. The organizations varied, with some serving as historical and cultural centers at the former public housing sites, while other city-wide organizations provided specialized services to sub-populations (e.g., disability-related supports). CHA's model for resident services evolved over time but maintained a commitment to private provision. The number of contracted service providers decreased as CHA officials instituted a pay-for-performance management strategy that rewarded those organizations that met detailed quality requirements. The focus on employment and education increased as well, due to increased rent and work requirements. CHA also contracted out the provision of supports—college scholarships, summer camps, after-school supports, asset-building financial incentives—made available at low or no cost to residents.

CHA's privatization of core functions would lead the agency to reduce its staff by over 2,000 people in 16 years. It is fair to assume that the outsourcing of core functions primarily impacted the elimination of jobs for lower-wage service industry employees, such as desk attendants, security guards, and janitors, some of whom lived in CHA buildings (Fuerst & Hunt, 2003). The Plan sought to augment this reduction in staff through opportunities required by Section 3 of the Housing Act of 1968 and Minority-Owned and Women-Owned Business Enterprise (MBE/WBE) programs. No empirical studies have been conducted that document the results of CHA's employment and business programs; therefore, it is difficult to know the impact

of CHA's reduction in staff, outcomes for impacted former employees, training and capacity building of new hires and businesses, or the agencies' capacity for more efficient human resource management for its approximately 430 current employees in 2014 (CHA, 2014a).

Conclusion

I draw two conclusions based on this analysis of the reform agenda. The first relates to the deplorable consequences for public housing residents. Shockingly, 16 years into Chicago's public housing reforms, all the former public housing sites remained underdeveloped. The deep-seated intervention that the Plan had pushed to address fell short of reformers' visions, as will be further specified in subsequent chapters.³⁵ At the same time, CHA policy facilitated the removal of mostly African-American residents who had codified rights through the Resident Relocation Contract but limited options for retaining a CHA-owned unit or securing a privately-owned one in a desirable area (CHA, 2001). My analyses of the available CHA data show that of the 25,146 residents (including seniors and households) who lived in CHA housing at the launch of the Plan, only 49.8% (12,527) satisfied their right to return.³⁶ CHA has never issued a report on relocation that comprehensively documents the experiences for both senior and family households, but their 2011 Relocation Report focused on families suggests that residents detached for a variety of

³⁵ Of all of the Plan's commitments, the one that can most clearly be measured relates to the number of replacement units. CHA pledged to rehabilitate or redevelop 25,000 units, but the Plan has not quite met this goal, with 90% (22,386) of units completed as of the end of 2015 (CHA, 2016b).

³⁶ Of the 8,300 seniors, 28% (2,324) satisfied their right to return, and the remaining 72% (5,979) seniors either "died or moved away without CHA subsidy" (CHA, 2011, p. 2). Families fared a bit better with a retention of 61% (10,203) of households who satisfied their Right to Return and a loss of 36% (6,021) of households. The number of 6,021 households was arrived at by totaling the 2,755 households who lost their "Right of Return due to eviction, death, or no housing choice survey" and 3,266 households the "loss of Right of Return with Option for Reinstatement (public notice)" which means that CHA has actively sought out these families through public notices though not located them. However, they can still claim their right to housing if they ever return to the CHA (CHA, 2015d).

reasons, including personal choice to move out, eviction, and death.³⁷ It is difficult to determine what exactly happened to many of the residents who are no longer connected to CHA.³⁸ Did they obtain permanent housing, and if not, what transpired in their lives since they moved out of public housing?

The reforms are thus reflective of early periods of Urban Renewal in the extent to which African-American residents faced forced relocation. Removed and rarely returned to the same neighborhood, many of the original intended beneficiaries of public housing still have unfulfilled claims to decent places to live within the city.

My second conclusion is that, despite all of the attempts by so many people and organizations to have a positive effect on housing for already marginalized populations, the attempts, singly and collectively, have been disappointing. Those attempts include the increasingly dominant role of the city's mayors through their appointment powers; the rise and occasional positive effects of resident and other stakeholder entities; HUD's decision to deregulate and to permit increased local autonomy under MTW; the transition of CHA from a direct-provider to a lender and asset manager; the increasingly complex decision-making processes occasioned by CHA's obligation to work alongside other city departments; the

³⁷ CHA 2011 Relocation Report focused on relocation of family households, while only making brief mention of seniors. Perhaps CHA staff were aware that if they combined both resident populations, the report's conclusions would show the detrimental outcomes of relocation. By only focusing on families, the relocation outcomes appear better than when taking into consideration seniors *and* family households (CHA, 2011).

³⁸ CHA Quarterly Reports account for the relocation status of *households* who originally lived in family and scattered site housing (again, not senior residents). Of the 16,846 households, "61% moved to their final housing choice to satisfy their Right of Return; 4% had not yet made their final housing choice; 16% are deceased or have been evicted; and 19% have been unresponsive to CHA outreach and thus their location is unknown. Households who are non-responsive have an option for reinstatement should they ever contact CHA" (CHA, 2016b, p. 19).

removal of the federal court oversight; and the strong influence of private-sector players, including those that are profit-seeking and those that are non-profit organizations.

Chicago's Plan unfolded within a political context largely controlled by mayoral interests, as well as by political and market actors who sought to influence policy decisions. The three factors highlighted here—urban governance, devolution, and privatization—contributed to the redesign of policy, fiscal, and administrative approaches to accommodate CHA's new role. But the broader political economic context largely shaped the ways that the reforms played out over time, as will be further examined in the following chapters.

CHAPTER FIVE: MAYORAL POWER AND MARKET-ORIENTED REFORM

Introduction

Historically, Chicago's mayors significantly influenced the creation of controversial redevelopment projects and reforms related to public housing, such as site locations and contracts for developers (Banfield, 1961; Ferman, 1996; Hirsch, 1998; Hunt, 2009).¹ The formation of Chicago's Plan also involved a great deal of mayoral power (Bennett, 2006b, 2010, 2011; Gebhardt, 2009; Goetz, 2013b; Hunt, 2009; Vale, 2013). This chapter explains how the mayor's office during Chicago's public housing reforms from 1999 to 2016, spanning the administrations of Richard M. Daley (1989-2011) and Rahm Emanuel (2011-present), advanced policy priorities and engaged in political tactics that will have lasting outcomes for low-income renters and city neighborhoods. In common with each other, each mayor used public housing reforms to advance a neoliberal agenda that heightened the city's global profile, but each did so in different ways.

Mayoral Influence in Urban Restructuring

As the longest-serving mayor in Chicago's history, Mayor Richard M. Daley earned an international reputation as a pro-growth mayor who led the city during its transformation from a manufacturing hub to one of the so-called "global cities" (Abu-Lughod, 1999). Daley promoted ambitious public works projects that drove the city's plan for economic development.² In alliance

¹ Examples include Mayor Richard J. Daley's (1955-1976) approval of contracts to private firms to construct public housing buildings in Chicago's South side and West side neighborhoods and his resistance to implementing reforms required by the *Gautreaux vs. CHA* ruling. Also, Mayor Jane Byrne's (1979-1983) appointments to the CHA Board that created a white majority leadership (Hunt, 2009).

² This focus on large projects included the Loop Theater District, McCormick Place convention center, Navy Pier, the Riverwalk, Northerly Island Park, Museum campus, Lakeshore bike path, Millennium Park, and the reconstruction of Wacker drive. The 2003 Central Area Plan articulated this focus on the city's economic development potential (including shopping, transit

with wealthy elites (e.g., the Pritzker family and developer Ferd Kramer), civic institutions, and universities, Daley refashioned the central business district as a cultural and entertainment destination. Sporting events, theaters, festivals, global trade conferences, and political conventions took hold and attracted new visitors (Bennett, 2010, 2011; Clark & Silver, 2013; Hunt & DeVries, 2013; Simpson & Kelly, 2011; Wille, 1997). Daley's administration used Tax Increment Financing (TIF) districts to support real estate development projects and attract international corporations and mid-size professional firms (Bennett, 2010; Dutzik, Imus, & Baxandall, 2009; Farmer, 2014; Great Cities Institute, 2010; Weber, 2010, 2015).³ Daley also targeted select neighborhoods, such as the South and West Loop, for revival to attract more affluent populations (Hunt & DeVries, 2013; Wilson & Sternberg, 2012).

Another of Daley's innovations was the use of "entrepreneurial public executives" (Sites, 2012, p. 2579) who helped his administration structure city government more like a corporation. At the same time, traditional political maneuvering in and around the city council afforded his administration significant control of the city's priorities and policies (Bennett, 2011; L. Bennett, M. Bennett, Alexander, & Persky, 2013; Simpson & Kelly, 2011; Sites, 2012). While his administration declared its desire to address challenges, such as the public management of schools and public housing, scholars have found that his administration also worked to disrupt agendas not aligned with his own (Bennett, 2010, 2011; Bennett et al., 2013; Gebhardt, 2009; Lipman, 2012; Sites, 2012).

and office space) by highlighting particular redeveloping spaces, yet it failed to provide specific plans about public housing redevelopment sites (Bennett, 2010, 2011).

³ TIF is a policy tool used to allocate property taxes to private development projects that aim to increase higher, productive uses within designated districts. These districts are considered disinvested, due to the lack of physical maintenance or high vacancies, thus in need of new development. Under Daley, the use of TIF districts expanded from 11 in 1989 to 163 districts by 2011, and that included approximately 30% of the city's area (Hunt & DeVries, 2013).

During Daley's last term, news reports of corruption in the police and other city departments, high unemployment rates, and a seemingly steady stream of violent crime created a tense political environment (Dutzik et al., 2009; Greenblatt, 2011; Moore, 2016; Rudin, 2010). Organized activist groups raised concerns about the privatization of public services and space (e.g., city parking meters and the Chicago Skyway). Critics charged that Daley sought to raise Chicago's global profile through gestures such as the unsuccessful bid for hosting the 2016 Olympic Games while failing to invest in areas of the city still recovering from the economic recession (Bennett et al., 2013; Smith, 2013). Indeed, the city lost more than 200,000 residents from 2000-2010. When Daley left office, his approval ratings were at their lowest point of his tenure (Hunt & DeVries, 2013; Rudin, 2010).

When Rahm Emanuel was elected mayor in February 2011, he inherited problems ranging from state and city financial crises to unrelenting violence.⁴ The city budget was in arrears by approximately \$500 million due to stagnant property tax revenues, diminished federal and state aid, and the rising costs of city services (Greenblatt, 2011). His administration responded by placing the city's financial stability at the forefront of its policy agenda. By early 2015, however, the city faced unfunded pension liabilities of more than \$35 billion and an annual city budget deficit of over \$2 billion (Patton, 2015; Secter & Dardick, 2015). Moody's Investors Service downgraded the city's performance rating multiple times starting in 2011, and in May

⁴ Emanuel left his position as President Obama's Chief of Staff to run for office in 2010. Emanuel was elected on February 22, 2011 and took office on May 16, 2011. Although he faced opposition from organized labor unions and had a limited local donor base, he held significant funding from prior congressional campaigns and donors outside the city (Greenblatt, 2011, Krebs & Turner, 2015).

2015, it labeled Chicago's debt as "junk" (Dardick & Gillers, 2015, p. 1).⁵ While Chicago's investment grade was in decline, its murder rate was on the rise. In response, Emanuel expanded the police force to the dismay of many working-class residents who sought preventative interventions. At the same time, his administration was trying to balance the Chicago Public Schools' budget by closing nearly 50 public schools and revising labor contracts. Both of these actions triggered a 10-day Chicago Teachers Union strike in 2012 (Gutstein & Lipman, 2013).

Like Daley, Emanuel placed Chicago's international reputation as his highest priority. He initiated increased investment in tourism (e.g., new hotels and a rehabbed convention center), tax breaks to relocating corporations, and incentives for the "Silicon Prairie" high-tech professional sector (Harris, 2015; Wilson & Sternberg, 2012). His chairmanship of the non-governmental organization, World Business Chicago, which had helped issue a February 2012 "Plan for Economic Growth and Jobs," envisioned an ever-expanding global economic agenda. In the area of urban redevelopment, Emanuel instituted a TIF Reform Task Force, a new Infrastructure Trust Fund, a Micro Market Recovery Program, and an Affordable Requirements Ordinance revision (Hunt & DeVries, 2013).⁶

In 2015, during a fiercely contested reelection campaign, Emanuel's opponents characterized him as the "1% mayor" and highlighted how his administration's priorities

⁵ In May 2015, Moody's lowered Chicago's rating to a Ba1 level that it defines as carrying substantial credit risk (Moody's Investor Service, 2015). As of May 2015, Chicago and Detroit were the only U.S. cities of more than 500,000 with the rating of Ba1 (Dardick & Gillers, 2015).

⁶ The Infrastructure Trust Fund (ITF) provides city incentives for private firms, though the fund has yet to accomplish more than one project. The Micro Market Recovery Program targeted 13 areas for neighborhood redevelopment and funding from the Neighborhood Stabilization Program (City of Chicago, 2015). A mayoral-appointed task force oversaw proposed revisions to the city's Affordable Requirements Ordinance (ARO) that stipulates expectations for developers who receive city financing or build on city land. Compromises were made over changes to higher density zoning rules, siting of affordable housing units, and increased income target screening criteria. The revised Ordinance allowed CHA to purchase or lease ARO units from developers who then receive waivers to future obligations to build remaining affordable units.

benefited the city's most affluent populations. Proof of their characterization lay in, among other things, his efforts to blunt the power of labor unions and of African American activists who were organizing to demand changes within Chicago's law enforcement system. In part because of Emanuel's anti-union stance and his response to the activists, he failed to win the majority vote necessary to avoid a run-off election, which he later won by a 10-point margin (Patton, 2015; Renn, 2015).

What unites the Daley and Emanuel administrations might be described as a shared approach in the use of entrepreneurial strategies to position Chicago as a city worthy of global investment. Both mayors sought to secure Chicago's position as a destination city for businesses' relocation, tourists' travel, conventioners' gathering, and wealthy newcomers' residence. Both created alliances comprised of business leaders, property developers, financiers, prominent leaders from educational and religious institutions, and others to promote a city agenda centered on financial interests.

Daley and Emanuel also faced increased pressure to fund municipal services even while facing shrinking populations and property tax revenues. As a solution, both mayors sold or leased public assets, used financial policy instruments (e.g., TIFs), created general obligation bonds, and arranged public-private partnerships that invested capital in desired public projects. According to critics, the mayors' decisions to award private contracts for public land and services, such as the Skyway and city parking meters, reflect a form of government-led deal-making that provides immediate benefits of a needed cash infusion but that has risky, long-term "exposures" (Ashton, Doussard, & Weber, 2014, p. 1). Whether through securitization of TIF district funds or investment in social-impact bonds for early childhood education, these market-oriented reforms placed the city's short-term financial interests in the forefront (Weber, 2015).

This mayor-led neoliberal mode of governing affected public housing reforms that took place before and following the 2008 financial recession. Within that pre- and post-recession context, these mayors and their senior staff directed particular resources towards public housing reforms and helped define the scope and limits of public and private support.

Policy Priorities

In the late 1990s, when HUD officials sought to return local control over public housing to CHA, Daley faced pressure by different political interest groups either to embrace the public housing reforms as core to his mayoral agenda or to distance himself and city resources from the CHA. One of Daley's chief advisors reflected in an interview about the different constituency groups that mounted pressure on Daley during the period of 1998 to 2000, by stating:

There were a number of people who said: "No, you shouldn't do it [prioritize public housing reforms], because politically it will be death for you to take this huge problem and make it your responsibility." But, I always admired the fact that he said: "What am I Mayor for if I don't actually take on the really tough problems?"

CHA's recapture of local control, negotiated by Daley and his advisors, began a new relationship between HUD, the CHA, and city government. Whereas Daley had held HUD and CHA officials at arm's length during the previous 10-year period, his actions in 1999 during the negotiations to end the federal takeover demonstrated aggressive command over CHA's future direction (Bennett, 2006b; Gebhardt, 2009; Hunt, 2009; Smith, 2006; Vale, 2013). Nearly all respondents perceived Daley to be highly invested in Chicago's Plan. Interviewees consistently highlighted the mayor's direction over the reform agenda. At question, however, is the nature of that investment and the political context that shaped the way his policy agenda played out.

Daley and top officials from his administration elevated the public housing reform agenda and saw it as part of their greater vision for reshaping Chicago. According to a former city official: "Under the Plan for Transformation, Mayor Daley made mountains move to assist.

He directly told other entities that you will get this done.” While the agenda was one largely directed by Daley, the method for getting the work done occurred through alliances across government offices, as well as with the private sector.

According to former city officials who worked for Daley, he was unwaveringly attentive to shaping how the reforms would affect households in public housing, as well as the neighborhoods surrounding the public housing sites. Respondents who worked for the city or CHA during the first five years of the Plan’s launch described the Mayor’s altruistic, as well as strategic, commitment to public housing residents. They told me of Daley’s attention to how households were experiencing the relocation process. One former city official said:

Mayor Daley was *like* CHA’s Plan for Transformation. It took [him] forever to say: “I am going to take public housing.”...and then when he did, it was his. The mayor was in hook, line, and sinker...He loved it and it mattered to him...In meetings, he was like: “What’s happening with the people? We are rebuilding lives.” He sort of had funny things that he said, kind of naïve, but he was serious. He was earnest. “Tell me what’s happening with the services...Are [residents of CHA] getting what they need?”

Former mayoral staff also reported that during the period of 2000-2006 they would go with Daley to meet grassroots leaders representing resident-led, faith-based, and non-profit organizations in the areas surrounding the redevelopment sites.

Fortunately for Daley, the Plan allowed him to promote his reinvention agenda for Chicago as a destination city with swank residential complexes surrounded by green space and within walking distance to retail districts (Bennett, 2006a; 2011; Gebhardt, 2009; Vale, 2013). But a small number of respondents interviewed who worked for advocacy organizations were skeptical about whether Daley’s interests fundamentally centered on providing better opportunities for low-income populations. Some questioned whether he always intended to reclaim select city neighborhoods for lucrative redevelopment, while others pointed to his subtle withdrawal as the promoter of reforms in the post-recession period. The economic recession

following the 2008 financial crisis had taken root and market-rate for-sale housing development had stalled at all of CHA's mixed-income sites. In this context, Daley's backing of the Plan started to be scrutinized.

From a political standpoint, the CHA's high priority status under Daley began to suffer when other political concerns, particularly the city's unsustainable budget, came to the foreground during the recession. The Plan's Ten Year Anniversary celebration took place within months of the last high-rise to be demolished at Cabrini-Green and in Daley's final year in office. A shift in political priorities would further delay the already challenged ten-year reform plan.

When Emanuel took over the mayor's office in 2011, public housing reform was no longer a central priority, though he did make his mark in some distinct ways. Working with the CHA and the MacArthur Foundation, his staff and CHA began a 14-month strategic planning process entitled "Plan Forward: Communities That Work." The result was a 30-page document that delineated goals, objectives, and projected deliverables and that was written, in part, by people who did not work within CHA. When the "Plan Forward" document was released in April 2013, approximately 35 selected promoters—mostly CHA executives, foundation representatives, and elected officials—were invited to a private press conference where Emanuel emphasized the importance of strengthening neighborhoods. In the press release about the report, Emanuel stressed the continued relevance of redevelopment by stating:

The Chicago Housing Authority's new strategic plan takes into consideration the expertise from a host of leaders throughout the city and underscores our ongoing commitment to give CHA residents the tools to compete in today's marketplace. By looking holistically at job opportunities, education, neighborhood development and community building, the plan allows residents to improve their overall quality of life and pursue their dreams and the dreams of their families. (City of Chicago, Office of the Mayor, 2013)

However, most respondents interviewed—including those who worked at the CHA and the city—suggested that Emanuel’s stated ambitions were more rhetorical than substantive and that delivering public housing units was no longer a priority. As an official with a planning organization told me:

The fact that the Plan Forward was released on a Saturday morning and nobody knew about it until Friday night at five, that to me is a very deliberate decision to minimize to the greatest degree possible this whole line of work...I don't know that it's "make them disappear" or anything that sinister, but that [public housing redevelopment was] just so low on the policy list that it doesn't come up.

A policy expert summarized the status of housing policy under the “Plan Forward” this way:

I don't believe that Mayor Emanuel has picked up the [Plan’s] mantra because have you heard him talk about public housing or transforming lives? No. And that is not a criticism per se but it is the reality. He's got schools and public safety. So priorities shifted.

Rather than consisting of a complete revision of previous initiatives, the overall aims of Plan Forward aligned with the first Plan for Transformation. Indeed, as an addition to the 2000 Plan, the new Plan Forward emphasized opportunities for comprehensive community and economic development during a period of shifting dynamics in the local and national economy. Key goals focused on public-private partnerships to ensure housing in “vibrant communities” (CHA, 2013c, p. 11), long-term sustainability of housing assets, and expansion of workforce development services. Plan Forward also prioritized finishing the 25,000 housing units that were projected at the outset of the original Plan. The completion of units could then be equated with a completion of that Plan, arguably diminishing the continued public pressure mounted by housing activists who raised concerns that all projected units had not yet been built. A policy expert described Emanuel’s push to complete the Plan in these words:

It's like when you're trying to lose 20 pounds and the last 5 are the toughest. But, we are in the last 5...I think that's how the Mayor's office has been. Like, what is up with this thing? Isn't that done yet? They clearly do not see any ownership over it or any upside to owning it. And so it's like, can this be done already? Can we move on?

If the 25,000 units were built, the city's government could declare the Plan complete. But unit delivery would not address the Plan's other challenges because CHA still needed to address the nearly 300 acres of undeveloped land at mixed-income public housing sites, for example, and the spiraling waiting lists of applicants seeking affordable housing.⁷ As will be shown in subsequent chapters, Emanuel did not turn away completely from public housing reforms, rather he adopted a different set of political tactics in order to achieve a redevelopment agenda aligned with interests less focused on the production of new affordable housing units and more on community economic development.

Political Tactics to Achieve Market-Oriented Reform

The two mayoral administrations employed different political tactics for achieving market-oriented reforms, and the mayors' respective actions helped shape policy outcomes in different ways. While Daley worked to provide his own imprint into shaping the Plan's strategic direction, Emanuel's lack of public housing commitment stalled the implementation of Plan Forward. The three key ways in which mayoral decisions (or the lack thereof) shaped policy outcomes were through financial support, government reorganization, and use of political capital.

Financial Support

One way to understand policy priorities is to look at spending patterns and the funding allocations of the two mayoral administrations. Daley used his power to steer public funding towards the redevelopment agenda; by contrast, Emanuel allowed fiscal policies involving budget set asides for CHA to expire.

⁷ One marker of the demand for affordable housing is the number of applicants who applied to be on the CHA waitlist for housing. In 2008, approximately 232,000 households registered as compared to approximately 282,000 households in 2014 (CHA, 2008b, 2014c).

Recall that Daley and his advisors actively sought to persuade HUD officials to grant CHA participation in the MTW demonstration program in 2000. To gain this outcome and the additional HUD funding that came with it, Daley had to leverage alternative funding sources.

Daley's top officials pledged to allocate half of the city's affordable housing budget towards the Plan for a period of 10 years (2000 to 2010) and subsequently received City Council support each year during budget hearings. Daley's powerful control over City Council, along with his authority to set policy for the city's housing and economic development departments, created a city government best characterized as one of "neoclientelist mayoral authority" (Sites, 2012, p. 2579) in which Daley's political dominance ensured loyalty among nearly all local political actors, including those within social and labor movements. Since the mid-1990s, Chicago politics have largely functioned as a one-party city in which the Mayor *is* the party (Bennett, 2011; Simpson & Kelly, 2011). Daley controlled the City Council's legislative agenda and used his executive power to steer public funding towards public housing. City resources that were utilized included the HOME Investment Partnerships program, the Community Development Block Grant (CDBG) program, and the city's Low Income Housing Tax Credit (LIHTC) program. Daley also created TIF districts around the public housing sites.⁸ A CHA official described the necessity of these funding sources by stating:

How have we been this successful? Only because the Mayor was the one who went to D.C. and said I will make this happen. His commitment that [CHA's mixed-income developments] will get half of city resources of 9% tax credits and half of the city's soft money resources....The city was very good to us in the first 10 years of the Plan. We had such a good relationship because we were in this together....People always came and

⁸ City Council votes on the allocation of TIF funds and individual Aldermen have long used TIF to fund entities supportive of their political interests. However, by the time the Plan was established in 2000, Daley held strong power over City Council, as evidenced by a council that consistently unanimously voted for Daley's proposals (Simpson & Kelly, 2011). Thus, Daley had the informal power to persuade Aldermen to allocate the TIF funds for projects he deemed worthy, such as those in the Plan for Transformation.

studied us and said why does it work? And we said, “You go home and tell your mayor you cannot do it without the other resources.”

Daley’s commitment to create city set aside funding is best demonstrated by an analysis of the actual funding allocation for the CHA’s mixed-income deals during the period beginning in 2000 and ending in 2010. This analysis shows that approximately \$300 million in city-controlled resources went to CHA-sponsored mixed-income developments.⁹ In addition, the city fronted much of the costs to create streets, sewers, water, and other necessary infrastructure improvements in and around the public housing sites.

Daley also gained the commitment of Governor George H. Ryan and leaders at the Illinois Housing Development Authority (IHDA) to provide 10 years of financial resources through negotiated budgetary allocations. IHDA provided additional incentives through a provision whereby a portion of the Low Income Housing Tax Credits (LIHTC) was guaranteed to CHA-sponsored redevelopment projects. Starting in 2001, public housing redevelopment projects received a set aside of approximately \$3 million per year. These credits would later serve as bonus points during the highly competitive application process, ensuring preferential scoring for developers working on CHA-sponsored deals instead of community development organizations working in other areas. IHDA allocated \$25.8 million in credits, generating approximately \$229 million in equity used to develop mixed-income housing during the period of 2000 to 2010. In addition, these developments were provided with IHDA funding through the state’s Low Income Housing Trust Fund and State Donation Tax Credit program. Financial analysis of CHA data demonstrates that approximately \$38 million in these sources were

⁹ My analysis is based on financial data reports received from CHA officials that accounted for the sources of funding in the mixed-income development phases. I analyzed direct funding sources, such as the HOME program, Community Development Block Grant program, and the Tax Increment Financing funds. I also reviewed sources and amounts of funding from the state of Illinois.

awarded to eight mixed-income developments during the period of 2000 to 2010. By securing the state's support, Daley made certain that actors across both city and state government would cooperate on shared financial commitments to public housing reforms.

When the Plan neared its 10-year projected end in February 2010, the city and IHDA funding set aside commitments lapsed. Daley's exit from office coincided with decisions by city and IHDA officials not to provide these guarantees to CHA-specified projects any longer. By the time Emanuel entered office, the set aside commitments were in flux. For example, IHDA officials modified the March 2011 Qualified Allocation Plan by reducing the percentage of funding allocated for CHA deals and by instituting new caps on the maximum allocation that could be awarded to a CHA project.¹⁰ Shortly after Emanuel's term started, a more radical shift occurred in October 2011 when IHDA completely eliminated the set aside for CHA projects.¹¹

I found no evidence that the Emanuel administration ever sought to maintain these IHDA funding streams. Interviews with government officials who worked in the city and IHDA at this time suggested that he was aware of budgetary shifts and supported the reallocation of funding away from CHA deals and towards other types of housing (e.g., supportive housing and housing for veterans). After Emanuel came into office, IHDA substantially reduced its financial commitment to CHA projects, as can be seen in Figure 5.1, which demonstrates the diminished allocation of IHDA Low Income Housing Tax Credits. In addition, IHDA did not award any

¹⁰ The amount of IHDA's set asides were specified in the Low Income Housing Tax Credit Qualified Allocations Plan (QAP) as the following: \$3 million in 2006-2007, \$3 million in 2008-2009, \$2.5 million (11% of total IHDA tax credits) in 2010, and \$1.5 million (4.6% of total IHDA tax credits) in 2011 (IHDA, Low Income Housing Tax Credit Qualified Allocation Plans, 2006-2007, 2008-2009, 2010, and March 2011). Additionally, the QAP set a \$1.5 million cap on the maximum allocation for a CHA project, regardless if it was located in an area that due to poverty would otherwise allow it a boost in the amount of credits (IHDA QAP, March 2011).

¹¹ In addition, IHDA reduced the set aside for the city from 18.4% in March 2011 (IHDA QAP, March 2011) to 14.2% in October 2011 (IHDA QAP, October 2011).

Trust Fund dollars to CHA projects. The City of Chicago also shifted its priorities in its allocation of its own Low Income Housing Tax Credits. While it still included Plan for Transformation sites in its Qualified Allocation Plan, it reduced the number of developments awarded funds and used the less financially attractive funding stream of 4% credits (rather than 9% credits) which meant that developers needed to come up with even more financing from other sources.



Figure 5.1. Low Income Housing Tax Credit Allocation by year from Illinois Housing Development Authority to mixed-income developments in Plan for Transformation. SOURCE: Chicago Housing Authority and Illinois Housing Development Authority.

Public housing advocates did not draw attention to the changes in CHA’s funding allocation, as noted by this expert on housing policy:

Priorities in politics are always changing. What happened is a change in mayoral leadership...Who is the voice for public housing right now [in 2014] in the city? There is not a voice. CHA was not going to rise up and...say, “hey, we still have a commitment to these communities. We still have 400 acres of undeveloped” land... We have development partners that are here to do it.” Nobody stood up and said, “We just lost a \$4

million set-aside from IHDA. We lost 50% of the city's resources.”...[Funding was lost] without a fight, without a whimper.

According to one housing developer, the lack of set-asides also created more competition for funding and, in effect, reduced the scale at which new phases of mixed-income development could be built:

There were resources that were specifically dedicated by the city and state for public housing. And that is no longer the case. Now you have to go to the queue. You have to compete with everybody else...So the financing isn't there as much to have any...velocity. We could not be doing four or five phases...[Funding] has all sort of stopped.

Without continuation of the variety of public funding sources necessary to complete the mixed-income developments, the production of new phases stalled. The stall in production led in part to CHA's growth of cash reserves, since CHA would not award financing to mixed-income deals that did not secure additional sources, in particular the LIHTC commitment. From 2011 to 2015, CHA's cash reserves stood at an average of \$344 million each year (CBTA, 2014). Without pressure from Emanuel, city and state government officials had shifted their funding priorities away from CHA.

Government Reorganization

Subtler than adjustments to funding was the way each of the two mayoral administrations reorganized both CHA's bureaucracy and departments within the city to focus on public housing reforms. The political tactic of internal organizational control over CHA showed the mayors' priorities. Specifically, the mayors' power to appoint CHA leadership and to facilitate communication between CHA and top officials in the mayor's office greatly affected housing reforms.

During Daley's tenure, the CEOs of CHA were expected to work with City Hall and were reported to have personal access to Daley.¹² Furthermore, the Board of Commissioners that he established proved remarkably stable. Of the 10 members, only four transitioned over the course of 11 years. He appointed close colleagues who had political connections (e.g., Rahm Emanuel and Martin Nesbitt) to the CHA Board.¹³ He also appointed African-American activists and CHA resident leaders who had long been critical of the agency (e.g., Earnest Gates and Mamie Bone) as a means of engaging those agitators who may have otherwise organized to dispute his legitimacy.

Not surprisingly, the arrival of the Emanuel administration led to significant departures of Daley's appointed leadership. The turnover within CHA disrupted not only the agency's work, but also the ability of private development firms charged with working with CHA. In a word, Emanuel failed to create stability at the agency. There were five CHA CEOs in just five years (2011-2016) and six new Board Commissioners (out of the 10 member board).¹⁴

Furthermore, while Daley worked closely with the CEOs, respondents from the city and CHA interviewed attested that officials in the Office of the Mayor, as well as Emanuel himself,

¹² The Daley administration appointed four CHA CEOs over the course of 11 years: Phil Jackson (1999-2000), Terry Peterson (2000-2006), Sharon Gist-Gilliam (interim, 2006-2007), and Lewis Jordan (2008-2011).

¹³ At the appointment of Daley, Emanuel served on CHA's Board of Commissioners from 1999-2001. At the time, Emanuel worked in investment banking for Wasserstein Perella & Co. He also served on the Board of Directors of Freddie Mac during the early 2000s.

¹⁴ Within two months of coming into office, Emanuel forced the resignation of CEO Lewis Jordan, and then he appointed Carlos Ponce as interim CEO in June 2011 while conducting a national search. His third appointee in September 2011, Charles Woodward, was in the position for two years prior to be forced to resign for charges of sexual harassment in October, 2013. Emanuel then appointed Michael Merchant, the former city building commissioner, who stepped down after 18 months in June 2015. Emanuel appointed his fifth CEO Eugene Jones Jr. in June 2015.

maintained distance from the CEOs through infrequent communication. As this public official put it:

It feels palpable the attention and priority that is given to affordable and public housing. The shift away from that as an important thing...Daley used to meet with Louis Jordan once a week and [Charles] Woodward was having trouble even getting the mayor's office to talk to him. It's just night and day from the amount of access and priority that was given to [CHA] doing this well.

Respondents—both those within and those outside of government—argued that that the mayoral shifts reverberated through top officials working at CHA. While the CHA CEO was ultimately responsible for agency hires, mayoral influence led to the placement of a few executives (e.g., CHA Chief of Staff and Chief Housing Officer) who created a communication pipeline directly to the mayor's office. These changes at the top caused some staff members who had been “insiders” within the Daley administration suddenly to be in a position in opposition to those new executives running the CHA. Some top CHA officials resigned or were let go. One developer with over 10 years' experience working with CHA complained:

[The Emanuel-appointed CHA CEO and executive team] brought in development staff and they belittled them, yelled, told them they were worthless...It was a terror campaign. And it really demoralized everybody. And the [CHA] may never recover...All of these people who had a great deal of capacity who had been doing this work for 15 years, they flushed them down the toilet...Emanuel wanted to put his fingerprints on it, that is fine, then tell us what it is you want and stand behind it. Instead of just getting rid of everybody and not doing anything.

As for the pattern of changes of CHA leadership, one housing policy expert told me:

There is just leadership transitions, no one's steering the ship. There is a lot of transition...[Emanuel is] trying to move people he knows, people who have been embedded inside the workings of machine city politics for some time, closer into the CHA, to keep some tabs on things.

Observers suggested that Emanuel's coordination strategy had the effect of making the CHA CEO much more vulnerable to being replaced and therefore limited the CEOs' effectiveness in leading policy implementation. In particular, Emanuel's decisions about CHA's CEOs and

executive team explain why the public housing reforms contributed to leadership instability during the period of 2011 to 2016.

Beyond their structuring of CHA, both Daley and Emanuel could control which officials in the city government worked with CHA to facilitate, or limit, the implementation of public housing reform. Daley's administration required that the city departments (e.g., city permit office) collaborate with CHA in order to ensure that city resources were being put towards the redevelopment of public housing sites. The most important areas of shared organization were around infrastructure: the building of streets and sewers, water, lights, parks, and other related projects. Beyond that, Daley's administration worked to connect city services and public housing by aligning efforts towards workforce development, directing the City Colleges' scholarship programs to residents receiving CHA assistance, and ensuring police department coordination with CHA's security monitoring initiatives.

This interagency collaboration was aided by a liaison position established by the mayor's office. Several different people held this mayor-appointed position over time, and they served as a conduit between the private developers, Habitat, non-profit organizations, and city departments. Weekly coordination meetings and ongoing informal check-ins occurred with the liaison serving as a facilitator. According to one developer who described working on deals during the early years of the Plan:

When the Transformation Plan started, Mayor Daley took a personal interest in it. He said "You are going to get schools and parks and police and roads. We are going to integrate these sites into the rest of the city...I'm going to take this guy who was really close to me and he is going to have a baseball bat in his hand. And he is going to help you get through the city bureaucracy. And if anybody says no to you, you go to [name of mayoral appointee] and he will beat them over the head and he will get them to do what you want.'...If we ever had any problems, we went to [name of mayoral appointee], and he took care of them.

The Emanuel administration, however, dissolved the liaison position. Respondents working at CHA and for development firms described how this shift in access to the Mayors' office and other city departments resulted in less interagency coordination. The lack of the old preferential program slowed the process for development projects. As a housing developer put it:

It is difficult to navigate the bureaucracy of the city. At the beginning [of the Plan], there were literally liaisons that worked with us that would help us through the red tape of every department. It became a priority. So it got done quicker than it would have... That doesn't happen now. So we are slowed down a bit more. We are just working through the regular avenues that everybody has.

While this might sound like an effort to democratize access to city resources, developers interviewed emphasized that extra burdens of developing public housing projects emerged in a context where the city seemed to cater to larger commercial and economic development corporations, including those working in the Loop or in gentrifying neighborhoods. Indicative of this shift, Emanuel undertook a reorganization of City Hall departments. In 2012, the city's Department of Housing was consolidated as a bureau within the Department of Planning and Development. Housing and community development in lower-income neighborhoods thereby became a mere subsection, and competed with other aspects, of a more comprehensive set of economic concerns.

Political Capital

The third element of political strategy, and one that showed significant contrast between the two mayors, was the different use of their respective political power to steer civic elites' support and to control potential dissent. Market-oriented public housing reforms required private-sector partnerships, creating the need for supporters outside of government. Daley used his political power to garner support for the Plan's policy agenda. His relationships with real estate developers, civic institutions, foundations, and private-sector executives brought in a

powerful set of actors who contributed to the reform efforts. While Emanuel was noted, by contrast, as having done little to recruit housing developers, his private partners were centered on broader economic and commercial development and that deal-making has occurred largely behind closed doors. However, both mayors, according to respondents from advocacy organizations, sought to limit the organized resistance to their respective agendas, a topic explored in later chapters.

By creating partnerships with chosen elites, Daley created a set of expectations for how political constituencies could work to influence policy decisions through insider-track engagement. As a result, Daley organized both corporate and civic commitment to the reforms. In addition to the input of banks and legal firms, Daley aligned leaders of civic organizations, such as the Archdiocese of Chicago. Respondents across different sectors described how the Daley administration created lasting commitments from reputable partners who donated time and resources, (e.g., consulting firms including McKinsey & Company and Chicago's Civic Consulting Alliance), corporate executives, and foundations. Additionally, the MacArthur Foundation bolstered the Plan by uniting the philanthropic community and providing millions in grants for social services, research, and cross-sector initiatives. The Foundation's support also helped fund civic organizations, such as the Metropolitan Planning Council, which provided technical assistance and facilitated "best practices" forums focused on knowledge dissemination.

One of Daley's tactics to solidify civic consensus was through the Partnership for New Communities. For this, he brought in corporate executives and civic leaders (e.g., university chancellors, Catholic Church leaders, and CEOs of large companies) to serve on a "kitchen cabinet" that provided on-going strategic advice to the CHA CEO and other top CHA advisors. According to this former public official familiar with Daley's leveraging of political capital:

Daley had an unusual amount of clout and power....There was always the fear of retribution that if people did wrong, there wouldn't be opportunity to get back in. In that way the public/private partnership was a little bit skewed. It was easier to make a dent when the business community was joining forces with the public interest groups.

Respondents, such as this one, frequently commented on the extent to which Daley organized civic leaders and private firms through a tightly controlled and functional coalition that united around his redevelopment agenda.

Another example of Daley's orchestrating of constituency backing was his support for the "Developer's Roundtable," organized by the Metropolitan Planning Council with funding from the MacArthur Foundation. This group enabled the lead developers of mixed-income sites to meet monthly to work jointly on shared challenges. Over time, the leaders of the Roundtable improved their partnering with CHA, resulting in their capacity to influence policy decisions regarding applicant waitlists and funding.

With the rise and functionality of these organized arrangements in place in the first seven years of the Plan, the citywide activist movement working on behalf of public housing residents saw its power diminished. The Coalition to Protect Public Housing that helped to establish the Relocation Rights Contract during the early launch of the Plan faced challenges asserting pressure, in part due to the mayoral-led alliance of civic supporters. Indeed, during the demise of the Coalition to Protect Public Housing in the late-2000's, community organizers and resident leaders focused more on efforts to influence decisions at individual public housing sites, but less on city-wide mobilization. They inevitably faced greater challenges in operating effectively once buildings were demolished and residents relocated.

While some progressive advocates, for example, tenant lawyers, community organizers, and resident leaders, still had some nominal level of influence under Daley, the reforms were

largely structured through the formal governance mechanisms of the Working Groups.¹⁵

Respondents who attended Working Group meetings described them as beneficial for creating space, sharing information, and to some extent coming up with shared agreements; but the structure also controlled the extent to which representation and participation could take place. The closed meetings included mostly paid staff from government and the private sector. These individuals had a collective interest in moving the mixed-income site plans forward, partly because some of them were developers, representatives of neighborhood organizations, elected officials, and others who stood to benefit from the redevelopment.

In contrast to Daley, the Emanuel administration put less emphasis on building and supporting an active coalition of the Plan's stakeholders. Rather, Emanuel initially de-emphasized public housing reforms and effectively cut off political constituencies that had benefitted from access and direct influence during Daley's reign. Without preferential access to the mayor's office by supporters from the non-governmental sector (e.g., housing developers and more politically-established non-profit organizations like BPI), the Emanuel administration lacked effective connection with some of the stakeholders who were the most knowledgeable and concerned about CHA's future agenda. The diminished connection between the mayor and CHA itself also left CHA executives operating independently of private developers, legal advocates, planning consultants, and others.

¹⁵ The nature of participation of the Working Groups has changed over time and by site. Participation is defined with the 2000 Plan, with some members selected by CHA leadership. In the past, members have included representatives from Habitat, BPI, the Alderman's office, development teams, LAC (two representatives), city administrators, and neighborhood organizations. A CHA proposal in 2010-2011 would have changed the composition of the Working Groups, and it is unclear if CHA ever formally adopted a change in policy or in practice at the time of writing, despite attempts to clarify as part of this investigation.

As noted above, the 2013 “Plan Forward: Communities That Work” seemed to necessitate a reengagement with private sector partners, advocates, resident leaders, and others. The participatory planning process was described in the Plan Forward as being led by “outside facilitators with close knowledge of CHA...[who] produced constructive, and often critical and challenging, reflections on the agency’s work” (CHA, 2013c, p. 6). The participatory process was funded by the MacArthur Foundation and included 32 meetings with approximately 300 selected stakeholders, four public meetings for residents, CHA staff input sessions, and an online discussion portal that allowed for public comment (CHA, 2013c; City of Chicago, Office of the Mayor, 2013). A companion report, “Plan Forward: Stakeholder Feedback,” provided lists of recommendations, but it stopped short of prioritizing specific plans that CHA and city officials would enact. A developer described just such a pattern:

CHA and the Mayor’s office communicated “we can't move forward until we release the Plan. We can't do anything related to design, approval, financing.”...So this goes on for a better part of two years, then they finally released the Plan and the Plan says nothing. There is nothing in the Plan. We were just like, you made us wait for nothing? This was all a charade? We have wasted time in planning processes.

The developers and investors whom I interviewed suggested the Plan Forward process was a hindrance to responding to market opportunities, for it appeared to them that the process failed to clarify priorities during a time period when developers sought to move ahead with site plans.

While certain key civic partners, such as the MacArthur Foundation, continued to maintain strong connections to Emanuel’s office during the “Plan Forward” process, other actors, including those interviewed, described limited participation. Resident leaders, affordable housing advocates, policy experts, legal advocacy firms, and others tried to influence the future direction

but found the participatory process significantly constrained.¹⁶ In particular, developers shared their growing concern that government officials sought to diminish the level of developer control over the site planning and development. While a productive relationship between the Mayors' office, CHA, and private developers had matured over time, developers interviewed noted a radical change in how CHA officials partnered with them after Emanuel's election. According to a developer:

There seems to be this new thinking over there [at the Mayor's office and CHA] that they need to be more assertive and that they need to be more in control of the plan. I think that was, in some ways, an outgrowth of the Plan Forward and that is just the absolute worst message....In the RFP for [a new development site], CHA says that 'historically we have contracted with [developers] for site planning...Under the Plan Forward, we are going to be leading the re-planning efforts'... They are trying to negotiate things [like] city entitlements and TIF and financing...They have this notion that they are going to be cutting those deals without us at the table, which is absolutely, absolutely untenable and unworkable.

As this quote indicates, the officials in the mayor's office, along with CHA, were taking an approach of more "assertive" control over site planning, but largely behind closed doors.

Developers stated their concerns that plans indeed were being made to redesign site plans for other purposes and this drove some to take a more aggressive stance at claiming their rights under the Master Developer Agreements. Many private developers started to view themselves as competitors, rather than allies. Developers attempted to influence CHA independently rather than as a united coalition, in part because of increased competition for financial resources, but also because the governance structures in place under Daley (e.g., the Developer's Roundtable) fell apart.

¹⁶ Examples include limited engagement in feedback sessions, disconnection from other governance mechanisms (e.g., Working Groups), protocols for focus group feedback sticking to scripted topics, and uncertainty about how (and if) participants' perspectives would be used in ways that isolated them from potential funding resources.

The weakening of an organized political constituency's influence, particularly by private developers, was accompanied by alternative forms of resistance. One alternative mechanism for participation took place through the resident-led Central Advisory Council (CAC). Its members came together to ensure resident participation in the Plan Forward and subsequently released a report that proposed 14 recommendations, though the CHA failed to integrate many of the CAC's recommendations into the final Plan Forward or in subsequent annual plans (Central Advisory Council, 2012).¹⁷ In addition, a new, racially diverse community organizing coalition, the Chicago Housing Initiative (CHI), mobilized to demand both oversight of CHA by a government office beyond the Office of the Mayor (e.g., HUD) and also the delivery of planned affordable housing units. While this coalition appeared to have minimal influence on directly shaping the content of the Plan Forward document, their work by 2014 garnered political allegiances from some Aldermen in support of a proposed City Council ordinance calling for greater CHA accountability, a topic examined in Chapter Six.

While advocates, residents, and other stakeholders organized to shape the Plan Forward, Emanuel used the opportunity of stakeholder organization to craft new plans for public housing sites through a companion report to Plan Forward that was created but never publically released. Officials in Emanuel's administration worked with CHA's CEO Charles Woodyard to contract with a private consulting firm that would provide a comprehensive assessment of CHA and city physical assets around the redevelopment sites, as well as to make specific recommendations

¹⁷ CAC's 2012 Strategies and Recommendations Report was submitted to the CHA on August 21, 2012. The report was based on data collected through a Resident Survey that garnered 542 responses from residents and former residents of CHA properties, in-person and phone interviews with various stakeholders, and a literature review of best practices from other PHAs.

about future land use.¹⁸ According to the few respondents who discussed the report in interviews, Emanuel sought to revise the original Plan so that it would provide for a greater focus on comprehensive economic and community development of the city and the region as a whole, rather than just public housing. According to this respondent familiar with the strategy, the mayor was coming from the following perspective:

“I need to know more about how the CHA properties fit into the broader city because I'm fixing the city, I'm not fixing the CHA. So how are [CHA's assets] going to help me?”...I think [Emanuel] is smart because it's housing for Chicago. And so if you're going to build new housing for Chicagoans, you should put them in housing that makes sense in terms of your economic development agendas and your parks and other resources. It just seems like a smart idea.

The result was the February 2013 document titled “The Plan Forward, Chicago Housing Authority, Property Assessment and Recommendations,” a two-volume report totaling approximately 300 pages and including a chapter devoted to most mixed-income public housing redevelopment sites.¹⁹ The report sought to complement the strategic planning process through a data-driven assessment that could, according to one respondent familiar with the report, “have us go back to the drawing board on site planning.” The chapters include analyses of economic indicators, real estate values, neighborhood demographics, amenities (e.g., transportation, schools, and parks), housing market conditions, and CHA- and city-owned land resources within one square mile of each site. The report then models different alternatives for future development, including concrete recommendations about investment opportunities (i.e., on-site

¹⁸ CHA hired Boulevard Group, a national consulting firm specializing in public housing redevelopment, to produce the report. Boulevard subcontracted with three firms to produce the analyses and recommendations, including Gensler, Applied Real Estate Analysis, and Pappageorge Haymes. I was unable to find documentation determining the total amount CHA paid the consultant. Boulevard Group and CHA were in legal dispute over the contract, which was reconciled through an August 2014 CHA Board action that resolved CHA to enter a settlement agreement in the amount of \$119,557.75 (CHA, 2014h).

¹⁹ This report is dated February 2013, several months prior to the release of the public Plan Forward document.

and in adjacent areas), potential for future phases of development, specific options regarding land sales and swaps, and options for housing tenure. In essence, the report contains the type of information that developers, community representatives, elected officials, and others desired in order to direct their efforts towards re-planning the public housing sites.

The report was never made public or formally distributed to developers, advocates, resident leaders, and/or others.²⁰ This is significant for two reasons. First, the uncertain economic environment and the contested nature of future site development may have necessitated a more cautious approach by government officials. Second, the report's recommendations to hold off on developing planned housing that had been originally slated in annual CHA Plans had implications for debates about when and where those units would be developed. At the time the report was generated in 2013, the CHA was 3,300 units short of reaching the goal to complete the planned 25,000 units of affordable housing. If those units were not to be developed on public housing land, then the political will to site those units in other parts of the city would need to be marshaled. Under Emanuel and CHA's executive leadership, the benefit of distributing the report conflicted with their agenda to control the public debates about future redevelopment plans.

Conclusion

This chapter documents how the two different mayoral administrations of Daley and Emanuel used their power to advance divergent policy priorities and tactics that steered market-oriented reforms. While the two administrations employed different political tactics related to public housing reforms, both maintained similar levels of institutional control and a shared agenda focused on Chicago's as a global site for investment.

²⁰ A few interviewees working in the private development sector reported they saw draft chapters and/or maps from the report at Working Group meetings though were instructed by CHA staff to turn the copies back into CHA staff at the end of the meeting.

Chicago's city management under both the Daley and Emanuel administrations reflects a new form of urban governance that narrows the role of municipalities as a direct provider of necessary services. Daley led the modification of city policy away from a redistributive framework and towards one focused on market economics. According to Bennett,

Municipal government in Chicago has become the collaborator with major firms and key investors in advancing their agendas, promoter of the city's overall image (and in particular instances, the fortunes of promising neighborhoods), and the provider of a residue of traditional services, such as police and fire protection, sanitation, and basic physical infrastructure. (Bennett, 2010, pp. 266-267)

Daley's work to recast Chicago's municipal policies in the neoliberal mode can be seen in both his priorities and tactics around public housing reform. The reforms were necessary for advancing Chicago's global reputation, since large-scale public housing was not only deemed unsuitable for their residents, but also for the city as whole. Indeed, scholars have described Daley's desire to demolish high-rise public housing buildings as part of a process designed to attract higher-end private development within the city (Bennett, 2006a, 2010; Gebhardt, 2009; Hunt, 2009; Smith, 2006, 2013; Vale, 2013). The goal was to expand otherwise gentrified areas that were abutting more stigmatized neighborhoods such as in the Near North side's Cabrini-Green and the Near West side's ALBA. If Daley sought to calm social and racial tensions, it was in the hopes that Chicago might better attract urban "pioneers," such as wealthy visitors, homeowners, and businesses (Bennett, 2006a; Goetz, 2013b; Smith, 1996; Wyly & Hammel, 1999).

What has not yet been well documented and what this investigation adds to this scholarship is a more exact understanding of how this process of neoliberal urban redevelopment takes place. The evidence presented here shows how the two mayoral administrations used political tactics to allow (and to limit) the degree to which public housing reforms would be

provided necessary political and financial capital. While Daley's motivations were described by respondents working for the city and CHA as both altruistic and strategic, his political tactics of guaranteed public funding, government coordination, and political capital for civic elite support provided necessary backing to jumpstart private market investment in public housing sites during the pre-recession context. In the early years of the Plan, Daley demonstrated his capacity for instituting large public works projects. Accordingly, the mixed-income component of the public housing reforms with its focus on new construction fit into Daley's broader vision for reshaping the city's built environment and (possibly) recasting its citizenry.

After the economic environment shifted, however, the reform agenda began to wane. By his last term in office, the city's financial crisis started to become more apparent. While the privatization of city services (e.g., parking and transit) allowed the city to access upfront capital, it also diverted attention away from the spiraling debt and increased expenditures. Public housing reforms, under Daley, enjoyed their heyday in the pre-recession period with the momentum to demolish high-rises and bring new housing development to fruition. But once the mayor's office understood that stalls in development led to a pulling back from private sector investment, it was more difficult to justify the expenditure of city resources (e.g., financial, political, and expertise). Fiscal depletion of city resources under Daley paved the way for a set of challenges with which the Emanuel administration would have to contend.

Within Emanuel's first year, the city's fiscal stability and related policy agendas took hold as the central focus. Emanuel aligned himself with Chicago's corporate elites and transitioned much of the city's future policy efforts to the non-governmental World Business Chicago whose strategic focus was to place Chicago (and its region) in the list of cities that provide a business-friendly environment. If Emanuel could attract and retain the business

community, then the city had the potential to recover from the fiscal problems for which Daley's public works projects and unfunded pension obligations laid the groundwork. Furthermore, Emanuel could exploit the public housing redevelopment sites towards his agenda in remaking the city friendly for investors.

Despite the Plan Forward report, CHA needed political capital to maintain its momentum; however, the Emanuel administration would focus its attention more on economic development than on affordable housing. The disassembling of the public housing policy reforms took place in similar form and fashion as the demolishing of the public housing towers, without much public participation or thoughtful deliberations about the long-term consequences to low-income renters and city neighborhoods. Emanuel's version of neoliberal urban restructuring did not require the same scale of mixed-income housing, nor the level of private sector engagement from housing developers as Daley's. Rather, the land where towers once stood and the housing that once was planned to replace it could now be converted into uses that aligned with a more expansive economic development agenda. Thus, Emanuel's advisors sought to disrupt the power of organized political constituency (e.g., housing developers and housing advocates) in order to move forward with alternative plans for CHA's land use largely outside of the public spotlight, a topic that will be revisited in subsequent chapters.

CHAPTER SIX: FEDERAL POLICY DEVOLUTION AND LOCAL POLITICAL AGENCY

Introduction

Devolution is but one element in the neoliberal transition of the past 40 years (Brenner & Theodore, 2002; Harvey, 2005; Jessop, 2002). Devolution in housing policy refers to the concerted effort to transfer power for policymaking from the federal government to subnational governments, such as cities, counties, state housing finance agencies, and public housing authorities (PHAs) (Hetzel, 2000; Kleit & Page, 2008). Where once Congress and federal agencies had vast legislative and regulatory control with respect to policy, now local government officials hold central roles for determining policy agendas. One important question in understanding actually existing neoliberalism involves how devolution takes shape in local contexts. This chapter explains how Chicago's implementation of a HUD devolution initiative—the MTW demonstration—afforded officials at the CHA and the mayors' office significant power and how activists organized to contest the use of local flexibility over federal programs and subsidies.

HUD's Moving to Work Demonstration

HUD's MTW demonstration program reflects the larger political movement to decentralize federal authority, deregulate federal law, and encourage local responsibility (Hackworth, 2003, 2007; Kleit & Page, 2008, 2015; Newman & Ashton, 2004; Smith, 2000).¹

¹ Other new housing policy reforms coincided around the same time as MTW, including Moving to Opportunity, HOPE VI, and Jobs Plus programs, all of which have gained greater national attention than MTW and involved more rigorous research evaluations. Congress never funded a multi-year federal evaluation. The very nature of deregulation precludes the opportunity for rigorous testing of comparison groups across PHAs since the flexibility framework created extensive variation (Khare & Kass, 2016; Urban Institute, 2004).

While the name MTW implies a central focus on employment among recipients of housing assistance, its actual purpose is much broader.² By allowing PHA officials to “experiment” with cost savings and market-oriented reforms (Urban Institute, 2004; Cadik & Nogie, 2010), MTW has the purpose of transferring public housing decision-making to local authorities from federal authorities, thus combining flexibility and experimentation in financing on the one hand and devolution on the other.

Since MTW’s authorization in 1996, HUD officials have awarded select PHAs the authority to combine program funds through block grants, establish special funding formulas, and waive some federal statutes and regulations governing a city’s public housing program (Brick & McCarty, 2012; Urban Institute, 2004; Webb, Frescoln, & Rohe, 2016). PHA officials hold significant autonomy over policy decisions about public housing and voucher assistance programs, as well as flexibility to determine how to allocate federal subsidies. HUD currently limits the number of participating PHAs to 39, although Congress approved an MTW expansion in 2015 authorizing an additional 100 PHAs.³

A legal contract, referred to as the standard “MTW Agreement,” between HUD and PHAs specifies the extent of flexibility provided and expressly limits HUD’s authority. MTW

² Section 204 of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Pub. L. 104-134) established the MTW demonstration initiative. The stated aims are to “1) reduce cost and achieve greater cost effectiveness in Federal expenditures; 2) give incentives to families with children whose heads of household are either working, seeking work, or are participating in job training, educational or other programs that assist in obtaining employment and becoming economically self-sufficient; and 3) increase housing choices for low-income families” (Pub. L. 104-134). MTW agencies currently provide approximately 11% of public housing units and 13% of vouchers in the U.S. (Center for Budget and Policy Priorities [CBPP], 2015b).

³ In December 2015, Congress passed and President Obama signed into law the Consolidated Appropriations Act of 2016. The Act included a provision that expands MTW to an additional 100 PHAs. It also extends participation for the 39 PHAs currently in the demonstration through the year 2028 with no changes to current agreements, unless agreed upon by both HUD and PHA officials (Public Law 114-113, Section 239 of Title II).

allows PHAs flexibility in two key ways. First, PHA officials can combine voucher, capital, and operating funds appropriated under separate programs (e.g., Section 8 and Section 9) into a single discretionary general fund. For example, PHAs can elect to use voucher funding to construct new public housing units or to convert capital funds into housing vouchers.⁴ Second, PHA officials can obtain waivers from federal laws and regulations in order to create new policies. The benefits of experimentation include flexibility in setting term limits, rent structures, and work requirements (Abt Associates, 2014), as well as creating public-private partnerships (Huscock, 2009; Salsich, 2012; Stegman, 2002).⁵

The federal devolution framework embodied by MTW also facilitates market-oriented reforms aimed at the privatization of public housing and assistance. Although the focus on market engagement is largely unstated in policy documents, it is inherent in what is allowable under MTW Agreements.⁶ First, the ability to pool different subsidies into one general fund allows PHAs to undertake costly redevelopment projects (Huscock, 2009; Nguyen, Rohe, & Cowan, 2012; Salsich, 2012; Vale & Freemark, 2012). PHAs have used this flexibility for redevelopment reforms, such as when transferring the ownership of public housing units to private entities, as in the case of the Atlanta Housing Authority. Second, the 10-year HUD guarantee of federal subsidies allows PHAs to attract private capital financing, such as through

⁴ HUD Capital Funds are subsidies for the development, financing, and modernization of public housing developments and for management improvements.

⁵ The policies directed at tenants are implemented differently by the 39 PHAs. For example, MTW allows waivers to the minimum rent cap rule of \$50 per month. More than half of the 39 agencies have raised the rent cap on minimum rents, anywhere from \$75 up to \$200 per month (Abt Associates, 2014).

⁶ There is only one section of the standard MTW Agreement (Attachment C, B.2.) that includes an explicit statement about privatization. PHAs are to “partner with for-profit and non-profit entities...including mixed-income, mixed-finance development partners and third party management companies...to implement and develop all or some of the initiatives” (CHA & HUD, 2000, Attachment C, p. 29).

bank loans and bond issuances (Stegman, 2002). Non-participating PHAs that rely on annual congressional appropriations face more challenges attracting private sector financing. Finally, PHAs are not subject to HUD rules that stipulate unused funds from the prior year will be recaptured on an annual basis. Hence, PHAs can build up reserves that can be used for capital projects. These three elements of the HUD devolution framework shape the extent to which local officials can redevelop and privatize public housing, as will be shown in this case of Chicago.

Political Negotiations for Local Control and Federal Subsidies

Political Negotiations for Local Control

During HUD's federal takeover of CHA in the late 1990s, Daley officials began negotiations with HUD to reclaim control of CHA. Daley's advisors perceived HUD regulations as an impediment to the radical reforms they wanted to implement. They sought more local control through a HUD program they referred to as "home rule" that allowed PHAs to have more flexible policy terms, such as for expedited demolitions of high-rises and higher allowable-cost provisions to build new units. According to one of Daley's advisors:

Home rule was a great deal of flexibility from HUD. We proposed that we get that exact same sort of ability, both the commitment of money and sort of a great array of waivers that would make it possible for us to craft a Chicago solution to the problem, as opposed to the every transaction, every dollar really had to be sort of managed and directed from [HUD]....We entered into negotiations and then-Secretary Cuomo said he would never do home rule again....I know he felt the political pressure from a number of sort of sources. So he actually came back with something that gave us what we wanted in another form, which was MTW.

This respondent's perspective reinforces arguments for devolution as means to achieve more efficiency in the management of public housing. Rather than being constricted by convoluted federal administrative rules that impede local resourcefulness, Daley's advisors advocated that flexibility was needed in order to "craft a Chicago solution" that would serve to promote aims of

the Plan. Federal standardization simply did not fit Chicago and therefore did not benefit the city and its public housing constituencies.

In addition to waivers to federal laws, Daley's advisors also requested that HUD provide a guarantee of federal funding so that CHA could obtain private capital. HUD Assistant Secretary Harold Lucas initially responded that "public housing funds are subject to yearly appropriation by Congress. Absent specific congressional authorization, a federal agency cannot pledge the full faith and credit of the United States to provide a guarantee for a local government's assumption of debt obligations" (HUD, 1999, p. 6). In a reversal of this original statement the following year, HUD officials awarded CHA with MTW status, thereby providing CHA the opportunity to waive federal rules and to rely on a 10-year commitment of \$1.565 billion in federal subsidies.⁷ As this political advisor active in the discussions stated:

MTW was originally created to reward high-performing housing authorities, so there's no stretch of the imagination that you could say Chicago was a high-performing housing authority, but [HUD officials] were willing to make this designation and a commitment that was subject to appropriations [of the] \$1.5 billion that we asked for. It was our demand that we needed flexibility and resources to be able to address a long-standing problem.... We would not have been able to do [the Plan for Transformation] if we hadn't been able to negotiate the commitment of money and flexibility which was embodied by the array of waivers that we got, which allowed us to merge funding streams.

Recognizing that the many strategies that CHA, the city government, the federal courts, and HUD itself had undertaken had not had the desired effect of fundamentally changing housing for low-income city residents, HUD administrators met Daley's advisors "demand" for flexibility despite CHA's ineligibility. As this respondent noted the agreement was one reached through "negotiations" that waived MTW eligibility provisions, arguably disregarding Congressional

⁷ HUD granted Chicago access to participate in the MTW demonstration on February 20, 2000 (CHA & HUD, 2000; GAO, 1995). Throughout the remainder of this chapter, I use the term MTW Agreement to include the original agreement signed in 2000, along with the revised and reinstated MTW Agreement signed in 2008, with its additional amendments and attachments.

intent, and that simultaneously pledged federal funds for a decade rather than, under the usual federal-appropriation process, for a year at a time. CHA's poor management performance—as indicated by its official status as a “troubled” PHA since 1979—should have barred its participation in MTW. CHA's performance scores of 69.96 in 1998 and 65 in 1999 made it ineligible given the requirement of a score of 80 points (Government Accountability Office [GAO], 2003; HUD, 1996).⁸ Yet, HUD officials freed CHA from undergoing the competitive review process or meeting basic eligibility criteria. Furthermore, CHA status was not approved through Congressional action, as was the case with a few other PHAs that also received HUD exemptions from competitive review.⁹ Were HUD officials to have strictly applied federal regulations, CHA would have been denied admittance to the MTW program. Instead, HUD officials selected CHA for MTW participation in order to end the federal receivership, as one housing policy expert pointed out:

Technically, Chicago should not have been an MTW. It didn't fit the criteria. But the CHA was under a federal HUD receivership...HUD didn't want to do that forever either. My understanding was the price of taking back control of the housing authority was flexibility for [Mayor] Daley to do whatever he wanted.

⁸ HUD regulations published through its Notice inviting participation stated the criteria of evaluation with associated scoring points. PHMAP scores were part of the criteria: “If a PHA does not have a current PHMAP score of at least “80,” then its application will not be considered further.” MTW status would only be granted through a “merit-based process” involving “evaluation criteria” based on high scores under the Public Housing Management Assessment Program (PHMAP) (HUD, 1996).

⁹ HUD's “History of MTW Legislation and Site Selection” provides detailed information on how PHAs were awarded MTW status. It states that CHA was “added as authorized by 1996 statute.” CHA and Baltimore Housing Authority are the only MTW agencies that the HUD website does not provide detailed links to public laws or HUD notices. Of those previously granted participation, all but two had done so by through a competitive review process (HUD, 2001). The MTW Baseline Report published by Urban Institute in 2000 also questioned CHA's MTW status through a footnote that states: “Chicago was granted certain waivers under HUD's MTW authority, but is not officially a participant in the demonstration” (Urban Institute, 2000, p. 25).

The HUD decision to allow CHA participation into MTW and to return the agency to local control under Daley did more than waive federal rules and ensure federal funds; it also paved the way towards other negotiations related to federal subsidies.

Political Negotiations for Special Funding Formulas

In the negotiation over the financial terms of the MTW Agreement, Daley and his advisors brokered a special funding formula that provided more extensive subsidies than CHA previously received. Chicago officials argued that HUD's neglect in funding repairs to public housing units resulted in unlivable conditions; therefore, the argument went, the declines in occupied units should not be held against the city in calculating new subsidy formulas. Rather, HUD should provide funding for voucher subsidies to make up for the approximately 13,000 unoccupied units that would be demolished and not replaced. According to one respondent influential in negotiating with HUD:

We were very concerned about the loss of housing assets. So one of the things that we negotiated was, even though there were [approximately] 40,000 units [in the total CHA portfolio]...but only [approximately] 25,000 of them were occupied at this time. That 25,000 became the target for the new or renovated units, but we negotiated from HUD that we could get vouchers for all the units, occupied or not, so we actually were able to retain housing assets, whether it was in the form of new or renovated units, or housing vouchers for the full amount of units that were in question at the time.

If Daley's advisors intended to use the special funding formula to ensure that CHA would "retain housing assets," then plans certainly fell short of expectations. While the negotiations led to greater financial resources, the use of these resources would be contingent on the capacity of Chicago's local officials to restructure the CHA and design new approaches for the provision of housing in the private market.

Chicago's officials successfully negotiated and obtained three commitments: (a) a block grant for relocation vouchers based on the approximately 13,000 unoccupied units lost to

demolition; (b) operating and capital funds for all units whether occupied, vacant, or off-line; and (c) higher subsidy payments for each unit every month.¹⁰ These negotiations translated into a higher award level—an additional \$28 million in the operating fund alone the first year—than otherwise would have been allowable.¹¹ Furthermore, MTW’s flexibility allowed CHA to combine these subsidies into a single account, referred to as the MTW general fund.

Unlike other non-MTW PHAs, CHA had the advantage of not having to make yearly requests for funding; rather, CHA’s subsidies were kept “frozen for ten years so that it [could] be assured of this funding stream” (CHA, 2000, p. 15). The negotiated guarantee of funding kept CHA’s funding level steady even as CHA’s portfolio of available housing units diminished.

These negotiations also amounted to far more generous on-average federal subsidy awards over the past 16 years as compared to other PHAs in the nation.¹² For example, CHA’s preferential funding formula provided an average of \$8,284 in operating funds per public housing unit in 2014 as compared to other non-MTW agencies that received an average of \$4,100 per unit.¹³ According to a CHA official:

¹⁰ HUD funding is typically awarded based on the number of units occupied, not on the number of unoccupied off-line units. According to a July 2015 report from the Center for Budget and Policy Priorities, “some MTW agencies had large numbers of idle vouchers and vacant public housing units when they entered MTW but received funding for those units under the funding formulas then in place” (CBPP, 2015a).

¹¹ The MTW Agreement expanded CHA’s 1999 subsidy level from \$148 million to \$176 million. This can be seen by comparing the 2000 Plan (CHA, 2000) with the MTW Agreement, Attachment A 1.a (CHA & HUD, 2000). This amounts to an increase of approximately \$28 million in the first year alone.

¹² Of the 39 MTW agencies, there are 10 in addition to CHA that currently have alternative funding formulas. This special formula allows for “approximately \$7,900 per public housing unit—91% more than the average for non-MTW agencies and the 28 MTW without special formulas” (CBPP, 2015b, p. 3).

¹³ I credit the formula calculation about Chicago’s subsidies to correspondence with Will Fischer from the Center for Budget and Policy Priorities and Amanda Kass from the Center for Tax and Budget Accountability. I calculated it by taking CHA’s total MTW general fund in FY2014 (\$176,451,193 million) divided by CHA’s total number of public housing units reported in the

No [other PHA] had the arrangement with HUD that our units sitting there that are vacant and not leasable and we don't have any intention of making them ready, they are slated for redevelopment. HUD doesn't typically give you subsidies for that category...that is also sort of a MTW perk that only CHA has. So, it is true that our subsidy amounts in the way that they're calculated are much higher.

CHA officials, as this statement indicates, were aware that subsidies were being awarded for unoccupied units not being leased and that the agency received preferential treatment through this “perk” that provided double the amount of federal operating subsidies per unit as compared to all other non-MTW PHAs in the nation.

CHA officials familiar with the negotiation speculated that HUD awarded these additional funds in part because Daley pledged local funding. According to a former CHA executive:

I think the selling point with Washington, with the White House as well as with HUD was...the commitment by the mayor of the resources that the City of Chicago would put forward as well [in order] to make sure that this could be as successful as it possibly could be....If you go back and look from 2000 to 2006, if you take a look at the amount of money that the federal government gave us during that period of time, if you take a look at what the mayor brought to bear in terms of city funds, sister agency funds, as well as state funds, you will see from every dollar we probably got from HUD, the mayor probably added four dollars.

Daley's influence over city and state budget allocations provided significant sources of local funding for redevelopment projects. These leveraged funding commitments reflect the devolution policy framework whereby cities need to be able to match federal subsidies or face austere cut-backs. In this way, Daley's officials engaged in wise political strategies of bargaining for what they believed the city was owed given its onerous past history with HUD and public housing.

FY2014 fourth quarter report (21,301). The comparison number of non-MTW agencies was reported by the Center for Budget and Policy Priorities (CBPP, 2015b).

Contributing to Chicago's ability to bypass the MTW application requirements and secure higher subsidies was Daley's political influence. The Democratic Party representatives in Washington D.C. and Chicago officials had a strong relationship, and Daley himself had influence with officials at HUD and in the White House. As this former CHA executive noted:

Mayor [Daley] had the conversation and [Chief of Staff] Julia [Stash] had staged the conversation with HUD and with the White House about taking back over the Chicago Housing Authority which had been under receivership and had been run by HUD from 1995 up until 1999. And then in 99 a conversation started between the city and the White House and HUD about the city taking back over the housing authority.

Thus, within the framework of federal devolution, Chicago's officials, working closely with Mayor Daley, shaped reforms to privatize public housing in Chicago by using the principle of local control and their political leverage to garner higher-than-average federal subsidies.

Impact of Federal Devolution

Daley's advisors and CHA officials understood that the MTW Agreement which pledged an almost \$2 billion sum over 10 years could be used to access private capital. Indeed, one of the first moves that CHA officials made after being awarded MTW status was to seek private financing for the renovation of senior housing and scattered site apartments through the bond market.¹⁴ CHA obtained special approval from HUD to "pledge" future capital funds for the purpose of bond repayment, since at the time there were no HUD regulations that allowed for the securitization of capital funds through bond deals.¹⁵

In June 2001, the CHA Board of Commissioners enlisted Lehman Brothers and Salomon Smith Barney to issue a capital revenue bond not to exceed \$300 million (Shields, 2001; CHA,

¹⁴ These include approximately 55 buildings with 9,500 units of housing (CHA, 2000).

¹⁵ Since then, HUD created a new program, the Capital Fund Financing Program, to allow for these types of financing mechanisms. HUD's Mixed-Finance Guidelines describes bonds as one of an array of options for developing the multiple sources of capital financing necessary to implement the mixed-income development strategy (HUD, 2001).

2001b).¹⁶ One noteworthy bond-rating agency, Moody's Investor Service, assigned a positive credit rating of Aa3 to CHA, due to the "strong funding history of the programs, strong debt service coverage, very strong legal provisions and HUD's Approval Letter, which addresses public housing authority performance risk" (Ruiz, 2001).

CHA's bond deal was the first publically offered securitization of HUD capital funds for public housing redevelopment by a PHA in the country.¹⁷ HUD's legal commitment, the 10-year subsidy guarantee through MTW, and backing by supranational bond-rating agencies led the way to Chicago's securitization of federal public housing capital funds. Private investors were convinced that the 20-year bond deal would be repaid because of strict protections, such as the obligation of adequate debt service reserve funds and the HUD approval letter (Ruiz, 2001). As one former CHA executive said of the bond deal:

One thing that made Chicago's MTW exceptional that we did...[Mayor Daley's Chief of Staff] Julia [Stash] and others were smart in terms of asking for exceptions [under MTW]....In the first time since 1937 [in the passage of] the Public Housing Act, Chicago was the first housing authority to do a bond issuance and we were able to convince the bond rating agencies at that time and convinced the people who purchased the bond, the trustees, to allow us to do it. It has now become the template. So, again, the mayor's leadership was key.

¹⁶ Once structured, the CHA issued its \$291 million Capital Fund Program Revenue Bonds, Series 2001. The total cost of the rehabilitation was estimated at \$350 million, so CHA would pay for some of the costs upfront without bond financing. The bond deals were looked upon favorably by Daley advisors to the CHA Board of Commissioner. The 10-person Board voted unanimously to support the issuance of the bond, perhaps due to the influence of political operative turned-private sector investor Rahm Emanuel – later mayor— who served on the CHA Board during the time of the vote. Emanuel had recently left the Clinton White House to work in the private sector and had connections to investors in the municipal bond market. Other CHA Board members with ties to the private sector were Marty Nesbitt (a former employee of Pritzker Realty group and CEO of The Parking Spot) and Lori Healey (former Chief of Staff to Mayor Daley who transitioned into the private sector at the time she was on the CHA Board).

¹⁷ While the historical nature of the bond was noted in the private financing industry, it went largely under-the-radar by academics, other than an article by Dr. Michael Stegman (then a faculty member at University of North Carolina and now Special Advisor to Obama in the Treasury) who described it as the first "investment-grade private financing of public housing modernization in the history of the program" (Stegman, 2002, p. 70).

As this respondent makes clear, the bond rating agencies were convinced of CHA's long-term viability and investors were willing to purchase the bonds due to two important factors. Daley's "leadership" had created conditions favorable to global investment and the federal devolution framework created the policy environment that allowed for this emergent approach to be seen as beneficial.

Chicago's use of bond financing for public housing redevelopment has since been replicated as private investors have sought new tools for wealth creation.¹⁸ By issuing secured bonds, following Chicago's nationally innovative approach, PHAs have been able to benefit by accessing large amounts of credit to rebuild public housing (Standard & Poor's, 2001). For CHA, the bond deal facilitated higher levels of liquid capital that allowed CHA rehabilitation plans to occur at a faster pace. The bond strategy proved successful for outcomes on unit delivery since the rehabilitation of senior buildings and scattered site apartments was largely completed on a timely schedule by 2006.

On a larger scale, of course, the key was the MTW deregulation, which in turn led to public housing becoming an instrument of profit. Indeed, while the issuance of municipal bonds was not unusual for city government agencies as a method for funding capital projects (e.g., schools and transit), it was a significant action for PHAs with modernization agendas. This devolution framework, embodied by MTW and its guaranteed 10 years of federal subsidies, falls within what are known as roll-out neoliberal government policies: policies designed to stimulate market action through federal action, in this case housing subsidies, leveraged to generate capital accumulation in the bond market. This policy transition must also be considered in light of the

¹⁸ A Public Housing Authority bond allows for a portion of the proceeds acquired during the auction of the securities to be used for low-income housing. Bonds can be issued by a single PHA or a group of PHAs can issue a pooled capital fund bond.

prior decades of roll-back neoliberal tenancies that involved massive cuts to federal aid for rehabbing and constructing new public housing.

A second way the federal devolution framework had long-term consequences relates to the scope of local control over fiscal policy decisions. Recall that MTW's block grant arrangement provided extensive flexibility for officials at PHAs to shift funds from one program to another and to create their own set of policy priorities. In Chicago, mayoral advisors, high-level CHA executives, and other officials driving the Plan prioritized funding for the creation of mixed-income developments and related building projects. They could have chosen to distribute available replacement vouchers they obtained in the negotiations for the MTW special funding formula. But every year from 2000 to 2014, a portion of Section 8 voucher program funds were shifted mainly into construction and mixed-income development projects. For example, in FY2014, CHA officials could have issued approximately 12,000 vouchers with funds held for redevelopment projects.¹⁹ CHA officials also failed to make units available once apartments in public housing and scattered site buildings became vacant when tenants moved out. Rather than quickly rehabilitate and lease those units, CHA deemed approximately 2,951 units "off-line" as of 2015 (CHA, 2016b). This pattern resulted in more funds available for large-scale new construction projects.

The benefit of CHA control over funding decisions through its MTW general fund, according to CHA officials and some policy advocates interviewed, was the capacity to launch innovative programs, including social services that were connected to housing development. In this way, for example, CHA was able to fund its Department of Resident Services, a program

¹⁹ As an example, in the FY2014 Chicago had \$119,664,840 million that could have been spent on vouchers which was instead withheld and put into other programs. Approximately 12,307 households on CHA's voucher waitlist could have been served that were not. I credit Will Fischer from the Center for Budget and Policy Priorities for providing these data.

that focused on the stable relocation of residents and their long-term economic stability.²⁰ As described by this housing policy expert:

The CHA is using voucher money....for services...And people complain sometimes that they aren't using up all the vouchers....but the families desperately need that level of service...CHA can provide services to families. But only if they have the money and HUD doesn't give them the money. So MTW provides them a way to do that.

Lacking other HUD funds for resident services, CHA officials used their local discretion to allocate a portion of MTW funds to contract with non-profit community organizations that provided education, employment, health, and other human capital development programs to youth and adults receiving housing assistance.

The value of specific programs and services notwithstanding, the emphasis on redevelopment projects had consequences when, over time, CHA failed to deliver on its annual goals for new housing units.²¹ Starting in 2000, the number of housing units CHA pledged to deliver fell short of their stated goals and budget allocations, as illustrated in Figure 6.1, which identifies the number of original units, the planned number of units outlined in 2000, and the actual number delivered by 2015 in each of the 12 mixed-income public housing sites.²²

Since HUD officials approved a MTW waiver to federal rules that allows CHA to carry over unspent funds, and inasmuch as CHA spent less than its total revenue each year when

²⁰ It should be noted that CHA's budget for the Department of Resident Services represents approximately 5% of the overall budget, which amounted to \$51 million in FY2014 (CHA, 2015b, p. 27).

²¹ With regards to unit delivery under MTW, PHAs are required by HUD to submit annual plans that generally describe future capital development projects. However, these plans stop short of requiring detailed line-item budgets such as those that non-MTW PHAs must complete.

²² CHA redeveloped former public housing sites through contracting out the development and ownership of newly constructed mixed-income developments. These developments have been built using HUD federal subsidies, along with other public and private sources that are layered using the mixed-finance approach. Prior to the recession during the years 2000-2007, this approach proved largely successful. Yet, CHA always fell short of the annual projected goals for replacement units at these sites. This topic is explored in Chapter Seven.

redevelopment projects struggled to be completed at the scale planned, its capital surplus grew. CHA’s liquid capital grew from \$106,674,967 million in FY2005 to \$429,783,753 million in

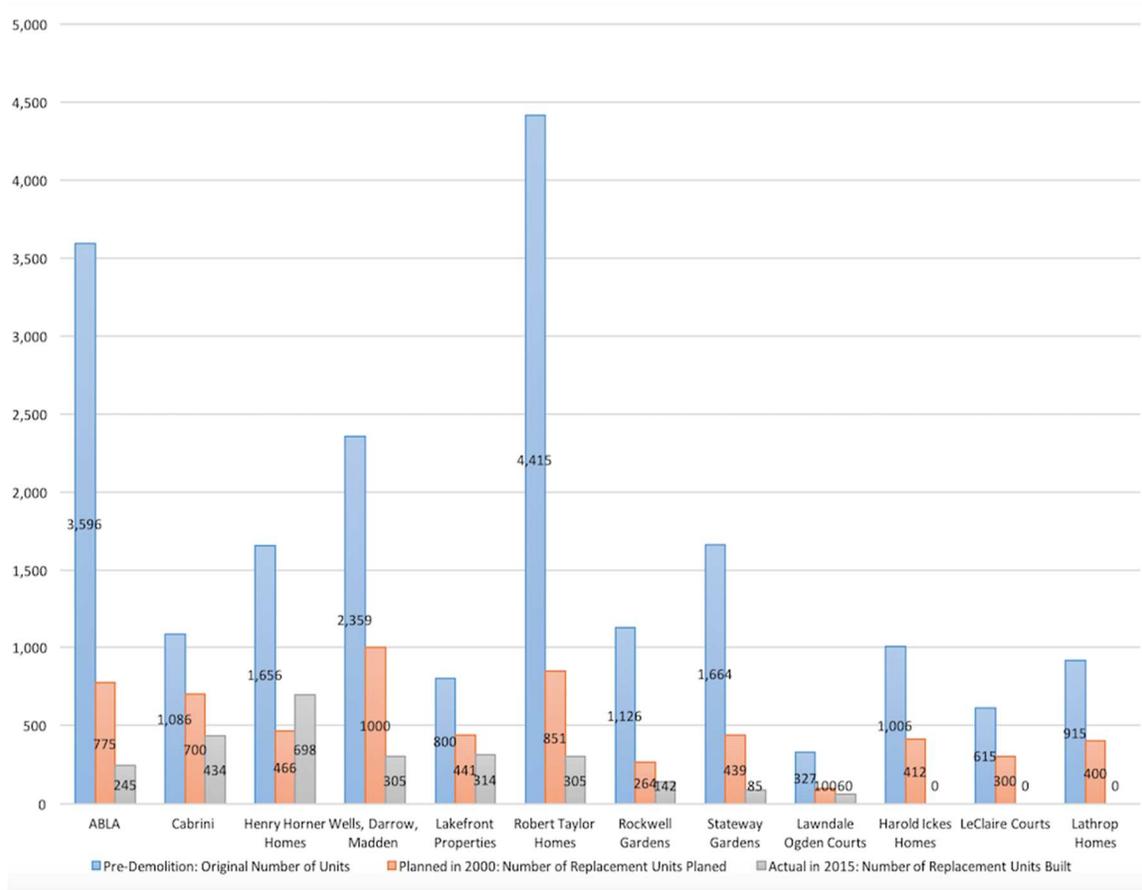


Figure 6.1. Unit decrease by public housing site, 2000 compared to 2015. SOURCE: Chicago Housing Authority. 2000 Plan for Transformation, FY2015 MTW Annual Report, and Internal documents obtained.

FY2014, as can be seen in Figure 6.2.²³ CHA officials recorded the surplus in different accounts, one that was marked as “excess reserve” for use in future redevelopment projects and another

²³ CHA defines its liquidity in its financial audit as the following: “The Authority’s “working capital” is the difference between its current assets and current liabilities and represents the ‘amount of net current resources’ available for use in the course of ongoing business activities” (CHA, 2014a, p. 30).

that was marked as a “HUD-approved operating reserves.”²⁴ As one CHA official told me, this excess situation was created within the MTW framework through the political maneuvers of Mayor Daley to obtain special funding formulas and subsidies that could carry over each year:

We had to amend our MTW agreement to work that out. So, it was a negotiation with HUD...but other MTW agencies don't have that. So, we got perks on the public housing side because we can be subsidized for units that we're not leasing, and then we got perks on the voucher side because we use two different formulas [to calculate replacement vouchers and regular vouchers].

To translate CHA’s working capital into lost opportunities of housing assistance, I use a conservative estimate. With CHA’s reported available capital above and beyond its annual operating budget and operating reserves, the agency could have built approximately 1,000 new units in mixed-income housing developments or could have issued thousands of housing vouchers in 2015.²⁵ This underutilization of federal funds drew criticism by housing advocates and organized efforts by activists affiliated with the Chicago Housing Initiative, as I will describe below.

The early MTW negotiations that established higher reserves, funding flexibility, and a provision allowing funds to be carried over provided the legal framework for the high levels of subsidies to be built up in the reserve account. Interviews with former and current CHA and city officials verify that CHA had always planned to use voucher funding for redevelopment projects.

²⁴ CHA reported in its fourth quarterly report in FY2014 that “CHA maintains a HUD-allowed operating reserve of \$119M that the agency intends to use for future capital expenditures” (2015c, p. 27). The amount of operating reserves has varied in reports.

²⁵ I arrived at the figure for units by taking CHA’s total working capital \$429,783,753 at the close of FY2014, subtracting the HUD-allowed operating reserve of \$119 million, and then dividing that number by the average subsidies that CHA expends to build a new unit at a mixed-income development, \$300,000 (CHA, 2014a). As for vouchers, these funds could allow for the distribution of about 32,000 vouchers during a one-year period. For the voucher number, I used the cost estimate of \$9,723 for an average cost of a CHA voucher per year, a number received based on 2014 HUD data.

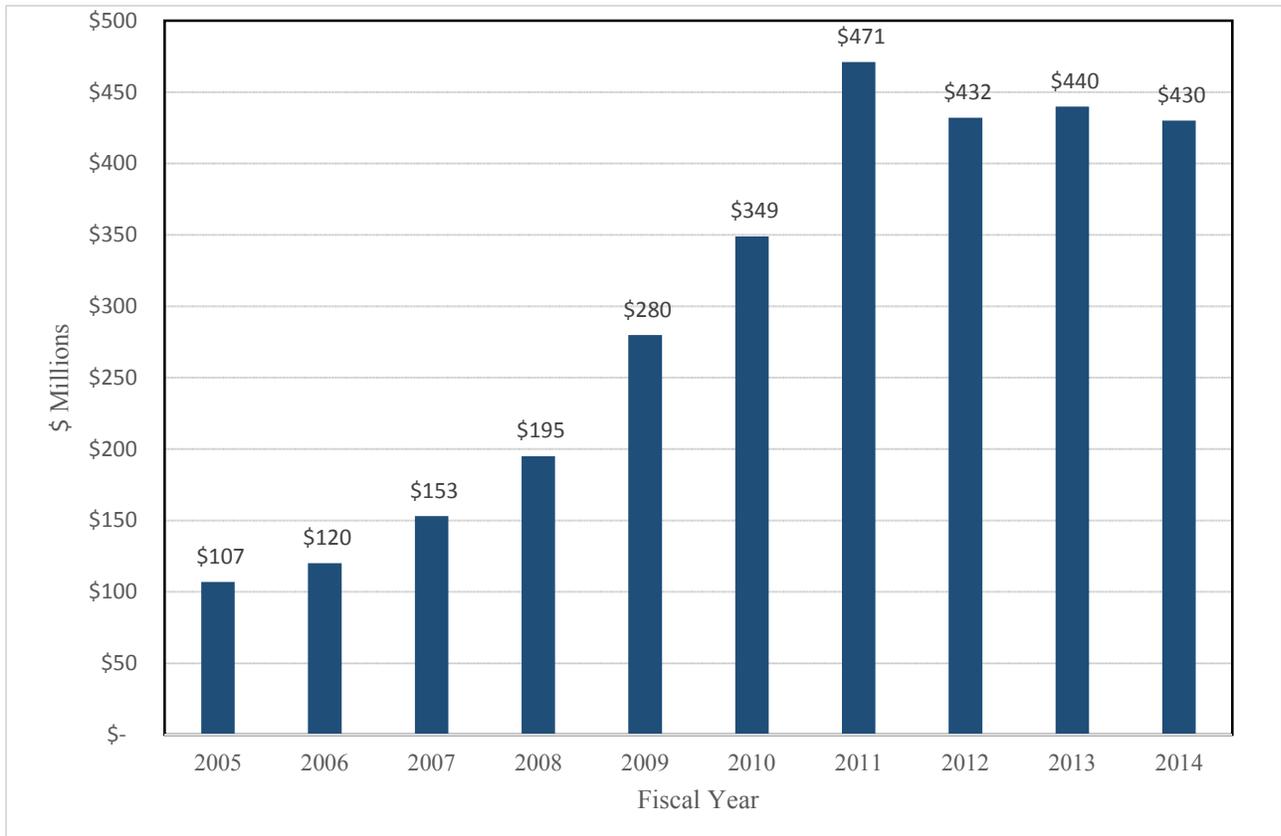


Figure 6.2. Chicago Housing Authority working capital, 2005 to 2014. SOURCE: Chicago Housing Authority, Comprehensive Audited Financial Reports, FY2007, FY2008, FY2009, FY2010, FY2011, FY2012, FY2013, and FY2014.

Had CHA used its funding more steadily to deliver housing, reserves would not have been created. According to this former City of Chicago official:

I could never figure out where this money was going to come from [to complete the redevelopment projects], because it was large amounts of money. Large, large, large amounts of money were needed. I could never figure this out. [CHA CEO] Terry [Peterson] at one point [around 2001] said to me, ‘We’re going to be converting new Section 8 vouchers into capital to get the money for the development.’...The city converted them. Vouchers as capital. Now [in 2014]...of course it becomes a controversy. The CHA has now built up millions of dollars in unused Section 8 vouchers.

CHA accumulated these “unused” Section 8 voucher funds that were first negotiated as part of the special funding formula. As this official indicates, this accumulation of federal subsidies was actually planned as a way to gain capital dollars that could be used for planned mixed-income

housing projects. But the execution of these plans fell short each year.²⁶ CHA needed to determine a plan to spend down its money since redevelopment projects stalled and other housing strategies also failed to come to fruition.

Once Emanuel was elected in 2011, his new CHA leadership team acted to advance the financial performance of the agency in ways emblematic of the “entrepreneur” style of governing. CHA’s Chief Financial Officer Linda Riley Mitchell led an effort to restructure CHA’s capital debt in 2012, through a one-time expense of \$1.6 million to pay off the 2006 bond series earlier than required (CHA, 2013b).²⁷ CHA officials elected to use part of CHA’s excess reserves for early settlements on other long-term liabilities, such as the CHA employee pension fund (Kass, 2015).²⁸ CHA officials’ decisions appear to have been driven, at least to some extent, by the action taken by Moody’s Investor Service in May 2012 to downgrade CHA’s credit rating.²⁹ CHA officials’ focus on capital debt restructuring suggested that the embrace of market logics led to policy decisions that prioritized financial obligations and credit rating scores over

²⁶ Projects have been proposed that are currently in the planning stages or have been on hold (e.g., those at LeClaire, Ickes, and Lathrop).

²⁷ CHA’s MTW FY2012 Report shows an unplanned expense of \$1,550,599 marked as “Bond Issuance Cost Amortization” with a note “Interest Expense variance represents the difference in unbudgeted expenses related to capital bond refunding and the budgeted principal for the bond debt to be paid in January, 2013” (CHA, 2013b, p. 86).

²⁸ HUD’s approval of CHA’s MTW FY2012 Report in January 2013 suggested that HUD officials concur with the actions to defer subsidies for future use and for non-housing related activities. The Report states that: “CHA maintains reserve balances to fund anticipated future construction and other uses of capital. Through December 31, 2012, CHA has utilized more than 90% of its excess reserves. Reserves were expended in conjunction with the agency’s capital restructuring program, partial bond defeasement, pension plan, and other programs” (CHA, 2013b, p. 90).

²⁹ Moody’s Investor Service revised its methodology for rating PHAs, based in part on major cuts to HUD’s capital program appropriations. 17 PHAs were downgraded from Aa3 to Baa2, including CHA for its Capital Program Revenue Bond, based on calculations in 2010 and 2011 of the coverage of debt service.

housing assistance distribution.³⁰ While CHA officials restructured debt, CHA failed to achieve its annual goals for new unit production and housing assistance. Furthermore, CHA officials decided to hold off issuing vouchers to people on its waitlist when it had the funds to do so, resulting in low voucher utilization rates of around 78% in 2012. While these decisions could be considered good fiscal stewardship, they took place during a period when CHA failed to make housing assistance available. High marks from credit ratings agencies, such as Moody's, appeared to matter more than distributing housing assistance.

By 2014, a movement to hold CHA accountable for delivering housing had already been mounted by housing activists, tenant leaders, social service providers, and others. Further, while the CHA subsidies went unspent, Chicago's rental market tightened during the post-recession period.

The demand for CHA housing can best be understood by looking at the extreme number of applications. For a four-week period in November 2014, CHA opened its waitlist lottery for housing assistance.³¹ A total of 282,000 households—the largest number of households ever—registered to be part of a random selection for CHA housing (CHA, 2014c). The rising demand for affordable rental apartments and housing assistance could have been diminished had CHA's officials determined that subsidies would be released for new vouchers or if planned units would have been constructed. It was within this context that a grassroots movement arose.

³⁰ According to CFO Linda Riley Mitchell's biography on the CHA website, the capital debt restructuring effort involved a "bond repurchase and defeasement program" and an effort to "bring CHA's pension plan funding to 100 percent." These actions resulted in "\$30 million in interest saving" and led Standard & Poor's to raise CHA's credit rating to AA from AA- (CHA, 2016e).

³¹ During the prior application period in 2008, CHA registered 232,000 households.

Activists' Rise to Power

As a reaction to the challenges at CHA, the Chicago Housing Initiative (CHI), a grassroots advocacy coalition, began its effort to track the use of federal subsidies and the distribution of needed housing resources. CHI's early activity, including work on a federal legislative amendment, focused on changing policies that led to displacement of tenants living in affordable rental buildings.³² Their Lease-Up Campaign that started in 2010 aimed to move people into one of the approximately 3,000 vacant units located in CHA-owned buildings. Central to this investigation is the choice by coalition leaders to target CHA's use of the MTW flexibility to accumulate reserves while not issuing vouchers or replacing planned units. Three intersecting tactics best explain CHI's organizing strategy in response to the accumulation, not the expenditure, of housing funds.

First, CHI leaders used traditional and social media to make an explicit challenge to the privatization and financialization of public housing. This can be seen in their discourse and in initiatives focused on the preservation of public housing. On their website, there is a call to action for those who "oppose privatization of the city" and "care about open, transparent city government." In media interviews, CHI's executive director Leah Levinger described the CHA's use of public housing redevelopment as an asset that can be leveraged in the market for capital investment. For example, in a television interview in September 2015, the terminology of financialization is clearly relevant:

Under [Mayor] Emanuel we've seen the [CHA] resources really become financialized: they're sitting as liquid dollars, they're not being used for actual neighborhood

³² CHI cites as one of its accomplishments: "Led the effort to pass the Durbin-Brown Amendment, which has provided \$20 million in new rental subsidies: The Amendment has preserved 3,000-4,000 units of low-income housing nationally, including 300 units in Chicago" (Chicago Housing Initiative [CHI], 2016).

reconstruction. What is clearly the case is the CHA is not a priority agency for Mayor Emanuel (Brackett, 2015).

According to the coalition, the focus on capital accumulation within Chicago's public housing reforms indicated that CHA leaders were more interested in financial performance than in the delivery of needed affordable housing. In line with this perspective, CHI challenged the federal policy devolution framework, as can be seen in this April, 2013 posting on their website:

As a result of the much maligned MTW de-regulation agreement that the CHA initially entered in 2000, the CHA receives the same amount of money to operate a vacant public housing unit as it would an occupied unit. To put it another way, the CHA has no financial incentives to lease vacant units: it receives the same amount of money from the federal government whether a family is housed or a unit is left empty. (CHI, 2016)

While CHI leaders explained the fiscal decisions as a reflection of the devolution framework, most other respondents did not make this connection. For most astute observers, the single MTW general fund made it difficult to track fiscal decisions and thus to critique to agency's lack of distribution of housing assistance.

The second tactic aimed at garnering more active oversight by HUD officials – essentially, restoring a federal role to ensure local accountability. CHI's leaders called on HUD officials to force CHA to rehab vacant units. From activists' perspective, CHA officials were purposively not rehabbing units, leaving them vacant to accelerate demolition plans. Many of these units were located in redevelopments not originally slated for demolition. For example, family developments such as Ickes Homes, Cabrini Rowhouses, and Lathrop Homes were not planned to be demolished in the 2000 Plan, but by 2011 had been slowly vacated and units not rehabbed for lease. Demolition and redevelopment plans were under way, and in the case of Ickes, demolition occurred. Furthermore, the coalition charged that CHA should be distributing more vouchers. Because HUD's MTW policies do not provide incentives for performance-based annual funding or expectations for utilization rates (as required with non-MTW agencies), CHA

had no HUD requirement or incentive to distribute vouchers. The result was that between 8,000-11,000 households every year did not receive vouchers for which the agency had received federal funding.³³

In one crucial action, which took place in March 2012, coalition leaders visited HUD Assistant Secretary Sandra Henriquez and other high-level HUD officials in Washington, D.C., presenting them with data documenting extensive vacancies in CHA family developments and scattered site apartments. They presented a notebook filled with pictures of boarded-up units owned by CHA for which HUD provided monthly subsidies. HUD officials agreed to visit Chicago and coordinate a joint meeting with representatives from Emanuel's office, CHA, the HUD regional office, and CHI. The coalition may have been hoping for more HUD oversight of CHA given the state of vacancies in the city, but according to interviews with CHA officials and housing advocates, HUD officials knew about CHA's underutilization of federal subsidies. The activists' critiques of CHA made in private to HUD officials appeared to have been heard, though HUD's response suggested that the legal authority to regulate CHA was nearly impossible to reestablish due to the current MTW Agreement. This pressure mounted by CHI did, however, result in CHA issuing a quarterly report for the public that documents its performance in areas such as vacancies, "off-line" units, voucher utilization rates, and the quarterly financial status.

If HUD knew about the vacancies and the challenges of CHA, the public did not. Therefore, in summer 2014, CHI engaged its third organizing tactic. This one focused on exposing CHA's financial decisions and then later seeking to secure legislative action to ensure

³³ CHA's voucher utilization rate is now publically reported on a quarterly basis. In the last available report, CHA reported that 8,166 vouchers were unused and the utilization rate was 84.2% as of June 2015 (CHA, 2015c). When the coalition first organized, there were even more unused vouchers.

greater accountability. This effort was launched during a period when Emanuel was running for reelection, and CHI positioned him as a mayor who lacked concern for low-income residents. Prior to the election, CHI commissioned a report issued by the Center for Tax and Budget Accountability that analyzed CHA's budget and financials over an eight-year period and determined that CHA should be more transparent in its accounting practices (Center for Tax and Budget Accountability, 2014). CHI used the report to claim CHA was misusing funds for non-housing related purposes—all without public discussion about financial decisions. The proposed solution was the “Keeping the Promise” ordinance, introduced by a diverse group of City Council members and designed to make CHA more accountable to its own mission to provide public housing.

CHI then sought to capitalize on public awareness of CHA actions and Emanuel's political vulnerability during his fraught 2015 reelection campaign (Boweane, 2014a, 2014b). CHI's organizing tactic included building on the City Council's progressive movement, which sought a greater role for the Aldermen in the process of crafting city policy and, concomitantly, a shift from the traditional arrangement where the Council was largely controlled by the mayor's office, in effect “rubber-stamping” a mayoral agenda (Bennett, 2010). In an effort to be inclusive, CHI also cultivated sponsors among Aldermen from all the caucuses in Council, such as the Latino Caucus. Ironically, members of the Black Caucus withheld their endorsement.

The ordinance failed to gain the necessary votes to pass in 2015, but Council members pledged to bring it to a vote again after a July 2015 visit to Chicago by HUD Secretary Julian Castro, who said in a local news broadcast that HUD had a “continuing concern” about the need for CHA to “invest those reserves reasonably” (Dellimore, 2015).

City Council members reintroduced the “Keeping the Promise” ordinance in Fall 2015. At the same time, Emanuel’s appointment of a new CHA CEO, Eugene Jones Jr., was received positively by key stakeholders who previously had lost faith in the agency’s capacity to achieve its goals. Jones, along with his newly appointed CHA leadership team, successfully reestablished partnerships with the members of the Central Advisory Council and some housing advocates. The need for City Council oversight of CHA started to be questioned by those advocates who sought to work with Jones and his team to make changes to CHA from within the current political structure.³⁴ Jones publically touted CHA’s future development plans and higher utilization of vouchers, as well as suggested that CHA’s reserves would be depleted by the end of the FY2016 year (Brackett, 2015; WBEZ, 2015).³⁵

However, much CHI contested the privatization and financialization of public housing, it inevitably turned to greater government oversight of the CHA by HUD and City Council. In other words, it saw the solution as lying in formal shifts and reformulations of established power. At times, its leaders called for disruptive tactics aimed at more radical change. For example, it co-sponsored a community-led campaign to protest and illegally occupy a vacant unit at Lathrop Homes in March 2016 when redevelopment plans were being considered by the city’s planning and zoning boards. For the most part, CHI’s tactics were strategic and controlled, and their

³⁴ During this same year, CHA announced that HUD had granted their request to participate in the Rental Assistance Demonstration (RAD) program, which was to become the next iteration of privatization. Almost half of the public housing units owned by CHA (10,935 units) were to become project-based voucher buildings.

³⁵ CHA’s forthcoming annual budget projections show that all reserves will be expended in the next two years. In a September 2015 television interview, CHA CEO Jones disputed the higher amount of the excess reserve at \$430 million projected by the Center for Tax and Budget Accountability and instead suggested the reserve account was \$221 million (Brackett, 2015): “We know that that number’s wrong, it’s our development reserves, our development reserves of about \$221 million as of January 2015. By the year 2016 that number’s going to dwindle down to \$21 million. So all that vacant land that you see around here and all the things that people say that we’re not doing, we’re committed on doing it.”

policy proposals well-researched and fiscally attuned. There were no calls to dismantle the CHA or to create new types of governance over public housing resources.³⁶ Rather, CHI led protests and rallies when necessary, but for the larger purpose of engaging government officials around the shared agenda of public housing assistance redistribution.

What did the coalition achieve? Interviews with government officials suggest that CHI's claims of CHA's mission drift were taken seriously by leaders within CHA. While government officials suggested their more direct action organizing tactics (e.g., critiques in the media and public rallies) were counterproductive, most interviewees suggested that the substance of their claims about CHA's challenges led CHA's executive team to revise their approaches. CHI leaders' capacity to start a negotiation process focused on specific demands in closed meetings with high-ranking advisors within HUD and the mayor's office shows some evidence of their impact. Furthermore, CHA changed how it reported performance metrics and financials; it also launched an internal management strategy towards higher voucher utilization, following actions by CHI. Thus, the activist movement was able, at least to a modest extent, to shift the public discourse and policy agenda towards one of more equitable resource distribution.

Conclusion

The chapter shows the confluence of a federal devolution framework and the politics of political agency taken up by a range of local actors, including mayoral advisors, housing agency officials, and activists. Its relevance rests in presenting how deregulation and decentralization

³⁶ Alternatives for restructuring the agency include consolidating the CHA within the City of Chicago (as a department), stronger affiliation with the Illinois Housing Development Authority, or creating a regionally consolidated PHA that would combine CHA with other PHAs. Alternatives for other models of governance that would hold authority within CHA include a revised structure of the Board of Commissioners that is not appointed by the mayor (rather is elected) or the establishment of a new non-profit agency (accountable to a board) that takes over the ownership and management of CHA assets.

came to be achieved, and how those policy frameworks unfolded within Chicago over time in ways that increasingly demonstrated their negative outcomes for public housing assistance distribution.

I draw three conclusions from this case. First, the foundational claim in support of a devolution framework and a deregulatory initiative such as the MTW demonstration is that if localities are provided flexibility from federal regulations, then residents living in assisted housing will experience more positive outcomes because local governing arrangements have strong capacity to put their affordable housing goals into action. Daley's governing coalition demonstrated its effectiveness in gaining local control and preferential funding allocations by claiming that CHA needed to be responsive to low-income citizens, many of whom were African American and who lived in public housing under harmful conditions. HUD's failed federal policies, from this pro-devolution perspective, are the culprit. The solution centers on an idea of local government as more responsive to local needs and more efficient given fewer federal restrictions. As for the benefits of MTW flexibility for CHA's housing goals, the rehabilitation of senior buildings occurred on a timely basis since MTW's guarantee of 10 years of federal funding provided access to bond financing. In addition, MTW flexibility allowed CHA officials to pursue its central strategy of mixed-income development since separate program funds were combined and allocated for redevelopment projects.

Scholarship on about the neoliberal turn towards devolution suggests that municipalities face harsh consequences in funding reductions when the role of the federal state retracts. As a reflection of the contradictory nature of neoliberal policy processes, Chicago's devolution experiment provided more federal subsidies as compared to other cities and as compared to Chicago's past funding history. In this case, the decision to deregulate and decentralize

expanded, rather than constricted, federal subsidies due in part to Daley's capacity to control the allocation of city and state funds. The MTW demonstration also created the regulatory structure that allowed CHA to transition from a financially strapped position to an agency with substantial underutilized federal subsidies. Rather than more efficiency, Chicago's local implementation of the deregulation initiative afforded public officials at CHA and the mayors' office significant power to prioritize the agency's financial position, sometimes resulting in a constrained redistribution of needed housing assistance. For example, CHA officials issued far fewer vouchers than they could each year since MTW rules guaranteed annual funding regardless of how many families were assisted.³⁷ Furthermore, HUD officials' waivers to a federal rule regarding the carryover of unexpended funds contributed to the build-up of subsidies which were later used by CHA officials to restructure capital debt.

Instead of distributing housing assistance to those citizens who faced precarious housing situations while they remained on CHA's prolonged waitlists, Chicago's officials leveraged the MTW flexibility to pursue other goals. While other localities may use MTW flexibility to advance progressive reforms, Chicago's case highlights the breakdown of the devolution framework. As one housing policy advocate said:

It's not like the lifting of the federal rules automatically results in an agency with abysmal performance measures in all dimensions of providing housing. [CHA] could have still functioned had there been strong local leadership...The devolution of control to the local scene, it's going to be as good and responsive to the concerns of citizens as the local government is. And in the case of Chicago, that's not a good situation. So we have a perfect storm of federal deregulation and tons of strings-free federal money that right now is functionally controlled by the Mayor.

³⁷ In contrast to the 39 MTW agencies, all PHAs receive subsidy funding based on the cost of the authorized vouchers they use in the prior year adjusted for inflation which means they have an incentive to issue vouchers in order to remain funded. According to the Center for Budget and Policy Priorities, non-MTW agencies leased 99.5% of the vouchers that were authorized in 2013 (CBPP, 2015a). CHA, on the other hand, leased 79% percent of its vouchers that same year (CHA, 2014a).

As this respondent aptly summarizes, federal deregulation and mayoral discretion over federal monies could work to the advantage of localities focused on an equitable redevelopment agenda, but in Chicago it produced “the perfect storm.” The evidence shows how a mayoral agenda focused on generating financial resources for public institutions may serve to undermine the provision of affordable rental housing when PHAs become overly focused on financial performance. The needs of low-income populations become, at best, secondary considerations.

Second, the evidence adds to the existing literature of mayoral influence within neoliberal urbanism because it shows how local state actors interacted with and were shaped by national and global actors and processes. Daley’s decision to engage bond financing took place within the broader neoliberal transformation of the political economy that compelled private financing for public projects. Daley and his advisors had developed aptitude for working with bond financing agencies and investors to convince them of the worthiness of Chicago’s major public works projects, and public housing redevelopment followed prior patterns of gaining global financial investment. More recently, Emanuel’s officials and CHA administrators focus attention on credit rating agencies, pension fund firms, and other investment industry agents that held power to sway Chicago’s global agenda. Federal subsidies earmarked for rental housing—again, reflective of the roll-out of government policies to stimulate market action—became resources that the city could use to attract investors whose interest lay in capital accumulation.

Third, how federal devolution plays out within any given city depends, in part, on the political influence of organized coalitions. Whether promoting or contesting neoliberal reforms, the space for local political influence clearly becomes more pronounced in cases where federal policies are decentralized and deregulated.

CHI's focus on privatization and financialization shows a shift in the nature of community organization within a neoliberal context. CHI's leaders developed a capacity for making FOIA requests, reading financial reports, and making connections between financial decisions and policy outcomes. CHI critiqued CHA for the lack of housing assistance distribution, but it did so in ways that made the connection between the local control gained through the MTW federal deregulation and the lack of government transparency in spending and reporting patterns.

CHI's actions call into question the extent to which community resistance efforts are also shaped by and contribute to the financialization of urban political processes. CHI's focus on "following the money" shows its own capacity to be shaped by neoliberal processes since activists needed to be adept in the economics of the privatized public housing policy arrangements. While typical forms of conflict-oriented organizing stress the power of collective action to influence through the "turn out" of people, CHI took an alternative approach to gain power through building expertise about the sources and uses of federal subsidies, the deregulation of federal law, and the contractual relationships with private firms.

CHI's activism efforts faced challenges given the power of the Emanuel mayoral administration to control the public housing reforms. Collective action to contest a neoliberal agenda is mediated by the political structures that maintain the status quo. In this case, HUD officials appeared to acquiesce to both mayors' interests, and maintained only minimal oversight. Yet, CHI's efforts are still unfolding. Their efforts illuminate how processes of actually existing neoliberalism include a role for resistance and how this resistance functions to create a contested political landscape, rather than one with full blown support for market-based policy orientations. Without organized resistance, the scope of a neoliberal reform agenda may be even more

dominant. Power created by collective action thus holds modest potential in the current context of Chicago and within the U.S. welfare state that is increasingly devolved to the local level where unconstrained local government authority puts at risk the allocation of federal public housing resources for people who are low-income.

When urban resistance movements seek redress for changes in “promised” government missions to re-direct agencies and city governments back to those missions, appeals to formal authority through both federal and local government agencies (e.g., by HUD or City Council) is but one option. Collective action such as that demonstrated by the CHI provided another route through which power can be actualized. In this case, activist organizing that contests neoliberal agendas demonstrated uncertain and still unfolding potential to assert accountability where none existed.

Taken together, the evidence specifies how a core neoliberal ideal—devolution of the federal state—when put into action allowed local government the flexibility to pursue an agenda that prioritized financial interests over those focused on redistribution of housing assistance. This chapter thus contributes evidence in support of the critiques of devolution and deregulation as policy frameworks that are ostensibly designed to expand benefits for low-income communities but in actual form may be reshaped by local political actors in ways that result in unjust consequences for marginalized populations (Eisinger, 1998; Newman & Ashton, 2004; Sinha & Kasdan, 2013; Smith 2000; Soss, Fording, & Schram, 2011).

CHAPTER SEVEN: PRIVATIZATION AND ECONOMIC CRISIS

Introduction

Market-based policy tools—such as mixed-finance arrangements, public-private partnerships, the disposition of public land, and government-backed capital—facilitate the creation of mixed-income housing developments designed for low-income renters to live near more affluent renters and homeowners. Private real estate investors and developers early on embraced this mixed-income development strategy as a business model rather than as a policy strategy. Despite concerns about the long-term sustainability of the mixed-income strategy after the financial crisis, public and private actors remained wedded to this framework, maintaining an agenda of privatization even in the midst of economic downturn that reshaped the viability of the mixed-income strategy. Because of government support, mixed-income public housing reforms reflect actually existing neoliberal urban restructuring in which the state must “manage the consequences and contradictions” (Peck, Theodore, & Brenner, 2009, p. 51) that arise when market-based policy strategies fail to have their intended impact.

Rationales for Privatization

A large majority of respondents from among Chicago’s policymakers, financiers, and developers advanced three rationales for privatization. These rationales and their underlying assumptions and characterizations of why privatization is preferable to public administration of public housing reflect the embrace of the neoliberal ideology that is based on market engagement. The rationales rest on government failure in housing; the power of the private sector in utilizing economic power and political capital to address affordable housing needs; and the desirability of imbuing a market orientation within public policies to improve inner city neighborhoods and opportunities for low-income populations. By contrast, about one-fifth of

respondents, most of whom worked for advocacy organizations, doubted that privatization and its profit-motive norm would promote the “public purposes” of stronger communities. They were especially concerned about tenants’ rights under private ownership and about the need to ensure the availability of publicly owned units. Underlying these critical perspectives was a skepticism about government aptitude relative to private capacity to sponsor and maintain civic activities.

Government Failure

Respondents nearly unanimously agreed that Chicago’s public housing had historically failed its residents. CHA simply had been unable to operate housing effectively, as an advocate suggested:

You are much better off having those protected units owned and managed by the private sector than you are by a housing authority. Particularly in cities like Chicago, where the amount of political interference in the way the housing authority is operated makes it incredibly difficult for them to be efficient.

In this respondent’s view, the problem was not easily identifiable factors such as diminishing federal subsidies or lack of oversight from other public offices, such as the mayor’s office. Instead, it was one of competency for efficiency. The remedy was for CHA to be a purchaser of housing instead of a supplier. Contracting for units rather than building and owning them would create a “win-win”—the public benefits from higher quality housing and the private sector would help to “grow the economy.”

Necessity of the Private Sector

A second rationale advanced by respondents is that only through privatization would fiscally strained governments have access to capital needed to develop housing, including funding from philanthropic organizations, banks, and other non-governmental institutions. One leader of a philanthropic organization said:

There is just no situation, no vision under which the public sector has the resources and the capacity to do everything....It is most effective when you marry the stewardship of the public purpose with the distribution channels, the capital, the bottom-line business incentive and drive of the private sector....I just think that a purely ideological position that says only public dollars, only public ownership, only public stewardship... We don't have the appetite in this country to pay for it through the public sector.

The assumption underlying this respondent's statement is that capital investors will be willing to engage if their investments are likely to be high-yield and, when investors do participate in "stewardship of the public purpose," they will exceed government performance. Privatization thus requires strong investor protection of assets, quality standards of maintenance, and proper oversight of operations. These factors are thought to create higher expectations for the long-term sustainability of quality housing and to generate fuller economic benefits after the multi-year compliance period ends. The respondent discounted – arguably, discarded – ideology in favor of pragmatism, especially when the pragmatics include financial and operational accountability. A bank executive described this process of accountability in this way:

There is accountability that you get with privatization that you do not get with the Authority. The Authority can always write a check, and they will throw money at it...I think with privatization, there is a personal level of accountability and long-term care of the asset that I think is a healthy one....Just having financial institutions serve a stake in making sure this thing runs smoothly for 15 years; there are so many sets of eyes on these developments.

A related assumption – expressed by "personal level of accountability" and "so many sets of eyes"—was that the drive toward accountability necessarily included political activity. Private stakeholders would need to pressure policy leaders to ensure government support. Those assumptions – both explicit and implicit – were well-grounded. Some respondents noted that private entities involved in the Low Income Housing Tax Credit (LIHTC) program had political

influence that ensured and expanded resources for housing production.¹ As this developer observed:

The other piece is that it's a much larger political constituency so it wasn't just public housing authorities speaking it was also huge banks. It's also big lenders. It's also all of those others advocating strongly to Congress to say these are programs; we are invested; we want this to continue....that's actually the rationale for a lot of our public programs, whether you think that's right or not, to have that much larger constituency. But the politics of it...who's making money on it? That's JP Morgan Chase and Bank of America. All the big players are now part of that push.

This respondent's language that "big players" in the public-private partnership will mitigate resistance against affordable housing and eventually ensure its survival shows how private sector actors consider their role in influencing policy as one that is crucial to maintaining opportunities.

Market Assimilation

A third rationale relates to the assumption that redevelopment projects will attract economic investment by more affluent homebuyers and business entrepreneurs.² Through their capacity to stimulate a local market economy, the entire neighborhood and those lower-income

¹ The Low Income Housing Tax Credit program (LIHTC) is a federal tax expenditure program that allows the private sector to develop new or rehabilitate existing rental housing designated for households at or below 60% of area median. The program has helped to develop more affordable housing units than any other program, including over 1.7 million units between 1996 and 2007 (Joint Center for Housing Studies of Harvard University [JCHS], 2013). Tax credits are awarded to affordable housing developers and then sold to corporate investors. These investors purchase the tax credit to reduce their tax obligation for a period of 15 years (as compared to traditional equity or bond investments that provide dividend payments). Investors include banks and insurance companies, some of whom also act as syndicators that purchase and resell the tax-credits to private companies seeking tax deductions (Aegon Responsible Investment Report, 2015). Most recently, the LIHTC program has become associated with the movement towards socially responsible investment since it both allows for investor benefits while also producing the social benefit of affordable housing. Since LIHTC is a tax expenditure program, it means that there is forgone tax obligations that would otherwise be contributed. In 2010, this amounted to nearly \$4.8 billion (Desai, Dharmapala, & Singhal, 2010).

² These assumptions have been challenged by Logan and Molotch (2007) who advance the "political economy of place" argument which claims tensions over "use value" and "exchange value" arise in places where residents of different class backgrounds struggle over the form and benefits of redevelopment projects.

African-American residents living in public housing will benefit. One community leader described the historical problem of disinvestment this way:

The greatest impediment to the Black community was the existence of these towering disasters, and the entire community lived in its shadow. And you were not going to get any investment unless you really changed that dominance of the housing authority.... Everybody thinks about the problems of CHA for its residents. It was a much greater problem. It actually created a stranglehold on communities. It's kind of like if you had a big rotting tree in your yard, nothing was going to grow under it.

A market needed to be created that would drive commercial and housing development. New populations with more wealth would use their political capital to obtain neighborhood-based amenities (e.g., schools and parks). As a developer saw it:

Public housing families will have the collateral benefit....Private owners and private renters will be much more demanding because they have the money, more demanding of services. And for that reason the developments and surrounding areas will have more resources and will be better operated.

Related to this rationale is the assumption that market engagement is a way of combatting poverty for those low-income populations who desire a path to social and economic integration.

The hope was that by living in a privately owned unit that is located within a mixed-income development, the relocated public housing residents would transform their expectations and behaviors. Public-private partnerships in public housing, then, were about more than quality of life; they were fundamentally an instrument of behavior modification and higher expectations.

Government officials most often advocated this position, as this CHA executive stated:

We [at CHA] sometimes talk about the difference between public housing and the real world. And in the real world, you pay your rent, and you pay on time. In the real world, here are the rules, and here is what you have to adhere to. I am a staunch believer that your background, your color, and your socioeconomic status shouldn't determine whether you can live in the real world or not. I just think it's a matter of expectations, a matter of developing and coaching....I think that the private partnerships allows for greater opportunity to create expectations for families to enjoy some of the same things that, you know, folks like you and I enjoy in our society.

While these three rationales do not vastly differ from theoretical conceptions that advance the benefits of privatization, these perceptions held by Chicago's local actors determined much of how policy was shaped and how their assumptions were put into action to transform public housing.

Public Housing Mixed-Income Development Reforms

In Chicago, the mixed-income development strategy resulted in housing developments that are less dense than the high-rises they replaced. The new developments include a mix of housing types, including for-sale and rental units, some of which are market-rate. New Urbanist architectural design blended the developments into the surrounding neighborhood and left the public housing units physically indistinguishable from non-public housing units. Because only some public housing residents returned to the same site where they originally lived, new communities were formed in the new developments (Chaskin & Joseph, 2015).

CHA is in the process of developing 12 sites, using the mixed-income development strategy to replace public housing communities. Three of the sites are located in rapidly gentrifying areas near the Loop while the others are situated in the more racially segregated areas of the South and West sides. The 2000 Plan slated 5,000 new units designated for relocated public housing residents and another 10,000 units designed for residents across a range of incomes, including affordable rental units and market-rate for-sale homes.³ To reach these goals, political and market actors formulated, framed, and operationalized policy tools meant to leverage private investment in the service of the mixed-income strategy.

³ The 2000 Plan for Transformation included "other" developments on a list that were presented as possible for redevelopment, though plans were left somewhat vague. Vale (2013) suggests the CHA's planned redeveloped public housing units would amount to about 6,000.

Public-Private Partnerships

CHA engaged in partnerships with private development corporations contracted to develop, own, and manage mixed-income housing. CHA provided the development partners with a “development fee” that was negotiated in the deal as a percentage of the total costs and a multi-year “gap-rent” subsidy as stipulated in a contract called the Annual Contributions Contract. Legal agreements such as the Master Developer Agreement specified the corporations’ responsibilities, but the terms were flexible. CHA’s role shifted from directly owning and managing housing to serving as a financial lender, contractor, and asset manager. In all of these roles, CHA staff monitored private firms’ progress in the development and long-term operations of housing. Ensuring accountability during the development phase required frequent interaction between CHA staff and development partners.⁴ Once the developments were occupied, CHA held developers responsible for contract obligations through reporting and monitoring of finances and operations.

Since privatization requires actions by people and firms outside of government, it is especially important to understand who these actors are and what motivates their behavior. Structured through legal agreements, these development partnerships typically consisted of multinational investors (e.g., banks and equity syndicator firms) and national development

⁴ Within about three years of launching the reforms, CHA solidified contractual relationships with development partners. CHA’s strategy for obtaining partners involved issuing Requests for Qualifications for each of the sites. Interested development corporations responded by outlining their capacity, interests, site plans, and financial proformas. Members of the Working Groups associated with each site recommended the development corporations they deemed most suitable to lead site development, though CHA officials made the final decision about entering into partnership agreements. The formal governance mechanism of the Working Groups sought to ensure a level of coordination, and to a limited extent, participation by appointed community representatives and government officials whose role in facilitating development was required.

firms.⁵ The lead partners usually were for-profit companies, many of which created non-profit subsidiaries attached to their firm or established other formal partnerships with non-profit organizations.⁶ The development partners ranged from large national firms that worked in other cities to regionally based companies, mostly Chicago-based firms, though external regional firms participated, too. Almost partnerships included at least one corporation or non-profit with Chicago roots, in part to ease the political processes required for redevelopment. The public-private partnership arrangements can be considered across a range of elements, such as size and legal status, as highlighted in Table 7.1.

The financing investors were organized into limited partnerships and mostly consisted of global financing entities, such as J.P. Morgan Chase and Bank of America. These investors provided capital, purchased tax credits and bonds, and exercised influence in the structure of the ownership, asset, and income revenue streams.

The scale and pace of the Plan for Transformation required that the lead development partners bring a strong track record for producing units and have a demonstrated capacity to

⁵ Some owners led the development, property management, maintenance, and community-based supportive services, while other owners contracted out these functions to a range of providers who specialized in these functions.

⁶ The exception to this statement is The Community Builders, the lead developer at Oakwood Shores. As one of the premier national non-profit housing development organizations, they were able to bring expertise and capital at the level expected.

Table 7.1

Mixed-Finance Public Private Partnerships for largest Twelve Mixed-Income Developments¹

Development Firm	Site(s)	Partnership Structure	Location	Legal Constitution & Focus	History & Scope	Unique Features
Brinshore Development	Westhaven Park (Henry Horner) & Legends South (Robert Taylor)	Joint venture with Michaels Development	<ul style="list-style-type: none"> • Regional focus • Chicago based • 8 states 	<ul style="list-style-type: none"> • For-profit • Real estate development 	<ul style="list-style-type: none"> • Founded 1994 • 4,000 units • Valued at more than \$1 billion 	Partnerships with non-profit organizations; Supportive housing; Historic preservation & rehabilitation; Master-planned communities; Senior housing
The Community Builders (TCB)	Oakwood Shores (Madden Wells) & Ickes Homes	Joint venture with Granite Development & McCaffery Interests	<ul style="list-style-type: none"> • National focus • Boston based • 14 states 	<ul style="list-style-type: none"> • Non-profit • Largest U.S. non-profit developer • Housing & mixed-use development 	<ul style="list-style-type: none"> • Founded 1964 • 29,000 units • 855,00 sq. ft. commercial space • Assets valued at \$1.5 billion 	Organizational structure includes development, property management, and “community life” all within the same organization; Oakwood Shores incorporated alternative uses, health care clinic & recreation center; Integration of youth, senior, & supportive services

¹ In addition to these development firms, several firms went out of business after the 2008 financial crisis. Thrush Development, the lead developer for the for-sale housing at Jazz on the Boulevard, auctioned off 22 unsold units in 2008. Kimball Hill Homes, a lead home builder at Park Boulevard, filed for bankruptcy and shut down.

Development Firm	Site(s)	Partnership Structure	Location	Legal Constitution & Focus	History & Scope	Unique Features
Draper and Kramer	Lake Park Crescent (Lakeside properties)	None	<ul style="list-style-type: none"> National & Global focus Chicago founded 	<ul style="list-style-type: none"> For-profit Residential Retail development 	<ul style="list-style-type: none"> Founded 1893 Family-owned Several million sq. ft. of retail Valued at over several billion 	Focused on global financial service management & consulting; Partnerships with local organizations for arts & culture programming
Eastlake Management & Development	West End (Rockwell Gardens)	None	<ul style="list-style-type: none"> Chicago focused Regional Expansion 	<ul style="list-style-type: none"> For-profit Property management Construction 	<ul style="list-style-type: none"> Founded 1983 100% minority owned 	One of the lead property management firms for CHA properties not in mixed-income portfolio
Granite Development	Oakwood Shores (Madden Wells) & Jazz on the Boulevard	Joint ventures with TCB & Heartland Housing	<ul style="list-style-type: none"> Chicago focused 	<ul style="list-style-type: none"> For-profit Construction Human capital management 	<ul style="list-style-type: none"> Founded mid-1990s 100% minority owned 	Real estate development affiliate of the Target Group (a management consulting firm)
Heartland Housing	Jazz on the Boulevard (Lakeside) & Roosevelt Square (ALBA) & Lathrop Homes	Joint ventures with Related Midwest, Granite Development	<ul style="list-style-type: none"> Chicago focused Midwest housing portfolio 	<ul style="list-style-type: none"> Non-profit developer affiliated with large non-profit human rights organization 	<ul style="list-style-type: none"> Founded 1988 1,850 units completed 	Community building; Supportive housing; special populations including seniors, people with AIDS, homeless, & ex-offenders; Integration of housing, property management & resident services

Development Firm	Site(s)	Partnership Structure	Location	Legal Constitution & Focus	History & Scope	Unique Features
Holsten Real Estate Development Corporation	North Town Village & Parkside of Old Town & others (Cabrini Green)	None	<ul style="list-style-type: none"> Chicago based 	<ul style="list-style-type: none"> For-profit with a separate non-profit organization 	<ul style="list-style-type: none"> Founded 1976 2 million sq. ft. of housing & commercial 	Affordable & market-rate housing integration; property management; non-profit organization focused on economic self-sufficiency
Michaels Development	Westhaven Park (Henry Horner) & Legends South (Robert Taylor)	Joint venture with Brinshore Development	<ul style="list-style-type: none"> National New Jersey based Locations in 14 states 	<ul style="list-style-type: none"> For-profit Subsidiary of The Michaels Organization with several different companies 	<ul style="list-style-type: none"> Founded 1973 50,000 units Largest U.S. private sector owner of affordable housing 	Property management affiliated company: Interstate Reality Management; Owner of large mixed-income developments in other cities; preservation; student housing
Related Midwest	Jazz on the Boulevard (Lakeside) & Roosevelt Square (ALBA) & Lathrop Homes	Joint venture with Heartland Housing & others	<ul style="list-style-type: none"> Midwest with national affiliation with Related Companies 	<ul style="list-style-type: none"> For-profit 	<ul style="list-style-type: none"> Founded late 1980s \$2 billion in assets 	Luxury condos & rental homes; mixed-use & affordable projects; master-planned developments; hotel & retail
Walsh Group	Park Boulevard (Stateway Gardens)	Joint venture with Davis Group, Mesa Development	<ul style="list-style-type: none"> National with Chicago-led team 	<ul style="list-style-type: none"> For-profit 	<ul style="list-style-type: none"> Founded 1989 \$4.6 billion 	One of the largest general construction & construction management firms in the U.S.; transportation (highways, airports); commercial

SOURCE: Interviews with developers and websites of developers. Also see Joseph (2010).

attract financial investors. The varied partnerships had one common element: they all had at least some amount of existing assets and access to large amounts of capital. As one former developer described it, the investment community—more than the CHA or the City of Chicago—required a degree of financing for which developers were responsible:

When you are trying to transform 25,000 units and you need wholesale demolition and reconstruction that is a significant risk. And investors in those deals and syndicators want somebody with a balance sheet when you've got a \$10 million, \$20 million construction contract. There is a lot of risk involved. So they are looking for someone who has got the balance sheets. With this volume of units potentially, I think that created opportunities for other [development firms from outside Chicago] to come in.

The result was that very few of Chicago's extensive network of community development corporations or local affordable housing non-profit organizations participated, even as limited partners. Most did not have access to the \$500,000 to \$1 million interviewees said was required to get into the bidding process. It is notable that "big players" from Chicago and beyond then squeezed out less affluent, usually local entities. Further, the ability to attract entities from outside Chicago was consistent with the ambition of the city's political leaders to make Chicago a global city.

Mixed-Tenure and Ownership Structures

CHA retained ownership of land while giving site control over to the private partnerships.¹ Though commonly referred to as "public housing units," the units are legally owned by a private partnership. Relocated public housing residents sign a lease with the private owner, not with CHA.² In most cases, CHA placed a deed restriction on the land to restrict

¹ CHA's official policy was presented in the first annual report on the Plan for Transformation: public housing units are "owned by an entity other than the Public Housing Authority" (CHA, 2000, p. 1) and must be maintained for use as public housing for a minimum of 40 years (CHA, 2001). In some cases, CHA has limited partnership rights of a minimal amount.

² The tenant also signs a lease rider that refers to CHA's role as a subsidy provider. These units are available to prospective tenants who meet site-specific criteria established by the owner and

affordable use of the units for a minimum of 40 years. As one former CHA executive explained, this arrangement was necessary to maximize the profitability of the partnership:

We deliberately did not want to be part of the ownership structure or the management structure. We did negotiate heavily for cuts and deals where we knew that would be profitable so that we could recoup some of the value of the land that we put into some of this stuff... We got some of the economic benefits but we did not want to be part of ownership.

This statement shows that CHA officials made efforts to ensure the agency's financial interests were protected in the privatization of the ownership and management of public housing, while also proactively moving away from direct provision. Elevating protected financial participation while minimizing operational obligations served not only CHA's interests but it also reduced its vulnerability to becoming what it had been – the paradigm of failed public housing.

The flexibility of these agreements is reflected in the different housing types: replacement public housing units, affordable units, and market-rate units.³ CHA's annual plans projected

CHA's general eligibility criteria. Residents living in a CHA-subsidized unit had their rent determined based on their annual income, which was certified at the time of move-in and then on an annual basis. Residents were expected to pay a minimum rent of \$50 per month, and their rent was not to exceed \$400.

³ While three types of housing tenures are stipulated, there are actually five housing tenure categories. First, the public housing replacement rental units are developed with public funding (primarily through HUD), through Low Income Housing Tax Credit financing, and through other sources. An Annual Contributions Contract between CHA and housing owners provides a commitment to monthly rental operating subsidies on the units leased to CHA households (herein referred to CHA-subsidized units). There are two other rental unit types owned by housing development corporations. These include "affordable rental units" developed using the Low Income Housing Tax Credit program and other public sources. These affordable rental units are leased to households who meet income eligibility requirement and who pay a reduced rent. The "market-rate rental units" are unrestricted from eligibility requirements set by a government agency and are leased to households expected to pay the market rent set by the owner. There are two types of for-sale units. Market-rate for-sale units are developed with the intention of selling them at a price competitive in the local housing market and set by developers. Affordable for-sale units are developed to sell to households who meet income-restrictions, with a portion set aside for CHA households who receive housing assistance in the purchase process. Both the market-rate and affordable for-sale units should be considered to receive a portion of subsidies,

these units (roughly one-third each) for every mixed-income site.⁴ However, the CHA did not stipulate the exact proportion of units at each site that were to be built as for-sale homes or rental apartments. This flexibility proved important in the post-recession period when the for-sale units became impossible to finance and build.

The extent of socio-economic diversity that these arrangements support can best be understood only by disaggregating for-sale and rental units that are typically included—but hidden—within the categories of affordable and market-rate. The “affordable category” includes both rental units leased to households who meet income restrictions of 60% of Area Median Income or below (approximately \$43,000 annually for a family of four), as well as for-sale affordable units that were sold at price points of approximately \$180,000 for a two-bedroom unit.⁵ The “market-rate category” includes both rental units that lease at an amount determined by the owner (approximately \$700-\$1,200/month for a two-bedroom unit) and homes that sold for upwards of \$500,000. Table 7.2 summarizes and compares the five unit types across a set of factors, including financing sources and regulatory requirements.

given that the developer received land at no cost and infrastructure improvements. Cost savings could then be passed on to purchasers in the form of reduced prices.

⁴ The expected number of market-rate and affordable housing units was never fully outlined in the Plan. Rather, the plans for new housing were kept largely outside of public purview, such as in discussions between the developers, CHA staff, BPI, Habitat, and the Working Group members. Occasionally, CHA has reported on these in annual plans, though the numbers have changed over the course of the Plan’s lifespan of 16 years. Goals for what portion of the affordable and market-rate units would be offered as for-sale or rental housing were also left largely vague.

⁵ The affordable rental units are designed for tenants who meet eligibility criteria and who occupy through a signed lease with the private owner. These units are owned by a private partnership and typically are financed through the Low Income Housing Tax Credit program. Often, the households living in these units are well below the 60% of AMI restrictions. Households who have housing choice vouchers through CHA can live in these units, and developers found additional government rent subsidies attractive for creating additional stability in the operations of these units.

While the strategy intended to create economic diversity, most developments had not achieved this mix as of 2015. The reasons for the lack of housing tenure mix in the post-recession context will be addressed in subsequent sections, but it is important to note that factors related to market conditions and policy decisions were both important. Moreover, almost all of the developments included more income-restricted rental units than market-rate units. Across the city, about 43% of all units are CHA-subsidized rental units and about 24% are affordable rental units, while the market-rate rental and for-sale units are 33% of total units. However, most of the market-rate units are located in just three sites, each located in the strongest real estate markets, namely, Roosevelt Square and Westhaven Park (formerly ALBA and Henry Horner, respectively) on the Near West side and Parkside of Old Town and other developments that replaced Cabrini-Green on the Near North side. The two largest developments on the South side, Legends South and Oakwood Shores, included many more units of public housing and affordable rental as compared to market-rate units.⁶ The trend away from the hopes of one-third distributions across unit types caused concern among some respondents about what it would take to generate more market demand.⁷

⁶ These two developments include the former Robert Taylor (now Legends South), with 43% (142) public housing units, 35% (116) affordable rental units, and 21% (69) market-rate units; and in the former Madden-Wells (now Oakwood Shores), with 43% (238) public housing units, 33% (186) affordable rental units, and 24% (136) market-rate units. These are units produced at the close of the FY2014 based on data received by CHA.

⁷ The expected number of market-rate and affordable housing units was never fully outlined in the Plan. Rather, the plans for new housing were kept largely outside of public purview, such as in discussions between the developers, CHA staff, BPI, Habitat, and the Working Group members. Occasionally, CHA has reported on these in annual plans, though the numbers have changed over the course of the Plan's lifespan of 16 years. Goals for what portion of the affordable and market-rate units would be offered as for-sale or rental housing were also left largely vague.

Table 7.2

Mixed-income development unit types included in Chicago Housing Authority’s mixed-finance development deals¹

	Public Housing Rental Units	Affordable Rental Units	Market Rate Rental Units	Affordable For-Sale Units	Market Rate For-Sale Units
Targeted Population	CHA relocated households or new tenants from CHA’s waitlist	Households who meet screening of owner & Low Income Housing Tax Credit Program (LIHTC)	Households who meet screening criteria established by owner	Households who meet CHA’s criteria for homeownership through “Choose to Own” program	Households who obtain financing and seek to purchase home
Units Delivered through FY2015	2,547	1,863	866	285	2,281
Eligibility Criteria	CHA Minimum Tenant Selection Plan terms; Site-specific terms; Income limits for new tenants not undergoing relocation	Criteria typically guided by LIHTC; 40% of units occupied by households with incomes less than 60% of Area Median Income (AMI); Site-specific screening criteria	Site-specific screening criteria established by private owner	CHA criteria: Households need gross annual income equal to 50% AMI or greater; Must be first-time home buyer, attend classes, and have \$3,000 towards purchase	Unrestricted as to income level of the household
Rent or Purchase Terms	Rent based on 30% of adjusted household income or flat rent based on market	Rent typically restricted at 30% of adjusted household income; Tenant can use Housing Choice Voucher to lease	No rental price limits; Market feasibility; Rent determined by private owner	Purchase price reduced; Set by owner and restricted by CHA	No purchase price limits; Market feasibility
Housing Ownership Structure	Private owner; LIHTC limited partnership entity with a developer as the .01% General Partner and a tax credit equity investor	Private owner; LIHTC limited partnership entity with a developer as the .01% General Partner and a tax credit equity investor as the 99.99%	Private owner/developer	Purchased by CHA household (or previously purchased by CHA and then transferred to household)	Individual private owner

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¹ Given the variety of financing and regulatory guidelines, this table serves only as a general overview. The terms guiding each phase of mixed-income development are specified in the evidentiary documents agreed upon at the projects closing and/or revised overtime.

	as the 99.99% Limited Partner ²	Limited Partner			
Land Ownership Structure	Ground lease between CHA and owner	Ground lease between CHA and owner	Ground lease between CHA and owner or Fee Simple Land Sale	Land transfer between CHA and owner	Land transfer between CHA and owner
Property Taxes	Tax exempt	Tax exempt	Owner pays property tax	Owner pays property tax	Owner pays property tax
Affordability Period³	CHA's use restrictions guided by Regulatory and Operating Agreement and 99-year ground lease	Varies; LIHTC affordable rents for 15-year "compliance period" and can extend longer	Not applicable	Unclear	Not applicable
Construction Financing	Mixed-Finance, including LIHTC	Mixed-Finance	Conventional mortgages and private equity; TIF ⁴	Conventional mortgages and private equity; TIF	Conventional mortgages and private equity; TIF
Operating Financing	CHA pays rental operating subsidy guided by Annual Contributions Contract (ACC), typically around \$400/month/unit	Varies, typically no operating subsidies in the financing; however owner will lease to tenants with housing choice vouchers	No operating subsidies; Rental income paid by tenants intends to cover operating costs	CHA's Housing Choice Vouchers offset a portion of the mortgage costs	Not applicable

² CHA has also acquired units through a Purchase Agreement with the owner at the cost of production rather than market value. These units are then leased to CHA residents. Units are often located in market-rate, new construction condominium developments. These units help satisfy the City's affordable housing requirements for new developments that have set aside requirements.

³ The terms of affordability periods vary greatly depending on the financing compliance requirements. For example, HOME funds for new construction rental are 20 years, whereas LIHTC has an initial 15-period that can be extended for another 15 years. The most restrictive affordability terms typically are those CHA instituted as part of the site control.

⁴ Tax Increment Financing funds provide incentives to private developers to stimulate new investment, including construction costs for affordable housing and the cost of site preparation. If TIF funds were used for market rate housing, 20% of the units had to be affordable to families earning no more than 100% of the AMI for for-sale units and no more than 60% of the AMI for rental units. TIF financing required approval from the city administration and City Council.

Property Management	CHA contracts with independent property management firms for day-to-day operations	Ownership structure determines property management	Ownership structure determines property management	Some homeownership units have a condo association and contract with a condo management firm	Some homeownership units have a condo association and contract with a condo management firm
Housing Types	Low-rise multifamily units, six-flats, townhouse structures, mid-rise buildings; can be designated or can “float”	Low-rise multifamily units, six-flats, townhouse structures, mid-rise buildings; can be designated or can “float”	Low-rise multifamily units, six-flats, townhouse structures, mid-rise buildings	Single family homes, townhouses, and condo units	Single family homes, townhouses, and condo units

SOURCE: Chicago Housing Authority, documents and author correspondence.

Site control certainly seemed central for private partners' interests, since it allowed them some degree of control over future development. However, many of those developers interviewed suggested that even with this control, the government incentives would not necessarily lead to stimulating a great demand for market-rate housing. One developer made the following comment with regard to building a market for mixed-income deals:

Around the city, the only way that mixed income developments can work, you have to first have a market that will pay for itself. Ideally, you have a market that pays for itself *and* it actually generates excess. The only two places that I know of like that are at Cabrini [in the Near North side] and maybe at Roosevelt Square [in the Near West side].

The location of a mixed-income development, as this respondent summarizes, is central to its viability. However, an underlying assumption is whether there are enough higher income consumers in the Chicago region to support the scale of the redevelopment agenda.

The ability to generate market demand in more racially segregated areas, such as in the Robert Taylor (now Legends South) and Madden-Wells (now Oakwood Shores) public housing sites, fell short when there was difficulty financing and selling units. This short-fall resulted in a more modest model of economic integration and fewer market-rate units across all the sites than was expected. Most stakeholders interviewed from across respondent categories—government, development, advocates, and investors—suggested that the challenge was to build momentum in ways that stimulated market activity. A developer of one South side location told me:

The private sector [is] coming up with every sneaky trick they can to lure private market-rate people who have an option of living anywhere they want, to move to places that have been neglected by people who haven't had housing options for decades.

In other interviews, private developers described creative marketing, financial incentives, and other tools to “lure” potential market-rate buyers to make investments in economically disinvested and racially segregated neighborhoods. Many of these private developers conceded

that their financial models for market-rate for-sale units have, for the most part, not produced the expected result.

In the neighborhoods closest to the Loop and relative to other sites, the developers could charge higher prices for rental and for-sale units and could also develop them more quickly (on the whole) since the financial investors were more interested in providing capital to these deals. Site control and financing have remained important concerns in the post-recession period, when development stalled and debates over land development called the very fundamentals of public housing privatization schemes into question (see Chapter Eight).

Mixed-Finance Models

In 1998, Congressional action and later HUD financing rules resulted in a new “mixed-finance” model for public housing development. PHAs could no longer rely on HUD to fund 100% of capital construction.¹ From that point forward, PHAs were compelled to expand their funding base to include both public and private capital in some combination (Brookings Institute, 2005; Zhang & Weismann, 2006). Sources of funding included the Low Income Housing Tax Credit program, taxable or tax-exempt bonds, Community Development Block Grant funds, HOME Program funds, private mortgages, and private equity (Davidson & Malloy, 2009; HUD, 2001; McClure, 2000; Moulton & Feeney, 2011; Schwartz, 2014, Urban Institute, 2009).²

Mixed finance models entail the use of HUD funds with other public and private funding sources for the development and rehabilitation of developments that include public housing units. The units may be solely or partially owned by a PHA or they may be owned by private

¹ The Quality Housing and Work Responsibility Act of 1998 authorized the use of HUD funds for projects owned by private firms. This Act included other provisions that demonstrated expectation to use private sources of funding.

² Very few studies have been conducted that analyze the mixed-finance model, especially given its common use as a tool. A 2002 report from the GAO showed that these leveraged funds came primarily from the federal Low Income Housing Tax Credit program.

corporations.³ This form of privatization assumes that it is possible to leverage private sector capital to produce public housing units. According to HUD guidelines, a mixed-finance model not only expands access to capital, but it also facilitates a mix of housing tenures, ensures public-private partnerships, and increases the expertise of PHA staff who “often lack in-house development experience” (HUD, 2001, p. 2).

Although mixed-income and mixed-finance are often described as the same strategy, the difference is important for interpreting mixed-finance as a tool of privatization. In requiring mixed-finance transactions, the federal government signaled that private financing was required in order to produce not only developments that include a range of housing tenures (as is the case with mixed-income) but also developments that are 100% public housing (as is the case with many senior housing buildings). The use of private financing is now customary for the development of new or rehabbed public housing, as witnessed by provisions in HUD’s Rental Assistance Demonstration (RAD) program that allow PHAs to convert the financing structure of public housing projects in order to access private capital.

Through the mixed-finance model, CHA became a lender and a grantor in projects outside the former scope of a public housing authority. Despite being often referred to as CHA mixed-income developments, these projects are more accurately classified as mixed-finance rental housing developments created by public-private partnerships with shared financial investments by federal, state, and local public entities and by a variety of private entities. For

³ Mixed-finance allows for a range of ownership options (including no PHA ownership, partial PHA ownership, and up to 100% PHA ownership). In addition, mixed-finance deals may include developments that contain 100% public housing units, or they may include a mix of housing tenures. Finally, mixed-finance projects may include those that do not receive any capital funds but do receive long-term rental operating support for units designated for public housing. The long-term use restrictions on public housing units are typically at least 40 years (Vale & Shamsuddin, 2016).

example, most of the public housing units in Chicago's mixed-income developments are also units financed through the LIHTC program and are owned by a limited partnership.⁴

The structure of mixed-finance models require complex coordination across an extensive variety of financing partners. CHA's mixed-finance portfolio includes 73 separate development phases built between 1997 and 2015 that collectively contributed to creating 8,557 rental and for-sale units, most of which were located in mixed-income developments across the city.⁵ Nearly all of the 73 mixed-finance deals that produced rental housing included at least five additional sources beyond CHA funds.⁶ A typical financing arrangement included CHA funding, equity generated from the LIHTC program, and private capital. For example, the most recent development completed in May 2016, called the Terrace 459 at Parkside of Old Town located at the former Cabrini-Green site, cost \$41.3 million and included nine sources of funding to develop 36 public housing units, 27 affordable rental units, and 43 market-rate rental units (CHA, 2016d). CHA, city, and state sources funded 59.8% of the total project; equity from

⁴ In most cases, the public housing units designed for CHA tenants are also tax-credit units, since the mixed-finance layered approach meant that the stream of financing from the tax-credit deals also went to subsidize the public housing units. There are a set of designated affordable rental units financed through the tax-credit program and developers do not receive a guaranteed, long-term rental operating subsidy contract. However, many of these units were occupied by tenants who received a CHA housing choice voucher (Section 8) and thus the developments tended to skew more towards subsidized tenant populations. This raised concern among CHA officials, and a new CHA internal policy was passed that controlled the number of units at mixed-income developments that could be designated as available for voucher holders.

⁵ Nearly all of the phases were located in new mixed-income developments; however, some of the mixed-finance phases include units located in rehabilitated buildings such as Hillard Homes and the Horner "superblock" rowhomes that were rehabilitated using a combination of financing streams so are considered mixed-finance deals.

⁶ There are three phases that solely rely on CHA sources and these were all pre-2000 rehabilitation projects of low-rise developments or scattered site apartments. The 73 transactions included the individual phases at each of the mixed-income developments located on the footprint of public housing projects, as well as additional mixed-income projects that CHA used to count towards its goal to produce 25,000 replacement public housing units. For example, the Cabrini Green mixed-income development site included 19 different phases, the Henry Horner site included five different phases, and the Madden Wells site included seven different phases.

LIHTC funded 21.7%; and the remaining 18.4% came from a host of combined public-private sources.⁷ Holsten Real Estate Development Corporation received a \$2.5 million developer fee (City of Chicago, 2014). As this example suggests, the mixed-finance model tends to draw more upon public than private sources, yet it yields a limited number and proportion of public housing units.

To understand this at scale, it is useful to explain the sources and percentages of the financing amounts across all 73 mixed-finance rental phases. First, a total of \$2.1 billion was invested between 2000 and 2015 to develop both the rental and homeownership phases. The greatest source of financing, 39% (\$824 million), came from a combination of CHA, city, and state funds.⁸ Second, the equity generated from the state and city's LIHTC and the New Market Tax Credit programs provided 37% (\$786 million) of total sources.⁹ Private capital, equity funds, and deferred developer fees committed by private partners provided 25% (\$524 million) of total sources. Other sources not included in this analysis included bond financing and city sources needed to prepare the sites for redevelopment (e.g., through installation of utilities, water

⁷ The city provided \$10 million in TIF assistance, a \$1.9 million CDBG loan, and \$12 million in tax credit equity. Approximately 57% of the funding came from a tax-exempt bond issued by the City of Chicago. The developer took a \$3.7 million private mortgage. The donated public land is valued at \$8 million. The cost to develop each unit was approximately \$386,335. The market rate rent for a 830 square foot, one bedroom apartment was projected at \$1,350, and the two bedroom rent was projected at \$1,550 per month (City of Chicago, 2014).

⁸ Public sources totaled \$824,014,426 million (39%) and represent funding that came directly through government sources. CHA funding totaled \$520,739,063 million (24%) and included HOPE VI, MTW general funds, and proceeds from property sales. The City of Chicago funding totaled \$224,686,874 million (14%) and include funding from the Tax Increment Financing (TIF) program, HOME, and Community Development Block Grant (CDBG) program. The remainder included funding from the Illinois Housing Development Authority (IHDA) and other unspecified public funds.

⁹ Tax Credit sources totaled \$786,751,483 million (37%) and represent the amount of equity financing from the syndication of tax credits allocated by both CHA and IHDA. These sources include the Low Income Housing Tax Credit Program, Donation Tax Credit program, and the New Market Tax Credit program.

systems, and street ways). Figure 7.1 depicts these allocation of financing across three categories: (a) public including CHA, city, and state, (b) tax-credit sources, and (c) private sources.

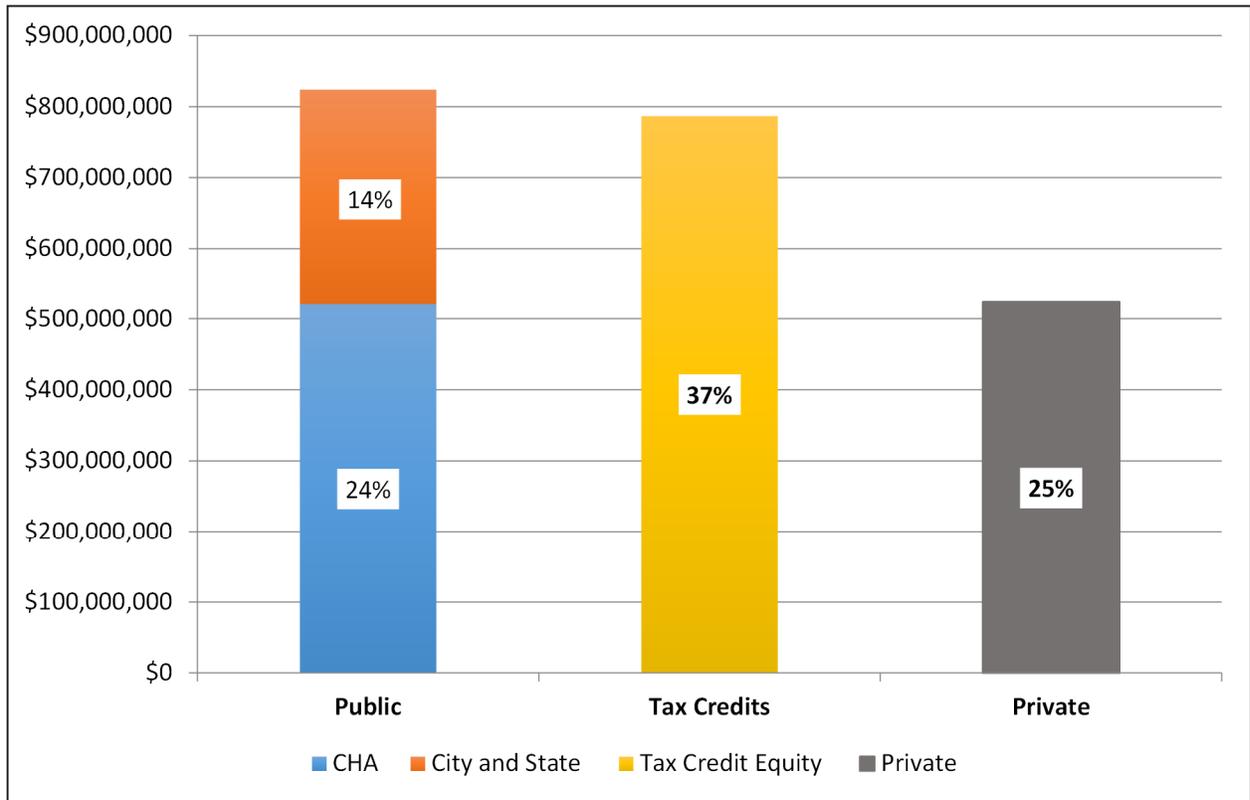


Figure 7.1. Mixed-finance models including rental and homeownership: Funding by sources, 2000 to 2015. SOURCE: Chicago Housing Authority, Internal data obtained by author.

It is also useful to understand the financing by separating the rental and homeownership phases. Chicago’s redevelopment strategy included 9 homeownership phases that produced 926 for-sale units, of which 206 were restricted as affordable, and the remaining 720 were sold at the market-rate negotiated price. The total cost for development was about \$404 million; public financing includes an estimated \$37 million in TIF funds or 9% of the total financing. In addition to TIF funds, the cost of the demolition, land clearance, and infrastructure improvements was

borne by the city and CHA. As such, homeownership units should be considered, at least to some extent, subsidized by the public sector.

Finally, it is important to understand the extent to which the public sector is contributing funding to market-rate units within the mixed-income rental and homeowner developments. CHA's phases that combined rental and for-sale units within the same phase were financed using 45% (\$786 million) from the CHA, city, and state, and 45% (\$785 million) from the LIHTC program. Only about 9% (\$158 million) came from private sources. While 6,917 rental units were produced, another 1,561 market-rate for-sale homes were developed. Of these market-rate homes, 86% (1,417 units) were located at the prime location of the former Cabrini-Green, which received \$129 million (58% of the total funding) from CHA, city, and state funding. In contrast, two other large sites on the South side, Robert Taylor and Madden-Wells, received \$73 million (33% of total funding) and \$93 million (34% of total funding) respectively from these same funders.¹⁰ Thus, higher subsidies as a percentage of total funds were provided to the gentrified Cabrini-Site as compared to the South side sites located in racially segregated areas.

In short, mixed-finance models and the associated mixed-income strategy rely heavily on government support through direct public funding from local sources (CHA, city, and state) and from the LIHTC program. The LIHTC program generates private capital due to the deferral of taxable income through the reward of tax credits to private entities. These private entities include large banks, insurance companies, and other multinational corporations that have U.S. federal tax obligations. LIHTC is a government policy incentive (thus a "state" or "public program") that provides federal subsidies through tax expenditures (DiPasquale, 2011; JCHS, 2009; Urban

¹⁰ The replacement public housing units built by 2015 included the following: 434 units at Cabrini-Green, 305 units at Madden-Wells, and 305 units at Robert Taylor.

Institute, 2011).¹¹ The use of the LIHTC program complicates the rationales about the privatization of public housing since the evidence shows that the financial model is largely dominated by government incentives and direct funding.¹² When private sector investors do contribute, they do so because government policy provides incentives. Without the incentives, private investors would pursue other strategies to protect their capital from tax consequences.

The “hidden” role of the state in facilitating private development is brought to light when tracing the financing arrangements. By piercing the financial veil of the development, it is clear that, simply put, these deals are largely state constituted and financed through direct subsidies and tax-deferred equity, with one-fourth of the financing contributed by private sources, much of which is allocated to homeownership phases. The rationales for privatization suggest the value of private partners as sources of capital, expertise, and political force that helps redevelop public housing. But in this case, the public sector is subsidizing the private sector to provide the commodity of affordable rental housing. Even more surprising is how public subsidies, such as the \$37 million in city TIF allocations along with donated land and city infrastructure services, helped to finance market-rate housing. Who is benefitting from these arrangements, to what extent are profits earned, and how might alternative arrangements create more equitable benefits using these same public funds?

¹¹ The LIHTC program is guided by federal regulations under the Internal Revenue Service and administered by state housing financing agencies. These credits represent a source of tax-deferred federal funding since the equity generated would have otherwise contributed to federal tax revenues and subsequent expenditures (Desai, Dharmapala, & Singhal, 2010; McClure, 2000; U.S. General Accounting Office, 2012; 2015).

¹² Furthermore, many of the LIHTC units are further subsidized with rental operating funding generated from tenant-based housing choice vouchers. This is the case, in part, due to the overlap between the eligibility requirements of the LIHTC program and those related to tenant-based vouchers.

Dual Interests: Public Purpose, Profit Orientation

The private sector actors participating in mixed-finance development and public-private partnerships engaged in this work primarily as a business strategy. Most of the financiers and developers interviewed described the dual interests of private contractors and investors earning extensive profits from government policies. Driven less by a desire to serve a “public purpose” than by desire to maximize investments, respondents from the private sector incorporated public housing redevelopment into their over-all strategy with the intention of expanding their businesses. These deals did provide a stream of revenue, as the firms received approximately \$61 million in development fees between 2000 and 2013.¹³

Those developers who worked in large companies that engaged in other housing development strategies, such as luxury condo or suburban homes, described how affordable housing development provided a counter-cyclical business strategy that allowed them a stable source of revenue during economic downturns. One developer put it simply:

The continuous income stream that comes from affordable housing is always attractive to a development company because it smooths out the bumps, and so I think that’s really in a nutshell why we were interested in continuing down that path.

In addition to development partners, the public-private partnerships rely on investors who provide access to capital, as well as syndicators who coordinate the tax-credit financing arrangements. These private sector partners described their motivations for financing these deals as primarily related to the low-risk, steady stream of profits that came with the LIHTC projects. Most of the respondents working in the private sector suggested that the profits from mixed-finance deals were justified despite the number of legal, regulatory, and financial arrangements

¹³ The source of tracking development fees is the City of Chicago’s quarterly reports on housing development projects. The Chicago Rehab Network (2016) compiles a summary of these reports which provides useful data from which to draw data regarding development fees.

private firms had to navigate as partners. As one investor claimed, such is the price tag for the efficiency that comes with privatization:

One should not be so ‘pie in the sky’ [about the idea to] get government programs to just directly provide subsidy....While it is fair to say that banks are making money; insurance companies are making money; and maybe they are making too much. The alternative is not as good, in my opinion.

Affordable housing advocates who raised questions about these underlying profit orientations suggested that the incentives were a form of corporate subsidy, since the profit margins far outweigh what the direct provision by government would cost. Advocates questioned the very nature of a program in which taxpayer dollars are subsidizing developers and investors’ profits, as is the case in LIHTC financing more generally. One advocate suggested:

This idea that we’re going to leverage the private market, and the private market is going to invest in these houses – I don’t think the data actually bears that out. It’s been a lot of public investment into a lot of private development. [The newly constructed units] are not publicly owned! They’re not public housing anymore; they’re long-term affordable, rent regulated. But they’re a private asset. We’ve created a lot of private assets here through a ton of federal, city, public investment.

This line of argument was one held by only the few respondents who tended to be engaged in advocacy efforts; that qualifying comment should be considered in light of the fact that the design of this study prioritized a high number of respondents who worked in the private sector.

Hybrid Accountability and Conflicting Roles

Privatization created complex new arrangements and new roles for both the private and public sectors. The hybrid nature of accountability among actors uniting to create public housing redevelopment projects has been shown as having both benefits and drawbacks (Bratt, 2012; Kleit & Page, 2008, 2015; Mullins, Czischke, & van Bortel, 2012; Nguyen, Rohe, & Cowan, 2012; Scally, 2009). The range of ideas that key informants expressed about the relationship of the private sector and government illustrates the difficulties in implementing partnerships in

which actors have different orientations, approaches, and interests in meeting shared goals.

While many of Chicago's developers, investors, and government officials spoke of the intrinsic value of these public-private partnerships, the realities they faced in working together showed the difficult challenges to operationalizing these models.

The tensions among their various needs and aspirations played out *within* the public-private partnerships, sometimes causing problems and, in some cases, leading to complete disruptions in the partnerships. Private partners described how onerous stipulations (e.g., wage rates, union labor, and engagement of businesses owned by minorities and women) and architectural design elements (e.g., iron fencing, brick facades, and green space) raised the costs to their bottom line. The developer quoted directly below reflected that sentiment:

Mayor Daley says “You’ve got to be brick all the way around. I need iron fencing everywhere. They’ve got to look nice....We shouldn’t be building crap houses.” It still costs more. If it’s got to be union labor, it is going to be \$280,000 [to build one unit]. Guess what? [Potential market-rate buyers] do not want to move to the corner of 45th and State and pay \$280,000. The CHA was not pleased by it, because of the market and land economics....[The mixed-income deals were planned] without any consideration of the volume of subsidy you would have to do to make that work.

The stipulations required drove up the development costs, and in some markets, these costs were onerous to the extent that potential buyers were less interested in purchasing and renting. In addition, developers such as the one quoted above noted that the “volume of subsidy” was not adequate enough to justify the implementation of the mixed-income strategy in certain markets.

The public nature of these projects also resulted in varied goals related to “public benefits” such as for labor constituencies or for aesthetics of urban planning. Developments affected by these considerations entailed higher costs than if these projects were purely market deals, in part due to federal requirements and in part due to CHA expectations. Most private developers and investors suggested that while these projects aimed to reach the highest level of

efficiency, the stringent government requirements slowed the decision-making process and created higher costs for the private sector, as an investor summarized it:

I think that another big problem for the private sector was what it meant to actually be caught up in the decision making apparatus of the public sector. It's different if you just need to go for a zoning change, but if you're putting together a deal that has public housing in it, Low Income Housing Tax Credits, and then your market rate units – to put all that together, it is not a straightforward deal, so all these different places that have to weigh in at the different layers of financing, it really meant that developers were carrying costs much longer.

Private development partners who expected to make more profit and within a shorter timeline attributed much of the problem to working with government requirements. Investors shared this concern. As this banking executive said:

The group part of it is fairly sophisticated. We like to think of our counsel, our attorneys, as sophisticated, our developers as sophisticated. When we see six or seven layers of financing plans, that's a hassle, and you wish it were not that way, but that is how it is, and you do it. If everyone knows how to play in the sandbox well and get along and know what each other's hot-point buttons are, and you've got to line up the right financing packages. The challenges in those cases is making sure that we as a lead investor understand that if CHA says we've got to do this. The City of Chicago says we've got to do this. The state says we've got to do this. Well, what if any two are in conflict? It happens, and it brings frustration.

As private developers had to “play in the sandbox” with such a variety of public and private entities providing financing, the partnership structures become more burdensome. In light of these challenges, which became increasingly untenable after the recession, some private partnerships dissolved when financial and legal problems led to an inability to maintain their commitments. In practice, the strategy of public-private development did not always “smooth out the bumps” in ways that private partners had expected.

Privatization in an Era of Economic Crisis

The 2008 economic recession and subsequent political responses altered the implementation of the mixed-income development strategy for urban neighborhood

redevelopment. The early implementation of the mixed-income strategies occurred during a more stable economic period (late-1990s to 2007), when the potential of capital accumulation was greater. In the context of severe recession, several questions are warranted. Do the same strategies remain effective? What is the response by government and private actors? What are the prospects for urban redevelopment when there are fundamental shifts in the economic structure in which this strategy was conceptualized? Partial answers to these questions lie in the evidence of how public and private entities responded to the crisis.

When the tools and rationales for privatization were challenged by the new economic and political context, Chicago's Plan had to be changed. While the financial crisis had disastrous impacts that called into question the reliance on private-sector actors and finance capital, local political actors nonetheless continued to seek new strategies for delivering housing through market-based models. Adherence to the ideology of private participation, however shallow and protected it might be, did not collapse in face of the crisis; instead, the crisis led to a shift in strategies but a maintenance of ideology. The adherence itself persisted, arguably because few partners could or wanted enough to extricate itself from partnerships.

Housing Policy, Recession, and Federal Response

The global economic crisis that began in 2008 was rooted in the fall of the housing market and the repercussions to housing finance (Stock & Watson, 2012). High-risk lending and loan-bundling practices promoted by the unregulated mortgage loan industry had created significant economic gains for investors.¹⁴ But when the housing bubble burst, the effects were

¹⁴ Federal policies facilitated the rapid growth of the secondary market for single-family housing financing. In the late 1970s, Ginnie Mae initiated the selling of securities based on pools of mortgages which integrated federally-insured single-family home mortgages into the broader capital market. Later reforms in the early 1980s deregulated the financial industry which led to a rise in the value of mortgage-backed securities issued by Fannie Mae and Freddie Mac

felt most keenly by low-income and minority communities whose residents faced the greatest challenges in retaining stable housing, employment, and income (Marcuse, 2009; Martin 2011; Wyly, Moos, Hammel, & Kabahizi. 2009).

The federal political response to the housing crisis centered on subsidizing the very industries most responsible for suspicious lending and financing practices. Most of the Obama administration's economic stimulus policies aimed to prevent the further collapse of the housing finance and banking systems (Immergluck, 2013; Martin 2011). This can be seen most clearly in the \$700 billion Troubled Asset Relief Program (TARP). The Treasury Department used taxpayer dollars to prevent the failure of major private, for-profit institutions caught up in the mortgage crisis, relying largely on the purchase of stock and mortgage-backed securities from large banks. The government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac were put into conservatorship (U.S. Treasury and HUD, Report to Congress, 2011). As a stabilizing measure, these GSEs and the Federal Housing Administration received an injection of relief to the tune of \$2.5 trillion in financing for loan purchases, loan guarantees, and mortgage-backed securities between 2010 and 2014.¹⁵ This recovery initiative provided some relief for homeowners facing foreclosure, but the policy response proved more effective for affluent white owners than for minority owners living in neighborhoods hardest hit as targets for subprime loans (Urban Institute, 2015).

Potential home purchasers faced challenges to obtaining home loans in a tight credit market and opted for rental housing while the loss of homeownership to foreclosure meant

(Immergluck, 2009). The result of this deregulation was the production of a high-risk lending cycle that fueled both a housing bubble and an asset bubble in financial instruments associated with housing investment (Ashton, 2009).

¹⁵ In particular, the Federal Housing Administration (FHA) provided support to refinance mortgages, particularly those that subprime lenders had securitized (Urban Institute, 2015).

millions of households were seeking affordable rental housing precisely as the affordable rental supply was shrinking further (Goodman, Zhu, & George, 2015; JCHS, 2011, 2013, 2015).¹⁶ The shortage of rental housing became more obvious. Rental vacancy dipped to their lowest rates in 20 years (7.6 % nationwide in 2013) and rents steadily rose.¹⁷ The LIHTC equity market fell apart once corporate investors lost profits and the demand for tax credits plummeted. Federal action through the 2009 American Recovery and Reinvestment Act provided gap financing for planned housing projects and stabilized the LIHTC program, but not before showing how a reliance on private sector entities left this rental housing program vulnerable (GAO, 2010; JCHS, 2009).¹⁸ In contrast, most of HUD's federal programs were maintained with little or no additional subsidies (Schwartz, 2014).¹⁹

Local Impact on Chicago's Mixed-Income Development Strategy

The economic crisis must be recognized for its uneven impact across local geographies (Hall, Crowder, & Spring, 2015; Martin, 2011). In Chicago, the 2008 crisis proved detrimental for local job opportunities, home prices, and home foreclosures, with disproportionately negative impacts on low-income communities of color (Hwang & Sampson, 2014; Hyra & Rugh, 2016; Williams, Galser, & Verma, 2013). The impact of the crisis can also be seen in diminishing city revenues as foreclosures reduced property tax payments, in turn leading to deeper shortages in

¹⁶ An eight-year drop in homeownership rates (to 64.5% in 2015 as compared to 69% in 2006 before the crisis) demonstrates a shift away from homeownership, as evidenced by the fall back to rates not experienced since 1993 (JCHS, 2015).

¹⁷ Evidence from the Joint Center for Housing Studies reports that in 2013 more than one out of four households paid more than 50 % of their income towards rent (Joint Center for Housing Studies, 2015).

¹⁸ Eight years later the market for investors to purchase LIHTCs is at a historical high level, which translates into high levels of capital to produce more rental housing (GAO, 2015).

¹⁹ Federal cuts have impacted some of the necessary programs to create and maintain affordable housing, such as the HOME Investment Partnerships program, the Community Development Block Grant program, and the Public Housing Operating and Capital Funds.

the city's already-pressed operating budget (Great Cities Institute, 2010). Elected officials then responded with cuts to basic public services such as in the areas of job training, mental health, and education (Karp, 2014).

In order to fully understand the impact of the crisis on the Plan for Transformation, it is useful to understand the extensive build-out of housing that took place prior to the recession, starting in 2000 when the Plan launched. The reforms aimed to produce one-third replacement public housing, one-third affordable, and one-third market-rate units in each development. Prior to the recession, the development of units in these three different housing tenures showed steady market-rate housing at mixed-income developments developed at a slower rate as compared to progress with the creation of a total of 6,107 units, as can be seen in Figure 7-2.²⁰ For-sale the combination of all three rental housing types, even in the years prior to the recession.²¹

Many of the first phases of rental housing included a mix of public housing and affordable rental units, with the earliest phases being built “off-site” from the public housing footprints so as to allow residents to relocate. Following demolition of high-rises, most new buildings brought a mix of units within buildings or within blocks across all three tenures.

The greatest variation in the strategy, though, took place in the creation of market-rate rental and for-sale housing, since potential renters and buyers determined if—and to what extent—there would be interest at the price points advertised.²² For-sale homeownership increased at different rates, depending on the location. Unsurprisingly, the neighborhoods located

²⁰ Between 2000 and 2007, the number of units that came on line included 1,902 replacement public housing units, 1,239 affordable rental units, and 2,966 market-rate rental and for-sale units.

²¹ By the end of 2007, the homeownership phases produced 2,566 units compared to 3,617 units of rental housing (across the three groups of public housing, affordable, and market-rate rental).

²² Between 2000-2007, a total of 2,566 for-sale homes were built, with the highest number in 2005 of 728 homes.

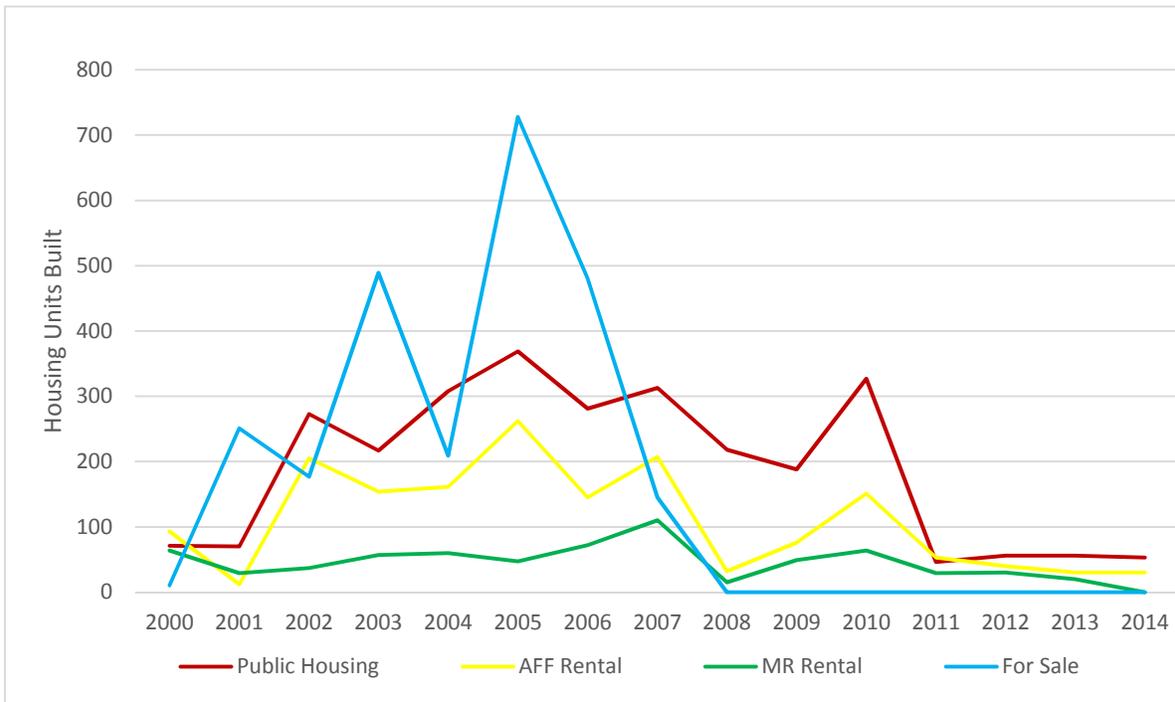


Figure 7.2. Unit delivery in mixed-finance developments by housing tenure, 2000 to 2014. SOURCE: Chicago Housing Authority, Internal data obtained by author.

nearest to the Loop attracted buyers.²³ Most of the market-rate units were located in three central-city neighborhoods where public housing projects (i.e., the former Cabrini-Green, Henry Horner, and ALBA) had been knocked down to make way for redevelopment and where gentrification dynamics had already been shaping the creation of commercial districts. The market potential in these areas proved so successful that homes quickly sold at steep price points upwards of \$675,000. For example, not long after the Roosevelt Square development team opened its sales office for replacement housing at the former ABLA Homes, the first phase of 220 homes sold out within a year or so. According to this Roosevelt Square developer: “In 2006,

²³ In the neighborhoods located nearest to the Loop, potential buyers responded positively and new phases of for-sale units nearly sold out (e.g., Near North/Cabrini, Westhaven/Henry Horner, and Roosevelt Square/ALBA). Conversely, those developments located further away from the Loop (e.g., Legends South/Robert Taylor and Jackson Square/West End) experienced stalled momentum in building and selling for-sale units, even during the height of the housing market boom.

when it was going like gangbusters, anything that you put up, you could sell.” The housing market surrounding these areas showed promise, as home values increased between 2000 and 2007.²⁴

The predominantly African-American neighborhoods on the South and West sides also showed some signs of reinvestment, but nevertheless there were foreclosures that foreshadowed the disaster that would come with the housing market crash.²⁵ The demolition of public housing brought with it an expectation that these neighborhoods would “turn around,” as demonstrated by the rising values of homes in and around some of the new mixed-income developments.²⁶ Yet for-sale housing proved difficult to sell in more racially segregated areas, such as the former Robert Taylor homes, despite the focus on affordability. As one of the developers told me:

The market rate component at [Legends South] was always intended to be kind of starter condominiums, for starter families, at as low of a price point as we could get. Even in the height of the market, we couldn't get that to work.

In response, developers converted plans for market-rate *for-sale* housing to market-rate *rental* housing, due in part to their perception about market demand:

No new market rate rental housing has been built on the South side for 70 years. And there is a huge pent-up demand for market rate rental.... When we opened the Savoy [apartment buildings], we had 600 market-rate renters line up for those.

This pre-recession conversion away from the for-sale strategy demonstrated the challenge to actualizing one of the stated aims for privatization: leveraging private investment in

²⁴ According to an economic impact report created to assess the strength of Roosevelt Square and its adjacent neighborhood, housing values increased by 90%, and the average loan amount for home purchases increased by 39% between 1999 and 2008 (RW Ventures, 2009).

²⁵ As housing values rose considerably, however, the number of foreclosures doubled between 1999 and 2006 at some of the mixed-income sties (RW Ventures, 2009).

²⁶ An impact analysis report produced by RW Ventures, reports that market activity in the area around Oakwood Shores increased between the years of 1999 to 2007. According to the report, “the volume of sales more than doubled between 1999 and 2006...[and] the number of home purchase loans increased by 107% between 1999 and 2007” (RW Ventures, 2009, p. 1).

neighborhoods considered economically depressed. Even at the height of the most speculative housing finance market during the years leading up to the recession, the housing market in some neighborhoods could not attract buyers of affordable homes.²⁷

Neighborhoods where mixed-income public housing redevelopment efforts were underway faced intensified challenges during the immediate aftermath of the crisis, and neighborhoods with more African American residents were hit harder. Rising foreclosures, land and property abandonment, housing affordability shortages, and growing violence in the areas surrounding the South and West side sites raised concerns about the strategy's capacity to bring economic investment (Institute for Housing Studies at DePaul University, 2014). A few years after the 2008 crisis, media reports started describing the downturns in the residential housing markets around the sites and/or claimed the collapse of the mixed-income strategy (Bowean, 2012; Dizikes, 2009; Maidenberg, 2012; Moore, 2012). According to a *Crain's Chicago Business* article, "Losing the for-sale units doesn't just mean financial pain for developers but also the end of the social policy that undergirded the Plan for Transformation: that homeowners with a financial investment would serve as stabilizing forces as the former CHA sites underwent dramatic changes" (Maidenberg, 2012, p. 1).

Economic Crisis and Shifts in Market

In response to the shifts in the market that occurred in the wake of the financial crisis, two elements fundamentally altered the application of the mixed-income strategy. The first relates to market-rate development; the second to rental development and expectations for undeveloped land. In both of these elements, macroeconomic forces were differentially

²⁷ For-sale phases did not occur at Legends South/Robert Taylor. At Jackson Square/West End in the Lawndale neighborhood, plans for for-sale housing was scaled back and 31 units were eventually built.

manifested across Chicago's neighborhoods. Subsequent political responses also shaped action with variegated impacts in ways that showed preference to certain neighborhoods and market-rate housing over others.

First, the fallout in the homeownership housing market and constrictions in housing finance severely limited market-rate homeownership. The housing market crash resulted in extensive numbers of unsold, recently constructed homes, and to some extent, foreclosures and financial losses for both housing developers and individual owners. The impact of the foreclosure crisis and subprime lending in the neighborhoods in and around South and West side sites was detrimental. Race was an inescapable factor, as it had been in the city's public housing policies for so many years. As this policy researcher described it:

There is a whole history of that, sort of how subprime lenders really targeted and became entrenched in those areas...Race is for sure a key factor in where banks would lend, and other entities were active. That's the key dividing point. Subprime lenders may go 80% of the market in African American neighborhoods. Those areas near the public housing sites were some of the first areas that were hit by the foreclosure crisis, first areas hit by the economic crisis and most impacted today still.

Developers and community advocates described quick sales, foreclosures, and sub-leases of homes, though the extent could not be quantified in this investigation.²⁸ New owners who had purchased units prior to the crash also faced diminished property values and challenges selling their units without taking a financial loss. Approximately 350 vacant, unsold homes lined the newly paved streets at mixed-income sites in 2008 and 2009. Developers owed money to banks to pay back the construction and other loans and faced the potential of foreclosure or bankruptcy if they could not.

²⁸ Interview data describe foreclosure trends, though the data necessary to track sales transactions had yet to be obtained at the time of writing. Thus, it is impossible to assess the actual number of foreclosures that occurred at the mixed-income sites.

Developers' responses varied. There were significant price reductions. They sold units in public auctions.²⁹ They restructured the commitments to lease CHA land in order to curtail the development of any future market-rate units. One set of developers pressured the CHA to acquire for-sale units in order to lease them to subsidized tenants, but CHA officials for the most part refused. Two of the development firms on the South side declared bankruptcy.

Beyond development-level impacts, federal policies (e.g., the Dodd-Frank Act) for bank regulation required higher levels of scrutiny in assessing the capacity of potential buyers to repay private home mortgage loans. In particular, home loans were difficult to obtain for potential purchasers with moderate incomes who intended to buy units in the transitional housing markets where mixed-income sites were located. A bank executive described the difference between the pre- and post-recession lending and the regulatory environment this way:

If we make some of these loans [at mixed-income sites], we will have Comptroller of the Currency [an office of the U.S. Department of the Treasury] all over us because these are too risky. Before they wanted us to take all this risk. Now they don't want us to take any. So we have regulators who are watching what kinds of loans we are making and we are going to get dinged for it. So it was really a difficult time. Everybody was trying to figure it out, how to basically save the economy.

Investors identified the market-rate components of the mixed-income development deals as carrying too high a financial "risk," and subsequently developers were unable to obtain construction loans. The result is that no new units of market-rate for-sale homes or condos have been developed since 2007. One former developer said:

When the market crashed...inventory was available in the market, so what bank is going to finance more construction on a speculative basis? They are not going to do that. In

²⁹ At the mixed-income site Jazz on the Boulevard, the developers held an auction in 2008 to sell the remaining 27 units. Capital was necessary to pay back the construction lender who had provided financing and was expecting to be repaid. Rather than face recapture procedures from the lender, the developers sold the units in a public auction. The units were originally priced as high as \$480,000 in 2006. Units sold for around \$120,000 at the auction. The development partnership dissolved and one of the partners, Thrush Development, filed for bankruptcy.

their words, [there was] a lot of speculation but it was easier before the crash to [obtain financing]....The capital markets really became very tight on the construction financing on the for-sale side because of the excess inventory already in the market. Nobody knew where the bottom was with the foreclosure crisis.

As this developer and others acknowledge, the financing for these deals always involved “a lot of speculation” on the part of investors, but once the 2008 crash occurred the financing was withheld since available units went unsold.

There were two coordinated responses that involved multiple local and national partners. The first sought to get private banks and investors to ease lending requirements in the mixed-income sites, as well as to create financial grants as incentives to attract new buyers. This effort was organized by the Partnership for New Communities and funded by the MacArthur Foundation. The *Find Your Place in Chicago* campaign was advertised on El trains and bus stops throughout the city. It offered financial incentives of up to \$20,000 to new buyers on the down payment of a home. The campaign ended up providing incentives for approximately 75 homebuyers, who received grants to purchase one of the approximately 200 for-sale units still unsold by the end of 2013.³⁰ The strategy was criticized by some respondents for its focus on higher-income buyers of market-rate units when there were so many other populations facing greater needs. Developers, however, were looking for an even stronger response—one with more direct support from CHA and the MacArthur Foundation. This developer described their hopes this way:

I knew I was in trouble in 2007. I could see it...I have three projects that I'm trying to drive through this maelstrom or hailstorm....This is not our fault. We didn't have a sense of what the banks were doing. Nobody knew what the traders were doing. We are just trying to sell these units...We had about 15 units at that point...[The CHA and the

³⁰ The estimate for the number of available for-sale units comes from the Find Your Place in Chicago program description and accomplishments, though there is no empirical data that accounts for the total number of units that had been on the market, but not yet purchased (MK Communications, 2016).

MacArthur Foundation] was not trying to bail out the developers at all. Even though we started as a partnership and the city, CHA and private philanthropy was supposed to cover our back...particularly as it relates to the for-sale because everybody could see that with no subsidy you have to figure out how you are going to create for- sale [housing markets], particularly in markets like this that are emerging markets.

This quote reinforces the inherent dilemmas of public-private partnerships whereby government administrators and private philanthropy is expected to “cover the backs” of private developers who failed to achieve the goal of creating mixed-income housing during a period of downturn and in “emerging markets.”

The second response was more creative and more controversial. CHA officials purchased a mortgage note from Chase Bank for market-rate units at the Parkside of Old Town, one of the phases in the Cabrini-Green development. Holsten Real Estate Development Company had failed to pay back loans, and the bank moved to put 75 unsold market-rate units up for auction. CHA officials gained HUD approval in 2011 through the flexibility provided by the MTW demonstration since purchasing the mortgage note of for-sale, market-rate units intended for wealthy populations fell outside of federal public housing rules. This approval allowed CHA to use “MTW funds as a bridge loan to assume the distressed Chase note at a deep discount” and in exchange required that eight units (out of the 75) be sold to families earning 80% or less of Area Median Income, while the other 67 units could be sold to any household regardless of income (CHA & HUD, 2011b, p. 1). This policy shift demonstrated the extent to which public authority and financing is required in order to ensure the feasibility of the mixed-income development strategy during periods of economic decline, even in markets considered more economically attractive.

Other developers who had unsold units in South side developments had requested similar relief. They did not receive it, about which one developer told me:

We believed in this partnership that we developed with the CHA that it was a true partnership. That they knew the level of risk, and they had on our backside... There was a two-handed concept going on here all the time. We came to understand it because we came to understand that no deal was a deal that couldn't be done differently in another location. But clearly we did not get the support on our units that they gave Cabrini... what [CHA officials] claim is that the way they made their money is that the note was maybe \$50 million and they only paid \$24 million for the note. My position is I don't give a damn what you paid for the note; you bought the note. You could have done the same damn thing over here [at the developments on the South side].

Other developers concurred and regarded CHA officials to be operating through a “two-handed concept” whereby certain locations, such as the former Cabrini-Green, were granted preferential treatments as compared to others in more racially segregated and economically challenged areas. Despite developers’ requests, CHA officials did not apply for, nor did HUD officials approve, any amendments that would have allowed MTW funds to be used in a similar way in any other sites. CHA officials calculated the economic risk and benefit to the deal and determined that the new development at Cabrini-Green needed to be bailed out. This decision benefitted the premier development located in the most well-resourced and strongest housing market of the Near North side.

Thus, shifts in the economic context during the post-recession period moderated the capacity to produce market-rate housing within mixed-income developments. These findings justify the conclusion that the mixed-income strategy is most successful in generating a mix of housing tenures only during periods of economic growth, when conditions are already such that market-rate populations show interest in purchasing and renting in neighborhoods that may otherwise be seen less attractive. These findings also suggest that the level of fragility of the mixed-income strategy during and after periods of economic recession should call into question the extent to which the current version of the strategy should be continued during inevitable periods of economic downturn, and in particular within urban environments where there is little

to no demand for newly constructed market-rate rental and for-sale housing. The market-oriented strategies need to be restructured, at least to some extent, so as to ensure that in periods of crisis there are alternative paths to producing needed affordable housing.

A second element in the shift in market logics regarding privatization relates to the financial priorities within the rental component of the mixed-income strategy, as well as the restructuring of future plans for housing units and undeveloped land. The crisis created a new level of demand for rental housing and therefore new financial opportunities for developers as more renters with higher incomes were forced into the rental market. Rather than for-sale homes, developers sought to create market-rate rental units, since these types of units still met the obligations under their Master Developer Agreements to produce a “mixed-income” community.³¹ As this developer describes it, market-rate rentals provided the next iteration of financial opportunity:

In the post-recession, the world changed entirely, right? People don't own any longer, it's much harder to own, and a lot of people are making a choice that they don't want to own.... There's also a better market now for rental, and the value that we can get now of renters is actually much higher than the value we can get in a condo development, in addition to a very fundamental fact that the banks won't finance condominiums. They haven't yet [after the recession].

Arguments for privatization would suggest that market-based adjustments like the shift away from homeowners and towards renters are proof of the policy's adaptive flexibility. But the economic recession's overall impact on housing markets in and around mixed-income public housing sites raises questions about the value for implementing social policy goals. In this case, both the spread of economic diversity and the housing tenure “ownership” expectations had to be politically reframed so that market-rate rental and the populations affiliated with it came to be

³¹ Since “market-rate” can include both for-sale and rental units, the developers who planned to continue developing the site had to shift towards developing market-rate rental units in order to meet the one-third expectation set in the Plan's policy aims.

seen as valuable for redeveloping inner city neighborhoods. These shifts signal the variegated nature of neoliberal policy processes over time and space.

In the immediate wake of the financial crisis during 2008-2011, federal policymakers responded and this resulted in major impacts on *affordable* rental housing, including the public housing units designed for CHA tenants and the affordable rental units financed through the LIHTC program. While the financing for market-rate units became more constrained, government incentives for affordable housing financing expanded for a brief period of time. The 2009 American Recovery and Reinvestment Act (ARRA) provided tax-payer dollars to developers who had approved applications and/or new applications for financing through the LIHTC program. This policy motivated developers to get new affordable rental properties built in the immediate aftermath of the crisis. CHA also applied for and received ARRA stimulus funding of approximately \$26.6 million (CHA, 2013b). A lawyer who represented developers described it this way:

All these deals that couldn't find investors [because of the recession] found that the state agency would say, 'You know what? You return your credits to us and we will give you this amount of money which will be what you would have gotten had you been able to sell the credits.' So all these deals that have been on hold in 2008 and in 2009 suddenly could go forward and close. And so we closed twice as many deals in 2010 as we had done the prior year...It's all these developers sort of got bailed out.

In this perspective, the “bail out” of local developers occurred through federal stimulus policies. In 2010, when the funding became available, 151 units of affordable rental housing were produced (as compared to 32 units in 2008 and 76 in 2009).

These federal policy initiatives were temporary as the overall economy started to recover. After 2010, the ARRA funds started to run out and the production of affordable rental housing units fell sharply over the next five years. Also after 2010, the Illinois Housing Development Authority and the City of Chicago revised their criteria for scoring applications and reduced the

amount of funding that would be allocated to public housing redevelopment sites (see Chapter Five).

These policy trends operating at the federal, state, and city levels during the period of 2012 to 2016 diminished the incentive structures for developing affordable rental housing. One policy expert framed these policy adjustments this way:

The market economy is also one of the perils of this work, of a shift to a more market-based approach because continuing with the Plan during that period, after the housing market crashed, became much more difficult, almost impossible. Because there were, there wasn't financing available to make some of the deals work. And so when there are economic cycles, the market is going to have to adjust to that and pull back on things that may not be good investments at the time. And it certainly what they crash unlike we've seen since the 1930s so it was severe. But I think it does point out kind of, again, that peril of our depending upon a marketplace to make this type of housing available.

From this point of view, the “peril of our depending upon a marketplace” can be understood as one of the greatest challenges to ensuring the delivery of necessary public goods and services. Since the market for these projects continually shifts, so to do government incentives that seek to stimulate market interest. While some CHA funding was available to build and operate affordable rental units, the creation of these units still depended on other financing sources and on real market prices, as well as on political backing to continue producing housing for low-income people. Ultimately, interest in affordable rental housing remained viable in the immediate wake of the 2008 crisis since it was financially profitable because of the ARRA stimulus funds. But when public funds diminished after 2010, so too did the development of affordable housing at mixed-income sites.

In the post-recession period, CHA was unable to achieve its stated annual goals to redevelop public housing through the mixed-income strategy. The Plan sought to have private developers produce at least 5,000 public housing units that would be located in mixed-income developments, though this vision fell short. The public housing units in mixed-income

communities faced immense challenges being financed and built; only about 50% (2,547) of the planned units have been constructed (CHA, 2016b). This failure of the mixed-income strategy necessitated a shift in policy approaches in order to achieve the promised 25,000 units.

This shift showed CHA's commitment to maintain privatization through the diversion of capital and operating funding from the mixed-income strategy towards three alternative approaches. First, CHA obtained special permission from HUD through MTW flexibility to count project-based voucher units towards the goal of 25,000 units.³² As this CHA official described it, there was a need to come up with a new strategy:

We still have these 25,000 units hanging over us. So, guess what's not going to help us. Mixed income. We came to that conclusion a long time ago. Most publically when we asked HUD if we could count project-based voucher units.

The most reliable strategy for delivering the promised units was *not* through the mixed-income strategy.

Accordingly, CHA launched an alternative strategy of subsidizing owners to build new and rehabilitate existing Section 8 units. These units would be located throughout the city but not at the public housing mixed-income sites. As of 2015, these project-based units comprised a higher share of units (2,922) than units in mixed-income developments (2,547). Respondents shared the belief that CHA framed this approach as the solution to getting the agency to fulfill the Plan's obligated 25,000 units, but this strategy failed to bring the creation of many *new* units (since many of these units were rehabilitated units already being funded by CHA). In addition,

³² CHA requested and HUD approved Amendment No. 3 to the Amended and Restated MTW Agreement on March 10, 2010. In it, HUD and CHA agreed to this change: "CHA is permitted to count ~~former public housing~~ units that are assisted through project basing pursuant to Section 8(o) toward the requirement to replace or modernize 25,000 public housing units" (CHA & HUD, 2011a). This change allowed CHA to make revisions to how it counted units. Many of these units had long received CHA rental operating subsidies (approximately 1,316) and already housed populations who met CHA's eligibility criteria. CHA continues to count project-based voucher units towards the goal.

many of these units included special eligibility requirements, such as for special populations including veterans and people with disabilities, so were limited to the extent of serving applicants on CHA's general waitlist. Certainly, this strategy also failed to address the redevelopment of the cleared public housing sites.

Second, CHA sought and HUD approved a policy change that allowed CHA to offer more incentives to private developers, the justification being that Chicago's local market demanded higher levels of development fees to pay the high costs of producing public housing. This increase in the "reasonable cost formula and methodology" first instituted in 2010 allowed HUD funds to pay for 100% of the public housing units. The result was that tax equity and soft loan funds could now be directed toward the construction of the affordable housing units, an indication that the layering approach to mixed-finance development proved ineffective in periods of constrained financial resources.³³

Finally, CHA solidified the transition to new privatization approaches when in 2014 it issued a call for new developers. These private developers would be subsidized to build in "opportunity and /or general areas" (CHA, 2014f, p. 4) specified on a map by the *Gautreaux* court as racially integrated neighborhoods (CHA, 2014f).³⁴ The development would take place in areas already ripe for higher-end market-rate housing. This alternative approach should be viewed as one aimed at building affordable housing in more economically integrated neighborhoods, perhaps in response to the challenges of marshaling investment in others.

³³ This "reasonable cost formula" was used first in June 2011 and justified as necessary in order to provide additional public housing units. According to CHA, the "rising construction costs, reduced low-income housing tax credit equity prices, and reduced soft loan funds had combined to significantly reduce the number of new public housing units that CHA was able to deliver annually over the past few years at its mixed-income development sites" (CHA, 2014b).

³⁴ Economic diversity was required and CHA-financed units could not exceed 33% of total units—to be distributed throughout the development.

Together, these three state-led attempts to “fix” the failure of the mixed-income strategy assumed that the challenges in privatization could best be addressed through shifting investment strategies and targets. These incentives included shifting towards project-based voucher units, increasing the financial subsidies, and changing the locations of planned development. CHA officials hoped that these changes would create a new market for interested providers, Indisputably, post-recession action showed a commitment to further the already clear agenda to privatize public housing.

At the same time these strategies were put into place, some efforts continued to be made to redevelop mixed-income sites. Each year from 2011 to 2015, CHA committed to a set number of new units, but every year the agency and its contracted developers fell short of meeting expected goals. The constrained use of financial resources created a revenue stream in the range of \$300 to \$440 million in unused federal subsidies that CHA carried over each year (see Chapter Six).

One reason for the stalls in development of mixed-income sites was that the expansion of new affordable and public housing units during the post-recession period was not what some policymakers, such as Aldermen and representatives of business-centered community development organizations, had been seeking. Those interviewed described their desire to use the mixed-income strategy to stimulate broader economic development for more affluent populations. As this elected official put it:

The problem for me was [the public-private partnership] was continuing to build units for public housing residents. But they weren't building any homes, any condos to make it a mixed-income community. That was the downfall from the recession....that it is not a true mixed income community....So you have all these big vacant lots within our mixed income communities but they have not made good on building condos....The recession—it is coming out from the darkness and into the light when you start building market-rate again.

Despite an economic crisis predicated on housing speculation and finance, many respondents interviewed reinforced this statement that the hopes of “coming out from the darkness and into the light” still remained focused on attracting buyers to purchase market-rate homes rather than on continuing to build affordable housing. The focus on expanding affordable rental housing also caused concern for developers that had both financial interests and hopes that the “market comeback” would bring with it the possibility of future development of homeownership phases, as this developer suggested:

The capital is there to build out the public housing units and we figure out a way to fill the affordable units. You could just keep doing that over and over and over, but then at some point there comes a time when you are expected to build for-sale housing, and it will be difficult to sell it if it is in an entirely subsidized community. Not to mention that what that effectively does is re-create public housing---the public housing neighborhoods that you once, that you are trying to move away from and trying to create something different.

Many developers on the South and West sides shared this sentiment that the mixed-income strategy could “re-create public housing neighborhoods” since more affordable housing units were built when financing could not be obtained to build market-rate units. They also described the post-recession tension of wanting the financial stability that came from continued development of rental units while also needing to consider longer-term financial opportunities for market-rate development.

Since the plans for housing fell short, each site had acres of undeveloped land where public housing once stood. In total, CHA held approximately 300 acres of vacant land, equivalent to approximately 45 football fields, across the city with about half of that located at public housing redevelopment sites. A new policy direction was required. The CHA and Mayor’s Office, with the support of the MacArthur Foundation, stepped in to revise the Plan for Transformation. In 2013 came the Plan Forward. It specified the need for comprehensive

community and economic development. It signaled a shift away towards more market-rate housing and commercial development. CHA also sought to revise the now-dated 10-year master site plans, including the possibility of canceling contracts with the private partnerships.³⁵ CHA's plans for land redevelopment will be addressed in Chapter Eight.

Conclusion

I draw three conclusions. First, privatization arguments and their rationales related to efficiency and private investment are undercut when seen in the light of these outcomes. Across the board, the mixed-income strategy was viewed by developers and investors as inefficient, but necessary, in order to engage with public-sector programs. Since developers could no longer access the private capital that they could prior to the recession, they became even more dependent on public subsidies and sought to get as many financial incentives as possible—as this former developer described it:

If you are going to look at a more logical public-private partnership it would be, okay, [the public sector] should bring your resources to the table that require the fewest number of hurdles... Your private guy, bring all the qualities you bring to the table, your efficiency. That's the other problem with the private side is that they see this opportunity to sort of screw the public and extract possibly more resources than they actually need because there is this big wide open public trough to feed at... So there's this opening for inefficiency with the public-private partnership that does not occur with a straight private market transaction... [There is] tons and tons of regulations because [the public sector] can't trust these guys over here because they are the private market, and so you drive down the efficiency the more red tape you put out. And then [the private sector] is like "screw you", you're going to make me do all that stuff, I need more money; I need more money; I need more money. So you end up, instead of being on the most efficient end of the spectrum, you are actually further away from it. You are better than you would have been totally public or something. There is a lot of efficiencies that got lost in what could be a really smart way of doing business.

³⁵ An example of these revisions to the master site plans include contractual relationships established between CHA and global firm, Skidmore, Owings & Merrill LLP, to redesign the plans for Roosevelt Square and Oakwood Shores.

In this perspective, shared by most respondents from the private sector and some government offices, the justifications for privatization as a more efficient model were found to be flawed and to fall short of expectations. The mixed-finance arrangements actually created an inefficient system where the private sector was out to “screw the public and extract possibly more resources than they actually needed,” and where government “red tape” was blamed for “driv[ing] down the efficiency.” This co-dependency of public and private sectors, however, was described by many respondents as necessary and preferable to a purely public model. Yet, this very policy strategy is what *delayed* the production of affordable housing units in the post-recession context. In addition, these arrangements required the public sector to provide financial incentives to private developers; without the incentives, private developers could not engage profitably with the public sector to produce low-income housing. In the wake of the financial crisis when the private sector depended even more on public subsidies, this tension over the efficiency of market conflicted with the extensive requirements imposed on developers by government entities.

Feasibility challenges to market-based policy reforms brought about by the global economic recession slowed the privatization of public housing, but did not stop it. The privatization of public housing continued but within a context driven by partners who may share a similar vision about the social value of public housing but who also admitted to the dependency on private investment, individual decisions by potential buyers, cost constraints of building new units, and a host of other financial concerns. Respondents from the private sector, some government officials, and a few advocates shared the perspective that, despite the vision for creating economic diversity in housing, these projects were largely driven by what was possible given the financial realities.

Second, despite concerns about the long-term sustainability of the mixed-income strategy after the recession of 2008, public and private actors remained wedded to an agenda of privatization even in the midst of economic downturn that reshaped the viability of the mixed-income strategy. This can be seen in the continual work by government officials to adjust the incentive structures in order to ensure private partners remained committed and interested in the redevelopment of public housing sites. In the immediate wake of the recession, federal stimulus policies aimed to stabilize the finance and real estate development industry, thereby aiding in the creation of more affordable units through the LIHTC program. To some extent and in some locations, local officials also took action to stabilize some of the mixed-income developments. After 2011 when the federal recovery funding ran out, the delivery of public housing units stalled, in part because the mixed-income model was driven by market realities more than by the strategic pursuit of policy goals. At that point in time, policy incentives again shifted to the degree that the scale of planned housing units in mixed-income developments would be viable to produce. A developer who had an extensive experience over the course of the sixteen years creating mixed-income developments told me:

Look, this is about real estate. This isn't about ideology. We are going to look at every site that we are on *not* with an ideological lens but with a real estate lens and say: What makes economic, financial sense for a particular location....So it's going to be a spectrum, not a third, a third, a third....The mix at each site has to be what it's meant to be and not driven by ideology.

Rather than policy goals or “ideology,” these reforms and the housing they produce are largely driven by the economics of real estate development—“financial sense for a particular location”—and, as this chapter demonstrates, the extent to which those business logics can become politically persuasive in order to reshape policy incentives.

As this chapter also shows, mixed-income public housing reforms reflect actually existing neoliberal urban restructuring in which the state must “manage the consequences and contradictions” (Peck, Theodore, & Brenner, 2009, p. 51) that arise when market-based policy strategies fail to have their intended impact. Market-based housing policy strategies are constrained by what is economically feasible in any given time period and in specific geographic areas. Policy intervention occurs to “fix” those constraints, yet in doing so it reinforces the extent to which private sector actors are provided with resources. This can be explained as an advanced form of financialization that occurs through the privatization of public housing, a topic expanded upon in the conclusion of this dissertation.

Finally, housing policies predicated on private sector involvement also run the risk of being implemented in ways that fail to provide assisted rental housing for the most impoverished households and neighborhoods. Private owners will always seek profit; accordingly, it should be presumed that more government incentives will be necessary in order to develop and operate housing that, according to private owners’ feasibility and risk assessments, is costlier than other housing development. This market-orientation towards the provision of assisted rental housing for extremely low-income households and neighborhoods is why public sector ownership remains necessary. If federal housing policies revert to only operating assisted housing through the private sector, then it should be presumed that neighborhoods that are most disinvested will likely not be attractive and existing public housing will eventually be torn down. On the other hand, it should also be presumed that private developers building mixed-income housing in more affluent neighborhoods will attempt to reduce the number of public housing units in order to provide more market-rate units on land where public housing once stood.

My findings suggest that assisted rental housing policy based on the mixed-income strategy needs to be revisited in light of its dependence on market-rate housing. In neighborhoods lacking stable housing markets—like those on Chicago’s South side—the strategy to build rental housing assumes that a higher demand for market-rate housing will be created when government incentives are offered that produce quality affordable rental housing. Chicago’s mixed-income housing reforms show that when tested, this assumption failed to occur at scale. The result is that the mixed-income strategy was more successful in neighborhoods that were located nearer to stable housing markets, such as those on the Near North side, but it was less successful in producing an array of housing tenures in neighborhoods on the South and West sides.

In summary, scholars argue that it is important to document how cities are being restructured and thereby clarify if and how neoliberalism actually exists, rather than imagining its dominance. In this case, the evidence reveals how the “uneven, contradictory, and ongoing process of neoliberalization” (Peck, Theodore, & Brenner, 2009, p.51) unfolded during the post-recession period in Chicago in ways that continually required government intervention to address challenges brought about by a neoliberal policy agenda. As predicted by the theory, the role of the state is to create and preserve an “institutional framework characterized by strong private property rights, free markets, and free trade” (Harvey, 2005, p. 7). The theoretical relevance of these findings is that, despite the obvious and now proven limitations of state incentives for market engagement, the state expands its use of them through other inventive strategies that maintain the priority of private market provision for public goods, such as affordable rental housing.

Clearly the state promoted this institutional framework through processes of privatization; and when the privatization framework failed in the wake of the financial crisis, the state further subsidized private-sector actors. The development of affordable rental housing then became an even more profitable pursuit. This cycle will continue as long as the state's role remains one where capital accumulation is above all the highest goal.

CHAPTER EIGHT: CONTESTED REDEVELOPMENT

Introduction

With original plans for mixed-income housing no longer financially viable, CHA administrators, city officials, developers, and other elite actors needed to determine if, and how, they should revise physical site plans and associated proposals for financing redevelopment projects. CHA had approximately 300 acres of vacant land that once accommodated public housing and was costing the agency approximately \$1 million a year to maintain.¹ The debates over the future redevelopment of that vacant public land played out in both the broader policy sphere and within particular neighborhoods. Elected officials, leaders of community-based organizations, and public housing tenants all sought to influence CHA planning. Would land slated for mixed-income housing now be developed for other purposes? Would it remain vacant? Would CHA build replacement public housing units, and if so where? What other options would be explored to put that land to use?

The debates over these questions were similar those that surrounded the launch of the 2000 Plan. What some actors valued and desired most stood in direct opposition to the interests of others. Those most concerned with the loss of potential profit in undeveloped land and failed site plans had to contend with established policy processes and the legal rights of residents, rights established following activist resistance to public housing demolition without a one-for-one replacement of units. Within these inherited policy parameters, new proposals began to emerge in 2011. These centered on property disposition and alternative, non-housing uses for the CHA land. Indeed, the co-evolution of resistance efforts and state-led economic regeneration of public

¹ The actual dollar amount for maintenance of undeveloped property is difficult to determine. The most recently available financial reports document \$73,734,005 in maintenance expenses (CHA, 2014a, p. 26). In interviews with CHA officials, the cost to maintain vacant land was estimated at \$1 million per year.

housing sites had effectively shaped the political context in ways reflective of neoliberalism's contradictory tendencies.

Activism Shapes Early Policies

In the mid-1990s when federal policies initiated the restructuring of public housing, Chicago's public housing activists organized to prepare for what was sure to become an extraordinarily difficult period for residents living in the CHA high-rises slated for demolition. Those activists had used the Coalition to Protect Public Housing to engage not only residents through the Local Advisory Councils and across different public housing sites, but also city-wide groups of advocates concerned about low-income populations. When the Daley administration opened the public deliberation process for what would become the 2000 Plan, the Coalition was prepared to act on multiple fronts. It framed the issue in terms of the rights of low-income people to remain in the city and live in housing still publically owned. In public meetings, it charged Daley and his allies with initiating "land grabs" for established real estate development firms. It coordinated protest rallies and used the media effectively. It called for HUD officials to maintain high standards related to land disposition regulations and it threatened lawsuits (Wright, 2006).

In these ways, the Coalition's pressure led the Daley administration to create the Relocation Rights Contract between CHA and the tenant-elected Central Advisory Council. This contract provided that residents in "good standing" as of October 1, 1999 would be guaranteed their choice of a permanent housing option (voucher or unit), a timely and clear procedure for relocation, and funding for moving expenses.² In essence, the Coalition's broader argument, underlying the Relocation Rights Contract, was that the proposed reforms were designed to make

² These "10-1-99 residents" (as they became commonly known) included approximately 8,300 seniors and 16,846 households (CHA, 2011). The actual number of people living in these households is unknown.

public land available for private gain through the building and sale of market-rate housing (Bennett, 2006a; Wright, 2006). Without plans to replace affordable housing on a one-for-one basis, Coalition members claimed, the reforms would amount to demolition of existing units and the forced relocation of low-income residents for the sake of economic development and for the benefit of the private real estate industry.

Government officials who worked for the city and CHA when the Plan was launched explained in interviews that this political pressure shaped planning for site control and eventual land ownership. Policies had to be carefully structured so as to diminish concerns about private investors gaining property rights over large sections of public land. In the contestation over the fate of land, the question of whether CHA would maintain ownership and lease the land, or if land would be sold outright to private investors, became a focal point. According to a former CHA official:

You have to remember [the critics claimed that] ‘the mayor’s rich wife and her friends are developers, this is a big land grab. They are going to take all the land and then not build any housing. They are going to change everything to include a bunch of shopping centers, put some big box stores along State Street.’ Psychologically, among resident leadership, among the general community, and the press . . . for whatever reason lease versus ownership [became important] It just seemed like universally everybody thinks, ‘If CHA still owns it, then they will control it.’

One policy expert involved in the early implementation explained it this way:

[Decisions about land] were mainly driven by the . . . negotiated agreement that HUD and CHA and residents could accept that everyone who was lease compliant as of 10/1/1999 would get a right to return . . . [CHA] was going from 40,000 units down to 25,000 units. We did not agree to one-for-one replacement housing here in Chicago. But to throw land sales into that mix, it just was not something that was going to be accepted.

As these statements indicate, the critical concerns centered on the loss of housing units, the protection of tenant’s rights, and the transfer of public land within the larger movement to

privatize public housing. The face-off pitted the activists and their constituencies against the CHA and land developers; the contest was to be hard-fought.

In response to the Coalition's political pressure, officials within CHA and city government debated the merits of retaining or selling CHA-owned land to private investors. According to interviewees familiar with the early internal debates, there were influential actors—including the court-appointed receiver at Habitat, private developers, advisors from the banking industry, and officials in CHA's legal department—who urged CHA to sell all of the land upfront. A former CHA official who faced pressure to dispose of land recalled that these elite actors pressed CHA to:

...take all of the land at once...meaning now [the developers] have control of it even if the lender decides there is a market slowdown and they only complete half of it, and they still have our land which theoretically they can sell.

Potential buyers of for-sale homes and banks financing mortgages needed assurances that CHA would no longer maintain any legal right to the land, they claimed, and CHA needed to institute fee-simple transactions that would safeguard marketability for the homeownership component.³ Developers also argued that they needed total control since public housing redevelopment sites were considered planned development districts and, as such, were subject to regulatory requirements from the city's Department of Planning.⁴ Furthermore, they said, CHA would save costs by working through the legal and regulatory disposition requirements just once, rather than through repeated transactions for each phase.

³ Fee simple land ownership means that the owner of the land controls the parcel and holds protected legal property rights.

⁴ Planned development districts must abide by site-specific zoning guidelines that stipulate density and use regulations for the purposes of unified planning compatible with the character of existing neighborhoods.

The Coalition supplemented its demolition-relocation-private development argument by invoking Chicago's historical record of Urban Renewal that displaced low-income, African-Americans. To this, the Coalition added a claim that legal authority over public property would be the only way to ensure that residents' legal rights would be upheld.⁵ Privatization of land would only serve to diminish these rights. According to government officials involved in the policy decisions at that time, the power of the Coalition's resistance efforts shaped CHA policies with regards to maintained ownership over portions of the land. Rather than allow for land transfers of all acres upfront, officials working in CHA's Department of Real Estate Development instituted two alternative approaches: one for the development of private homes and another for the building of rental units. Having two approaches was done "very deliberately and consciously," according to one former CHA official.

When it came to the development of for-sale privately owned homes, CHA maintained ownership of all land until developers obtained pre-sale commitments and financing for private homeownership. Only then would particular parcels for each individual homeownership phase transfer, free of charge, to the developer.⁶ Because there were no costs associated with land

⁵ Section 18 of the Housing Act of 1937 stipulates the law regarding public land ownership. HUD regulations require PHAs to obtain approval for all transactions that involve a fee simple sale of public land or a ground lease for more than one year. HUD requirements for disposition vary depending on what type of structure or land will be transferred out of the public housing stock, and what kind of public subsidy is involved in the deal. CHA's MTW Agreement did not provide flexibility from federal rules "governing the demolition and disposition" of public housing, but it did allow CHA to follow a "Streamlined Processing Instructions for Disposition, Demolition, and Disposition/Demolition Applications from MTW Agencies" (CHA & HUD, 2008, p. 2 & 31).

⁶ This policy is governed by HUD Declaration of Restricted Covenants whereby HUD approved a Homeownership Proposal for replacement units that would be sold. Developers had to obtain HUD's signature of a Partial Release from the Declaration of Restrictive Covenants for each of the homeownership phases. Also, the Cabrini-Green land transfers were more complicated than a simple land transfer at no cost; however, I have been unable to obtain specific information in regards to these deals.

acquisition, some developers and financial experts regarded the process of CHA retaining ownership until developers' financing was secure as a way to create public subsidies and financial incentives for market-rate homeownership development. Moreover, the CHA and city fronted the costs for the demolition of public housing buildings, environmental remediation, and infrastructure improvements.⁷ According to some developers, reductions in the total development costs amounted to lower price points for buyers because of these public investments.

The free land transfers reflect the roll-out of actually existing neoliberal policies. That is so because CHA's policies promoted capitalist interests. Developers produced and sold nearly 2,500 for-sale units built between 2002 and 2007—again, with the majority built on land where Cabrini-Green once stood.

As for rental housing development, CHA officials took a different approach and retained some level of control over land. Of the CHA officials interviewed, those who had worked within the private sector prior to working at CHA suspected that private developers would indeed take full advantage of public resources. These officials accordingly sought to maintain control of the land. Others described the fierce political pressure being asserted by the Coalition members, the Central Advisory Council, and others as influential in shaping decisions. Government officials wanted to meet their demand of retained land ownership. As a former CHA official who helped contribute to the structure of the land transfer deals told me:

I think maintaining control of the land more than anything was political. It was a psychological thing. From a deal standpoint, from a legal standpoint, it did not make any sense [for CHA to retain ownership of the land], but it needed to be done for political reasons.

⁷ Infrastructure improvements included “updated utilities, revised street grids, new alleys, landscaping, additional green space, upgrades to sewer and water lines, as well as new or upgraded public facilities, such as parks, schools, and police and fire stations” (CHA, 2009b, p. 8).

The details of the policy were complex, as to be expected in order to satisfy the contesting parties. CHA would retain land ownership but lease the land through a 99-year ground lease for *each* separate phase. The rental units were to be owned by a private development partnership and were regulated through HUD's Declaration of Trust legal agreement. Private developers paid nominal annual rent (approximately \$1.00 per year), and CHA had the right to recapture the land.⁸ In addition, CHA would maintain ownership of land where buildings stood that co-located rental units with for-sale condos.⁹ This decision ensured that CHA would privatize the development and ownership of rental units, but that it would maintain ownership of the land on which the rental buildings were constructed. One former CHA official familiar with the land retention strategy described it as a "fair compromise"—one that could satisfy in part both the investors who wanted CHA to give up all control of the land at once and of activists who demanded that public ownership be maintained:

This was before the crash. There was this idea that [the private developers] are going to own. I said, 'No. There was a possibility that the bank cuts off funding...If it tanks and CHA has not built it, then we should have the right to take the land, control it, and figure out what is going on afterwards. As opposed to having given away all of this land.' CHA controls that [land] as opposed to it is all gone. Everyone is looking to CHA asking when they are going to build. Well, we do not own the land anymore. That was not good policy.

This statement shows how CHA officials shared activists' concerns about the danger of relying on market-based privatization schemes involving private developers and banks. CHA's retention

⁸ The owner-investor that develops rental housing owns the buildings and all improvements made on the land. Generally, leases between CHA and owner-investors stipulate that at the conclusion of the agreements (usually 99 years) owner-investors and any individual owners of homes located on public land will vote to determine whether CHA will be offered the option of buying the housing and other land improvements at a fair market value. The option of lease renewal also exists.

⁹ Some mixed-income development phases combined rental units and for-sale condos into the same building and/or project. Land leases were offered for development deals that integrated housing types. The result was that buyers of condos in buildings that integrated rental and for-sale housing did not own the land, rather owned the unit.

of ownership was the safeguard that satisfied the activists, while CHA's accession to developers' preserved the public-private partnership.

This win-win conclusion was not inconsistent with other research. Organized movements have been seen as a counter-force to the strength of neoliberal agendas of that are promoted by people in positions of economic and political power (DeFilippis et al., 2010; Leitner, Peck, & Sheppard, 2007; Mayer, 2012; Purcell, 2014). The evidence here is that capitalist interests may not always be embraced by state actors and that processes of neoliberalism can, at the very least, be forced to adapt when activists exert enough power to promote alternative frameworks.

Vacant Land and Disposition

CHA officials' decision to maintain land ownership had major consequences in the wake of the 2008 financial crisis. The mixed-income development strategy had proved financially difficult—if not impossible in certain geographic areas—to complete at the scale intended or with the continuum of socio-economic diversity expected. Eight years into the public housing reforms, the strategy of CHA retaining land ownership had, for the most part, been accepted as standard practice. Land disposition occurred, but almost always for the singular purpose of housing development.¹⁰ During the period of 2000-2008, CHA's annual reports document only a few cases of land dispositions for non-housing purposes, such as when land was transferred to the City of Chicago for infrastructure improvements to create streets, parks, a recreation facility, an elementary school, and a few other public facilities.

¹⁰ In a few cases, mixed-income developments combined rental units with retail units leased to commercial tenants. These deals received land leases, rather than land sales. One example includes the mixed-use development at Park Boulevard that combined ground-floor retail stores, such as Starbucks and Jimmy John's Gourmet Sandwiches, with apartments and condos built in the floors above.

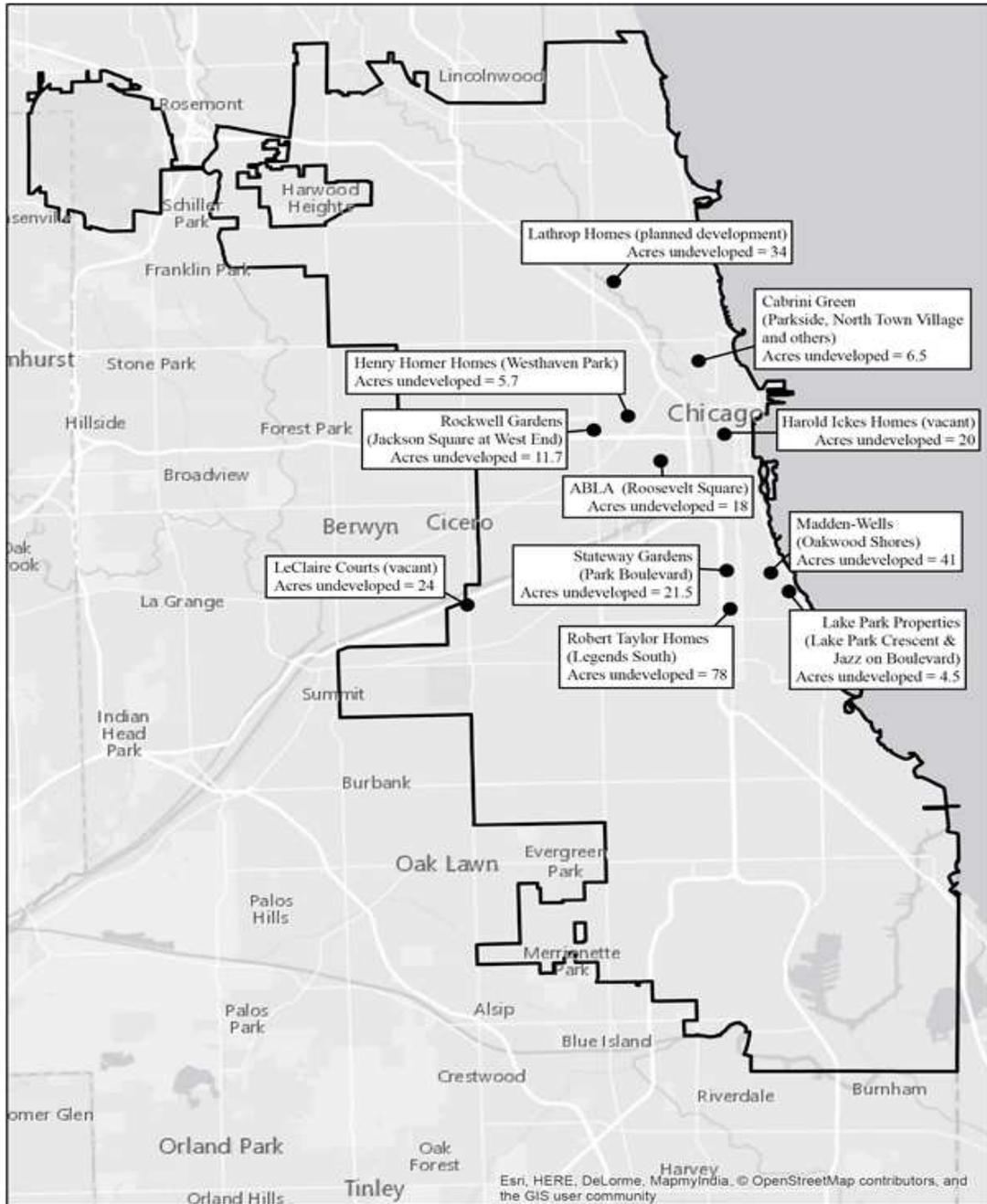
Vacant Land and Shifts in Policies

CHA officials' decision to adopt a phase-by-phase approach to land disposition left CHA with vast holdings of vacant land. Map 8.1 illustrates the extent of CHA vacant land at redevelopment sites. If there were any existing structures on or near CHA's undeveloped land, they were likely to be churches or schools, almost always abandoned and boarded up. Most respondents interviewed described the lack of construction or active use—the existence of urban “meadows”—as extremely problematic. According to a leader working in a West side neighborhood organization:

If you are actually looking at physical sites, how much vacant land is still sitting there, then it is undeniable that there is still a sense from people at the community level that whatever you started here is nowhere near done. Almost everything hit the hard stop in 2008 and it is just now kicking back in. You walk through this neighborhood and it seems like whole square blocks, it is just a meadow. And this is a popular neighborhood! It's not, let alone on the South side and other places where there is a very palpable sense that this is unfinished....[CHA] knocked something down and didn't bring it back.

Some respondents described instances of criminal activity, such as shootings and loitering, on the “meadows.” For their part, developers and local Aldermen were particularly worried about the diminished market demand in areas where new mixed-income developments had been built. If the market were to “come back,” according to some of them, the vacant lots would have to be put to productive use.

In response to these concerns and beginning in 2009 and accelerating thereafter, CHA began to transfer property ownership rights to private firms, non-profit organizations, and the City of Chicago, including CHA's sister agencies. Between 2009-2015 CHA received HUD



Map 8.1. Chicago’s Housing Authority Plan for Transformation: Undeveloped land by acres as public housing sites within city of Chicago. SOURCE: Data obtained through documents obtained from the Chicago Housing Authority

approval for 133 land dispositions, many of which were specified as “ground lease or possible title of land” (CHA, 2009b, p. 65) with no indication as to whether the purpose was for housing or other uses. Furthermore, some of these land transfers, such as those at Harold Ickes Homes,

Robert Taylor Homes, and Stateway Gardens, were added to the list of planned dispositions *after* the annual public hearings through an amended version of the CHA annual plan, thus decreasing any opportunity for debate (CHA, 2013d).

Indeed, during the post-recession period, much of CHA's land was transferred for uses not related to housing. Grocery stores, big-box national chain stores, transit expansion, retail strip malls, urban farms, sports complexes, arts centers, and other types of amenities were planned or completed. During the same time period that dispositions for non-housing uses took place, and despite its excess liquid capital, CHA failed to produce the numbers of units it had pledged to develop in its annual plans. In fact, it produced only an average of 129 public housing units per year between 2009 and 2015 at mixed-income developments.

CHA's approach to focus on alternative uses was first described in a statement buried deep in its 2009 annual report:

As part of the redevelopment process and creation of mixed-income/mixed-finance communities, CHA continues to pursue commercial business venture with developers. These ventures are not only important to the overall redevelopment of a neighborhood, but also a potential source of revenue for CHA (CHA, 2010, p. 69).

The sale of land for commercial business ventures, as described by this CHA report, could benefit the agency through new "sources of revenue." However, CHA did not appear to need additional resources given the special funding formula under the MTW Agreement. In some cases, the sale proceeds generated capital that CHA recorded as a financial gain, though in other cases CHA transferred land without financial compensation and recorded a loss of assets.¹¹

¹¹ Federal law requires that public housing authorities request permission from HUD to dispose of land, and MTW authority allowed CHA to use an expedited approval process. In addition, PHAs must document the disposition activity on financial reports that include the monetary assessment of the transfer of assets. In annual financial reports, CHA recorded land transfers as either a financial loss or gain. The challenge with this form of accounting is that it becomes difficult to track actual exchange of real capital dollars since the line item presents a dollar figure

Whereas CHA officials had previously worked to retain rights of land ownership, they now transferred land to private owners where public housing had once stood and new mixed-income housing had once been slated. There were a set of respondents who embraced the land transfers, including Aldermen and some representatives of community development corporations. These actors sought to create more amenities and retail development in areas they considered redlined by national chain businesses. One policy expert said:

In the early years, it was all about, how do we clear these sites, but then how do we bring back housing...But CHA now is saying the best use of all this land is *not* housing... We will trade that land so we can put a Mariano's [grocery store] there... The CHA and the City's Department of Planning are thinking a little more closely, which is, what does this neighborhood need, as opposed to just robotically saying, if that was housing land, it needs to be housing.

According to a developer familiar with CHA's shift in priorities from mixed-income housing to alternative land use:

The CHA decided that, under their new policy, that certain land, they were going to put up for different types of development... They don't need as much land for housing... They have to get rid of the land. So certain select sites, which [CHA] is just about to start a whole new planning process around... [CHA] will begin to move out [residents] of a lot of these developments and say these are going to be more commercial development.

Because the mixed-income development strategy certainly did not appear to be feasible at the scale originally planned, alternative redevelopment strategies were necessary. Progressive housing strategies, such as shared equity models, did not seem to be considered. Rather, CHA officials sought to remake the public housing sites by instituting new approaches for comprehensive community and commercial development, rather than “robotically” following the reform agenda that prioritized mixed-income housing.

that represents more than one transaction; thus the consolidated nature of the financial report muddles the ability to track the financial exchange involved in the transfer of land.

While many respondents observed the general trend, many stated that they did not know enough about the actual negotiations and the process for influencing decisions about land transfers. Typically, CHA's annual plans only vaguely mentioned the specific ways that land would be used and to whom the land would transfer. Usually, disposition activity was summarized in dense tables that listed "planned property to be removed through disposition activity," and even then there was little, if any, description about actual proposals for redevelopment. Even developers with Master Developer Agreements raised concerns about their lack of knowledge and CHA officials' lack of consultation regarding new plans for land use.

It was not until its 2013 Plan Forward document was made public that CHA formalized its shift in policy priorities, but even then the Plan minimized the transfer of land to private entities for profit-driven purposes:

To complete and ensure the success of mixed-income communities and other developments on CHA-owned land, CHA will...invest in spaces and partner with organizations that support educational, community, recreational, and commercial purposes, including increasing public space....[and] use CHA-controlled vacant land for short-term, creative, community-building purposes, including urban agriculture and performance or sports spaces. (CHA, 2013c, p. 20)

CHA's vision shows its desire to "partner with organizations" in order to create "community-building purposes" and increased "public space." These approaches invoke ideas about inclusion and "positive" gentrification, as well as proposals for spatial interventions that aim to address both historical and contemporary social problems experienced by poor neighborhoods (Chaskin & Joseph, 2013; DeFilippis, 2013). But Plan Forward failed to specify the particular plans to achieve these goals nor how deliberative processes for reconstituting urban space would be undertaken to engage and benefit those residents whose lives would be most affected by neighborhood redevelopment.

After the release of Plan Forward, CHA increased the amount of land being transferred from smaller parcels of a few acres to congruent tracts that ranged in size from 3.5 to 13 acres. In some sites, such as the former Ickes Homes and Robert Taylor Homes, CHA prepared to transfer 25% to 45% of the land to private organizations and firms.

Land Dispositions and the Political Agency of Government Officials

These land transfers for commercial, recreational, and transit purposes illuminate tensions about the role of the state in promoting market mechanisms for urban redevelopment. This trend also reveals the tension in the relationship between federal oversight and local control. How the disposition arrangements came to be instituted and their potential benefits for a range of actors warrants a more careful analysis.

There were three types of transfers. First, private corporations purchased CHA-owned land. CHA was required to adhere to HUD regulations including presenting sound justifications, engaging in public review processes, assuring fair market prices, committing to commissary benefits for low-income populations, and gaining official HUD pre-approval (HUD, 2016b).¹² These land sales allowed private corporations (e.g., Norfolk Southern Railroad, CVS, and Mariano's Market) to pursue profit-oriented activities.¹³ The land then became part of the

¹² Public Housing Authorities must apply to HUD's Special Application Center for land disposition approval. PHAs are required to consult with residents, provide written plans for future housing, and restrict of the use of proceeds. Federal law requires that tenants must participate in the approval process of each proposal for demolition/dispositions. This policy holds PHAs responsible for making their application requests publically available, determining community benefits, and engaging residents in a consultation processes (HUD, 2016b).

¹³ The Norfolk Southern Railroad transaction involved "the sale of 72 scattered site units and underlying land in the Washington Park community" and "the relocation of 57 public housing families to other CHA housing options in September 2012." Of the 72 units, it is fair to assume that some units were vacant. The purpose of the project was for a "regional economic development project for the City of Chicago" and the sale proceeds were reported to support "CHA's unit acquisition initiatives" (CHA, 2013b, pg. 29). "HUD approved the disposition of the property on November 28, 2012" (CHA, 2013b, p. 30). The CHA Board of Commissioners

marketplace and concerns about property rights required proper federal oversight. The potential beneficiaries included the businesses purchasing the land and residents who planned to use the commercial goods and services. Land sales were justified for their potential to generate spill-over neighborhood effects as other market investors seeded projects around these new commercial districts. Furthermore, a primary beneficiary included the City of Chicago, for it would reap new property tax revenue on land where no financial contributions existed prior to the sale (given CHA's tax waiver status). With Chicago facing a \$35 billion debt burden, city officials' actions to promote CHA land disposition assisted with the city's financial crisis. As described by a developer:

[Mayor] Rahm [Emanuel] is doing what he's gotta do in making sure that the North side is going to be taken care of. In a downturn of the economy, he needs that tax revenue. He doesn't get as much taxes on the South side....And nobody wants to be confronted with that but the reality of it is that we have to build the real estate tax base on the South side.

CHA land—particularly in racially segregated, disinvested areas where the commercial tax base was lacking—became a route to raising needed city revenue.

A second type of land disposition occurred when non-profit organizations purchased CHA land to further a social mission, such as urban farming, recreation, arts education, or a combination of these uses. Why would government officials allow land transfers to non-profits when there were other potential options for commercial uses that would generate tax revenue? It is because the “use value” purposes satisfied the desired interests of those more affluent middle-class populations (Logan & Molotch, 1987). For example, XS Tennis Village planned tutoring

approved a purchase and sales agreement with the Norfolk Southern Railway Company in a closed “Executive Session” of the board meeting on February 21, 2012. Neither board minutes nor the board resolution included the amount of money exchanged in the transaction. Nor is it clear if and where CHA rebuilt these scattered-site units. Also, it is unclear if the employment opportunities offered as a community benefit (and as cited in CHA Board documents) were ever established with Norfolk Southern Railroad and if residents affiliated with CHA obtained employment.

clubs for neighborhood youth to meet with University of Chicago students, likely satisfying the interests of many residents who sought more options for positive after-school youth activities (Austen, 2015). While foregoing tax revenue, the CHA and city-owned property around the public housing sites would only stand to increase in its economic value when needed amenities, such as recreation centers and urban farming hubs, provided opportunities for such “use value” purposes. Furthermore, Aldermen and others in positions of influence within the South and West side neighborhoods often advocated for these uses over the mixed-income housing strategy, due in part to concerns that the strategy failed to ensure that market-rate housing would be built at proportions equivalent to affordable and public housing.

The third type of land transfer simply shifted ownership from the CHA to the City of Chicago through “intergovernmental agreements” in exchange for other property (CHA, 2014b, p. 23). According to respondents in government, Chicago’s land swaps took place through coordinated action by mayoral officials, sometimes with backing from neighborhood-based political actors, such as Aldermen. Uses for this land included residential, recreational, or commercial retail.¹⁴ For example, this CHA FY2013 annual plan proposed a land swap for “commercial development.”

Land swap disposition of vacant land with the City of Chicago in exchange for comparable or greater acreage and/or value of land in desirable communities for additional CHA development of mixed income residential housing, retail or other uses.

¹⁴ CHA’s early deals in this category promoted recreational development in the rapidly gentrified areas of the Near North and Near West sides, while later deals focused on commercial and mixed-use development. For example, in November 2009 CHA received approval from HUD for a “land exchange disposition of 2.73 acres around ALBA/Brooks Homes to be used for facilities at Fosco Park” (CHA, 2010, p. 65) under the direction of Chicago Parks District. In FY2011, CHA completed the land swap with the Chicago Parks District for the construction of the Jessie White Community Center and Fieldhouse, a 29,000 square-foot, two-story fieldhouse on 1.3 acres with a gym, fitness rooms, and computer/learning center located near Cabrini-Green (CHA, 2012b). The more recent commercial and mixed-use deals will be described subsequently.

With respect to the CHA disposed land, the City of Chicago intends to develop a commercial development which shall serve area residents. (CHA, 2014b, p.23)

After this notice, the city obtained 10 acres of land, amounting to 32% of the former Stateway Gardens. This land was located directly off a major highway and within blocks of U.S. Cellular Field, where the Chicago White Sox play baseball. While the CHA's annual plan provided only this vague description, a letter from Mayor Emanuel's office to HUD officials regarding a different land transaction indicated the city's intent: a Wal-Mart Super Store (CHA, 2014g).¹⁵ If CHA had initiated a land sale directly to Wal-Mart, HUD's disposition evidentiary process would have been required. Instead, the city now owned the land and was less impaired by federal regulations. Thus, land swaps between CHA and the city became attractive as a mechanism for commercial development and were used more frequently after Emanuel's election in 2011.

Land swaps, such as the one at Stateway Gardens, avoided extensive public review because the "intergovernmental agreements" by-passed the kind of HUD-stipulated review typically expected, yet resident leaders and tenant legal advocates started to track the increased use of land transfers to the city. In public testimony about CHA's FY2013 MTW annual plan, Robert Whitfield, the legal counsel for the Central Advisory Council, questioned CHA's practices pertaining to resident engagement:

HUD Notice PIH 2012-7 concerns the demolition and/or disposition of public housing property, to include vacant land owned by the PHA. The Notice applies to MTW agencies like the CHA. The HUD Notice requires specific PHA resident consultation actions that do not appear to have occurred in connection the draft CHA MTW Amendment...The CHA has not consulted with the Central Advisory Council, in its capacity as the jurisdiction wide resident council, and the Resident Advisory Boards for CHA public housing residents. (CHA, 2014b, p. 136).

Other legal advocates who testified in MTW annual plan public hearings claimed that CHA

¹⁵ This letter was included in a 50-plus page disposition application that CHA submitted to HUD for the XS Tennis Village at Robert Taylor (CHA, 2014g).

disposed of land without consultation with resident organizations and for uses that did not serve the interests of those needing public housing.

Questions still remain, however, about whether CHA actually obtained any land from the city through these land swaps: Where is the land located? What plans are being made to develop housing on it? In what ways are political actors and local citizens engaged in consultation? There are few public CHA records that detail if and how land was exchanged with the city.¹⁶

HUD, meanwhile, has not intervened to stem the increased disposition activity for non-housing purposes. Instead, HUD officials routinely approved CHA's annual MTW plan that include the list of planned dispositions. CHA's deregulation status through the MTW demonstration appeared to allow HUD officials to take a more removed stance to oversight (see Chapter Six).

In these three types of land disposition, the role of local government — the city and the CHA—simultaneously align with each other to advance an agenda of increasing the economic value of the property. For the city, there is the immediate satisfaction of its need for tax revenue and a goal of urban development that brings economic investment. For the CHA, dispensing of land for alternative purposes may lead to a long-term benefit of increased land values for vacant CHA-owned land. CHA's interests are to attract and retain real estate investors and developers; that interest becomes more likely to be satisfied once land values increase.

The evidence thus shows how local government officials sought to move Chicago further toward an “entrepreneurial city” and thus use land incentives to promote both commercial

¹⁶ For example, CHA FY2013 Annual Plan states that CHA will receive “comparable or greater acreage and/or value of land in desirable communities for additional CHA development of mixed income residential housing, retail or other uses” in exchange for 3.8 acres of land at the former Harold Ickes Homes (CHA, 2014b, p. 23). Three years later, no CHA public document describes the acquisition of land from the city, nor any plans for development.

ventures and recreational amenities. CHA and the Emanuel administration offered land in prime locations to a broad spectrum of actors for alternative non-housing uses. The city's financial interests are paramount in this pattern of activity undertaken under the banner of public housing reforms.

Five Case Examples of Land Disposition

The first documented transfer on record to a commercial business occurred in August 2009, when CHA sold a small plot of land (.6 acres) near the former ALBA public housing site to the national pharmacy retailer CVS using “fee simple disposition at fair market value” (CHA, 2009b, p. 65).¹⁷ This land disposition was originally approved by HUD through CHA's 2008 annual plan as a “99-year ground lease with one time up-front payment,” (CHA, 2008a, p. 12), but CHA actually sold the land to CVS. This early deal laid the groundwork for subsequent dispositions that involved more acres of land. Map 8.2 below shows the available vacant land at the site.¹⁸

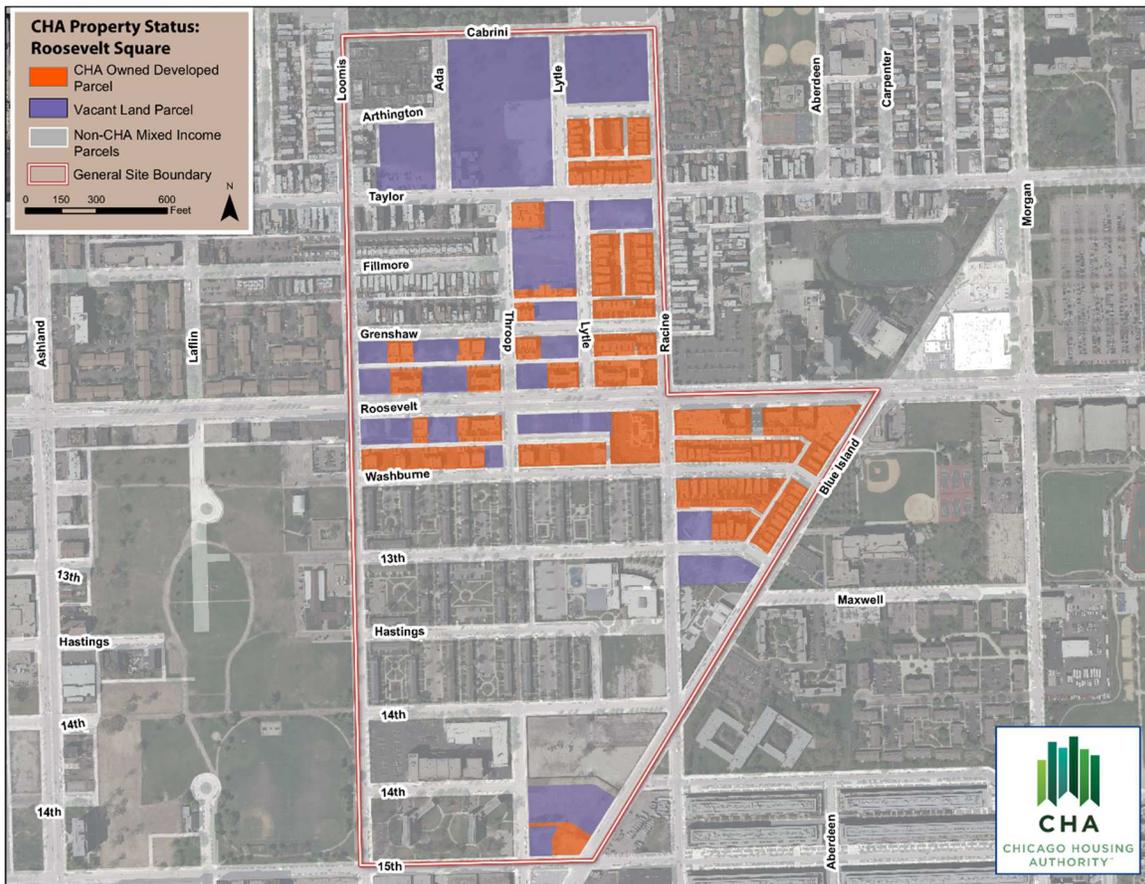
One of the most prominent examples occurred at the Cabrini-Green site. In the mid-2000s national commercial retailers such as Apple, REI, and Sur La Table opened stores in the surrounding area.¹⁹ CHA then closed on a land swap transaction in 2011 with the Target Corporation, a multinational home goods store. Target acquired 3.6 acres of land on one large

¹⁷ CHA shows a “loss on disposition of assets” in the reserve balance of \$6,158,386 for FY2009 (CHA, 2009b, pg. 85). It is fair to assume that much of this amount is equivalent to CHA's proceeds on the sale of the land to CVS since there were no other sales reported that year.

¹⁸ This map and the following Maps 8.3 and 8.4 were created by CHA officials. They illustrate “CHA owned development parcels.” Those parcels are on land that CHA owns, but the property above the land is owned by private partners.

¹⁹ The site is on land where the William Green Homes, an apartment complex built in 1962 that once provided homes to 1,096 households. The complex was demolished in the late 1990s. The last high-rise at Cabrini-Green was vacated in winter 2010 through eviction notices to the remaining 33 residents who refused to move and then subsequently demolished (Austen, 2012).

Map 8.2
Vacant Land at Roosevelt Square mixed-income development site



Map 8.2. Vacant land at Roosevelt Square mixed-income development site. SOURCE: Chicago Housing Authority

parcel. CHA obtained smaller, individual parcels—some vacant and some with structures—on adjacent blocks. These parcels had been purchased by Target in the immediate years leading up to this land swap. CHA received an equal amount of land in the aggregate though the scattered parcels obtained by CHA in the swap have limited redevelopment options. CHA did require Target to provide 75 jobs to public housing residents, in part due to pressure mounted by the dynamic leadership of the Local Advisory Council that represented residents still living in the Cabrini Rowhouses. When Target opened its store in October 2013, media coverage described the project as a successful investment with positive benefits for CHA residents (Austen, 2013).

The city also benefited, according to this former CHA executive who worked on the deal, in terms of what was “offered in the way of property tax dollars to make up for 200 public housing units that we were going to bring back to that corner.” These 200 units still had not been replaced by 2016.²⁰ This statement signifies how CHA officials and others constructed disposition deals so as to generate city revenue through property taxes coming from land converted to its “highest and best use.”

Another example relates to the redevelopment plans of Harold Ickes Homes. Those plans went through several iterations. The 2000 Plan for Transformation slated Ickes’s 1,006 units for rehabilitation, with no plans for demolition. In 2007 and 2008, however, CHA closed eight of the 11 buildings and relocated the residents. Citing concerns about increased violence, CHA officials proceeded to demolish buildings and then announced plans to build mixed-income housing. This project was to include upwards of 400 units of public housing. However, CHA officials changed plans again in 2013 and moved forward with a land exchange with the City of Chicago for approximately 50% of the available acres. This land exchange occurred without typical public hearings, since the swap was between two government entities, again allowing CHA to by-pass extensive HUD disposition rules. The city planned to develop a track and field facility to be used by the Chicago Public Schools on some of the land.

Development of the neighborhood surrounding the Ickes Home by private investors had already intensified, in part due to a \$55 million TIF district. Emanuel’s administration facilitated plans for a new tourist complex to include the expansion of the McCormick Place Convention complex, a stadium for DePaul University, a hotel, and retail storefronts. The Chicago Transit

²⁰ There are multiple phases included in the Cabrini redevelopment plan. CHA’s stated goal was to include 1,100 public housing replacement units in all of these phases (CHA, 2008a). CHA has replaced 434 of these units while 1,417 market-rate homes have been built (CHA, 2013b).

Authority planned to build a new rail station across the street from the former Ickes Homes to facilitate movement by visitors. After initially planning the track and field facility, CHA's Board later approved plans for an additional phase of Ickes and selected the national non-profit developer, The Community Builders, and a private company, McCaffery Interests. This phase includes mixed-income housing as part of a 55,000 square-foot commercial redevelopment.

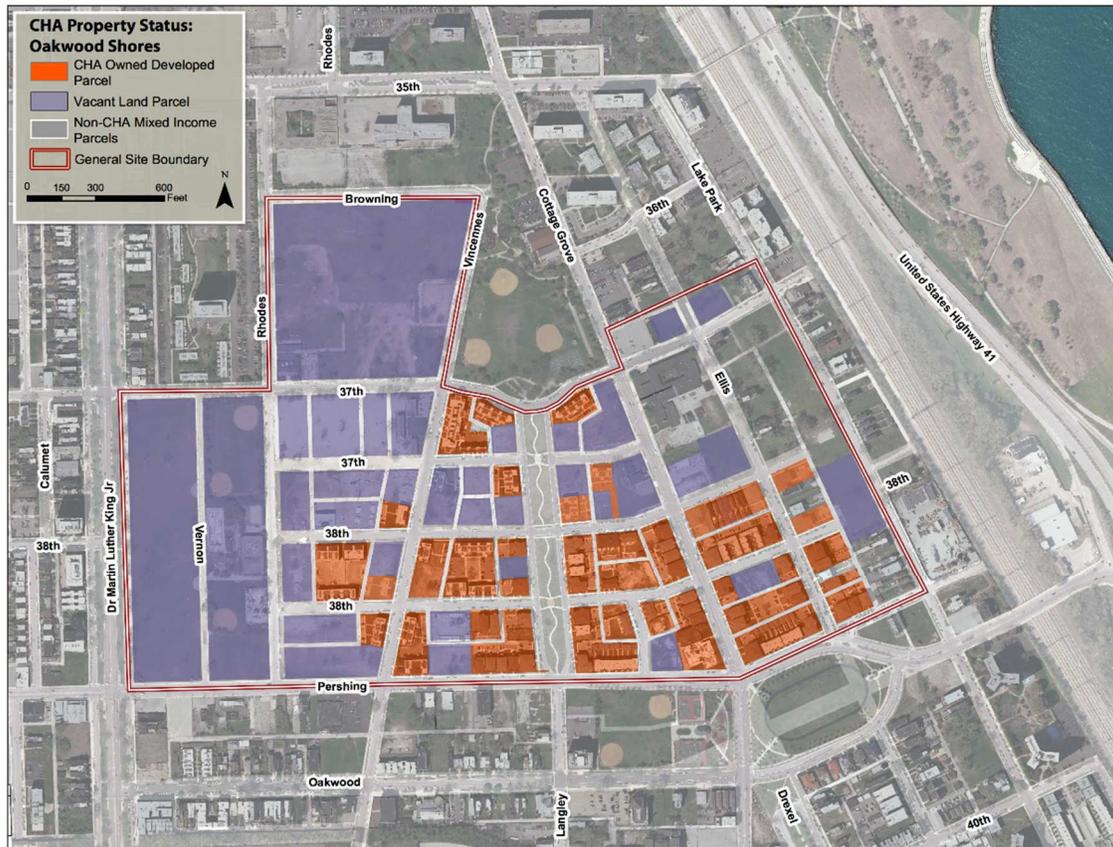
Relocated residents organized by the Lugenia Burns Hope Center, a community organization affiliated with the Chicago Housing Initiative, protested the land swap. Relocated Ickes residents and others held protests, gained media attention, and pressured elected officials in order to make their case that all public housing units should be replaced on the former Ickes site. Activists demanded that the neighborhood transformation not interrupt CHA's commitment to provide subsidized housing. Despite resistance, CHA moved forward with land disposition and promised only 200 public housing replacement units, representing a loss of 806 public housing units.

In a fourth example, CHA proposed, and HUD approved, the 2014 disposition of 8.2 acres of land at the former site of the Ida B. Wells Homes for the development of a Mariano's Market grocery store and retail mall.²¹ The joint venture between a local non-profit organization, Chicago Neighborhood Initiatives, and a private firm, the Safeway Construction Company, paid \$5.5 million (less than the joint-commissioned land appraisal that valued land at \$6.1 million). Mariano's Market agreed to "use its best efforts to recruit CHA residents for permanent jobs" though there were no specific legal agreements to guarantee employment for relocated residents

²¹ On May 20, 2014, CHA's Board of Commissioners approved Resolution No. 2014-CHA-52 that enters CHA into a purchase and sales agreement upon approval from HUD for the sale of CHA land. HUD subsequently approved CHA's Special Application Center proposal. The total site is 41 acres of CHA-owned land, and within a three-quarter mile radius another 76 acres of city-owned public vacant land exists.

living just blocks away at the Oakwood Shores mixed-income development (CHA, 2014d, p. 1).

Map 8.3 shows the site and available vacant land.



Map 8.3. Vacant land at Oakwood Shores mixed-income development site. SOURCE: Chicago Housing Authority.

Members of the Kenwood-Oakland Community Organization (KOCO)—another affiliate member of the Chicago Housing Initiative—led protests calling for CHA, Emanuel, and the Alderman to deliver on-site housing. They pointed to other nearby available sites on land not owned by CHA. Public housing resident representatives also questioned the decision in Working Group meetings. CHA officials avoided holding public meetings in the neighborhood; rather, they allowed comment processes to occur through a city-wide hearing about CHA’s annual plan,

as well as in closed meetings with the Working Group and the Central Advisory Council.

According to a member of the Working Group familiar with the debate:

The representative from public housing that sits on the Working Group thought [the grocery store] was a bad idea because [public housing residents] were promised more housing on that land. ... That was a push there. Thank God nobody at CHA listened. [CHA officials] said we have built enough housing, now let us build a community. Let us make the change and put housing and commercial together.

As this quote suggests, CHA officials were swayed by influential local stakeholders, such as the Alderman and leaders of neighborhood associations who argued that the new grocery store and retail mall provided necessary goods in a South side area where national chains and other businesses had been hesitant to locate. Community and economic development of CHA land may be preferable for some people and in some locations. But, without a generative and democratic planning process to redesign the site plan, it's difficult that determine if and how the benefits of these new uses will be collectively shared.²²

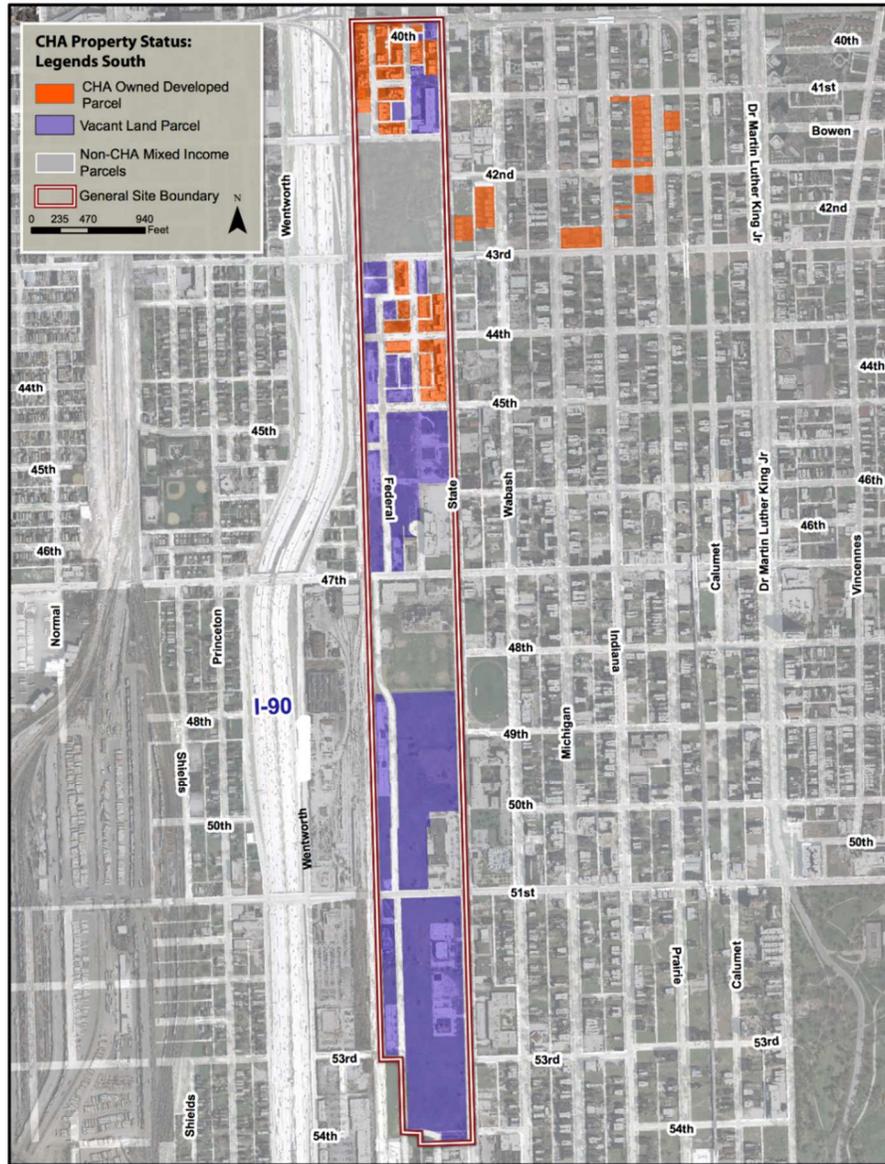
In a final example, the CHA Board approved the sale of 13.2 acres at the former Robert Taylor Homes for the non-profit XS Tennis Village for \$2 million. It was the largest disposition of CHA land for non-housing uses.²³ An 112,000 square-foot athletic and academic enrichment center, estimated to cost \$12 million, will be built on about one-fourth of the site.²⁴ Map 8.4 shows the vast amounts of vacant land available. The CHA Board resolution described how the

²² The CHA Board approved a resolution in 2014 to hire a planning consulting firm to conduct a neighborhood-based participatory process that would lead to a new master site plan. But the process would have been conducted during the reelection campaign of the Mayor and Alderman. My informal conversations lead me to conclude that the site plan was put on hold due to the election and the desire to reduce opposition.

²³ The Robert Taylor site has 78 acres of vacant land, most of which was located between the I-94 Expressway and the four-lane traffic corridor State Street.

²⁴ In April 2014, CHA's Board of Commissioners approved Resolution No. 2014-CHA-35 that enters CHA into a purchase and sales agreement upon approval from HUD. The developer agrees to "commensurate benefits that include reserving annually 60 class scholarships valued at \$180,000 for CHA youth in the XS Tennis programs, and reserving for CHA residents 2-3

vast amounts of vacant land available. The CHA Board resolution described how the recreation center would provide “commensurate benefits” in the form of annual scholarships for youth living in CHA-subsidized housing, as well as a few jobs.



Map 8.4. Vacant land at Legends South mixed-income development site. SOURCE: Chicago Housing Authority.

employment opportunities (jobs) for a total annual salary compensation not to exceed \$80,000” (CHA, 2014e, p. 2). Once constructed, the facility will include 12 indoor and 15 outdoor tennis courts, a running track, classrooms, and a fitness center (Austen, 2015). The University of Chicago tennis team plans to use this facility.

There was no apparent resistance to the tennis complex. There was also no longer a community organization to represent public housing residents from Robert Taylor. Most former residents had relocated in the early 2000s, when demolition of the high-rises occurred. Some local political actors, including the Alderwoman, sought to limit the amount of affordable housing that would be built on the nearly thirty contiguous acres of vacant land, since she had already permitted much of CHA's replacement units to be built in her ward and believed that the tennis center provided the best possible solution for land use. Political support and fundraising from neighborhood associations, backers at the University of Chicago, Congressman Bobby Rush, and Emanuel pushed the project ahead (Austen, 2015). According to a CHA official:

You would have thought the tennis academy would have been one of these things that would have sent people going crazy. [The developers planning the project] talked about all of the young African American people that would go there...It rolled through the CHA board.

A tennis club for African-American families appeared to be just what many living in the neighborhood desired to attract more investment.

The CHA land transfers are evidence of a more sweeping movement by state actors to use land as a tool to spur economic investment. What was once a public good for housing low-income individuals and families is now seen as better used by a national chain pharmacy, a multinational home goods store, a mixed-use, transit-oriented development, a grocery store/retail mall, and a tennis recreational center.

I interpret these land disposition actions as evidence that city and CHA officials prioritized the economic development needs of the neighborhoods and the city over the housing needs of low-income residents. This is the case since these actions took place during a period when there was also a diminished focus on the creation of replacement public housing units. While the mixed-use approach can complement the mixed-income development strategy and

create new amenities in place of underutilized property, local government officials could have also sought legally binding agreements for community benefits, such as jobs. Furthermore, the planning and decision-making processes failed to demonstrate deliberative engagement among many of the relocated residents and other low-income residents invested in the redevelopment agenda; the land disposition framework thus contributed to marginalizing those for whom the public retention of property mattered most and heightened the access of others whose financial interests shaped plans.

Contesting Land Dispositions and Alternative Site Plans

The distinction in influence between the early resistance campaign mounted by the Coalition to Protect Public Housing and the most recent activism by organizations affiliated with the Chicago Housing Initiative (CHI) requires further consideration as it pertains to the political importance of land ownership, the role of property rights, and the processes of disposition.

Recall how the Coalition's early efforts framed a rights agenda that was able to influence policy decisions pertaining to public land ownership. Coalition members' claims of "land grabs" made their way into the public domain and required state actors to temper what may have been an otherwise more extensive form of privatization. CHA officials were convinced of the need to not to sell or dispose of the entire site and to maintain ownership over land where rental housing would be built.

The Coalition's discourse and its collective action contributed to the "representational space" in which public land and property rights for poor people had to be acknowledged (Lefebvre, 1991; Smith, 2000). The framework of public housing as a right, especially beneficial to current residents, many of whom were African-American families, offered some measure of

restraint on CHA activities. State actors in turn adopted policies that maintained—at least for a period of about 10 years—public ownership of the land in question.

The Coalition’s organization and power, however, dissipated by 2006. Once residents were relocated and the public housing high-rises came down, the planning discourse shifted to the future of mixed-income development. This strategy was publically framed as a solution to ameliorate poverty through the social and economic integration of residents from a variety of economic backgrounds, and through the use of public housing sites to root market investment.

If the language of “land grabs” was warranted at the launch of the Plan for Transformation, then its value as a framework for political organizing may be even more pertinent today. However, there continues to be many obstacles to effective resistance to a redevelopment agenda that privatizes public housing and land. CHA’s shift towards using land for alternative purposes raised concerns by activists and leaders of the Central Advisory Council about the need for replacement housing, public notification, and clear processes of resident consultation. Indeed, in 2012 the Central Advisory Council presented the 2012 Strategies and Recommendations Report in response to Plan Forward, but CHA officials have chosen not to reinstate processes that allowed for substantive and ongoing consultation by public housing residents and their allies.

This very lack of engagement with public housing residents is indicative of CHA’s new practices. Non-engagement, in part, confirms what many public housing advocates feared from the Plan for Transformation: neighborhoods once comprised of low-income individuals and families in need of public housing would be turned over, one way or another, to real estate developers and investors. Some respondents questioned how CHA (and other actors) were benefiting from these land dispositions. One policy advocate said:

The land swap/land sale phenomenon has been catapulted as a strategy that CHA is looking a lot at this last year, there was the sale of the Robert Taylor land, the sale of the Ida B. Wells land, there's the swap of the Ickes land...I would say about a year ago [in 2013], we weren't seeing a lot of land transactions. And then there's this interesting question about the terms of the sales and the swaps are never totally clear to me...Because I'm sure there's a smoking gun here too...HUD requires the Housing Authority to demonstrate the commensurate public benefit that the agency is receiving if it's not just a dollar-for-dollar transaction. I would love to [know] what the Housing Authority's actually doing here. If they're asking for market value? If they're not? What they are getting in exchange? How they are using the money?

This advocate raises the question of “commensurate public benefit” in exchange for public land.

While CHA may be receiving commitments, and in some cases real dollars, the hope stated by this advocate and others is that those benefits will translate into new housing and economic opportunities for the poor. CHA nonetheless framed its land dispositions as beneficial to public housing residents in the form of jobs, scholarships, and on-going access to facilities. In the case of the XS Tennis Village, these benefits in the form of tennis scholarships and a few jobs have been specified in the HUD disposition application at an estimated amount of \$2.6 million over a 10-year period (CHA, 2014g). But in most cases no legal requirement has been instated, nor have new public housing units been rebuilt in or around many of the public housing sites as planned.

As for CHI, it held more potential than any other activist group organizing around public housing in the wake of the Coalition's demise. CHI followed the Coalition's example of emphasizing the needs of low-income individuals and families and thus the imperative of affordable housing. CHI's place-based activism around land disposition showed their grounded connection to tenants and residents in respective neighborhoods, in particular during recent campaigns at Lathrop Homes in 2015 and 2016. The organization also used expert analysis of CHA's financial resources for asset disposition (see Chapter Six). It effectively interjected its view into media stories, earned the support of Aldermen for the “Keeping the Promise” ordinance, and pressured HUD officials for oversight. Their campaign for a new CHA voucher

utilization plan certainly resulted in larger numbers of people on CHA's waitlist receiving housing.

However, without the presence of residents still living on site to demand more secure plans for replacement housing, it has become all the more challenging for CHI and other community-based organizations to generate the necessary leverage to curtail land transfers or achieve stronger community benefits. Even at a place like the Ickes Homes, where residents recently relocated were awaiting the opportunity to return and where there was the kind of critical mass required for some organizing, CHA has not come close to meeting CHI's desire for a one-for-one replacement of lost public housing units. The history of the Coalition and CHI and its member organizations are evidence of the challenges inherent in resisting the power of public housing reforms that follow the patterns of neoliberal ideology.

Conclusion

Mayor Rahm Emanuel likes to extol Chicago as a "global city." Whatever one associates with the term, the financial valuation of the city is paramount. Central to ensuring that the city is suitably entrepreneurial or "global" is how urban space is redeveloped for the benefit of affluent residents, business owners, developers, tourists, and others. While it is possible that the amenities created through land disposition will also be enjoyed by low-income residents (including those able to return to the neighborhood after relocation), the evidence demonstrates challenges to the equitable distribution of benefits in these contexts. If urban neighborhoods can be reconstituted for the benefit of those with privilege and power (i.e., non-minority, upper-income households), then property tax revenues increase, allowing for greater fiscal security by city municipal governments concerned about shrinking federal and state support.

I conclude with several interpretations about land redevelopment. The first interpretation relates to critical urban scholarship that conceptualizes the privatization of public land as a state-led activity aimed at expediting capital accumulation. In line with this theoretical perspective, the role of the state in urban redevelopment is to assign value to land, buildings, and spaces with the goal of reclaiming select areas for financially exploitative real estate development (Brenner & Theodore, 2002; Harvey, 1978; Hackworth, 2007; Smith, 1996). State actors advance an agenda of redevelopment through a range of practices, including concealing plans through administrative decisions rather than public processes, as well as quelling the force of oppositional parties by offering concrete benefits (i.e., jobs, land, lower taxes, a seat at the table). According to Weber (2002), “States discursively constitute, code, and order the meaning of place through policies and practices that are often advantageous to capital” (p. 177).

Reflective of the broader movement towards neoliberal urban restructuring, the privatization of public housing was intensified through a set of advanced strategies of land disposition. These strategies focused on “capital accumulation through dispossession” through the commodification of public land for purposes such as commercial, transit, and recreational redevelopment (Harvey, 2003). Marxist perspectives illuminate the role of the local state in redeveloping urban space by allowing land to become financially beneficial to corporate enterprises. Disposition of public land is a form of dispossession, of home and of neighborhood, signifying the transition of these spaces into marketplaces.

Since the launch of the Plan in 2000s, the role of the local state has focused on facilitating the economic interests of market actors. State-retained ownership through the phase-by-phase approach signified a tempered movement towards privatization. When the mixed-income strategy failed to produce market-rate housing, however, the empty spaces became reinvented

and the potential for profit-generating activity shifted towards commercial, industrial, and recreational purposes. Government actors used their local control under the deregulation context to facilitate and then accelerate this movement towards the privatization of public land.

Public land disposition clarifies how public housing reforms primarily aim to mark inner city spaces as economically attractive. Public housing reforms certainly stimulate private investment that expands profit for private entities. In the earliest phase, these private entities existed primarily within the *housing* real estate industry and included private investors in the LIHTC deals, developers, property management firms, transactional lawyers specialized in housing, and others. In the past eight years, however, these private entities have expanded to include *commercial* real estate companies, such the co-developer of the Ickes site, McCafferty Interests, that holds over \$2 billion in assets, as well as multinational and regional chain stores such as Target and CVS.

The decisions by local policymakers to sell and transfer public land for profitable enterprise is a classic reflection of displacement and land disposition *for* gentrification. Chicago's public housing reforms represent the mobilization of state power in the extension of market rule (Lees, 2008; Peck & Tickell, 2002; Smith, 2002). In the aftermath of the financial crisis, these reforms show the implementation of neoliberal state policies that now aim to grow financial assets within a variety of realms, including housing, commercial, transit and recreational.

Additionally, land disposition positions the city as a benefactor by capturing property tax on land previously lacking tax requirements, and through long-term revaluation of private property in and around currently held public land. Once areas are deemed as more economically attractive, even though non-profit ventures such as the XS Tennis Village, public property owned

by the city and CHA becomes more marketable to sell in years to come. In this way, disposition by sale or by lease presents the most economic benefit to the city—and by extension, political benefit to those government actors who use their positions to influence CHA policy towards such a strategy.

My second conclusion relates to the role of mayors. The mayors' agendas centered on a "logic of capitalist spatial development in which competition seems to operate not as beneficial hidden hand, but as an external coercive law" (Harvey, 1989, p. 12). The public housing agenda was not solely about housing and neighborhood redevelopment for low-income people; rather, the agenda focused on redevelopment that could benefit business and affluent residents.

Public housing policy reforms under this neoliberal framework must provide the right incentives to private sector actors to deliver housing that, by design, integrates public housing units with those for higher-income households in order to justify rebuilding affordable housing units. To the extent that land where public housing is located and housing that necessitates market investment can play a facilitative role in furthering the mayoral agenda of using the city as a site of globalized capitalism, then public housing reforms are essential. However, if those same neighborhoods and housing policy strategies show signs of decreased economic value, then public housing reforms fall to the wayside among the host of other policy agendas that may (in any given time and space) be more effectual in furthering the mayor's agenda.

My third conclusion relates to the role of resistance efforts. The path of Chicago's reforms must be understood by accounting for the interactions of neoliberal ideology and the particular forms of contestation that took shape in Chicago. Resistance efforts of the Coalition may not have stopped the dismantling of public housing as it had been traditionally understood, but it did have an impact on how disposition policies played out. The Coalition's efforts provided

a political discourse that helped describe Chicago's public housing reforms as a state-led urban gentrification project aimed at profits for real estate developers. Even if the activists' struggles became more limited and less effective as buildings were demolished and land clearance dispersed residents who might have been engaged in a vital and more robust organizing effort, the forms of resistance we did witness indicate the immense challenges undertaken by low-income citizens and those who work on behalf in a neoliberal city.

Finally, the variegated nature of CHA's land dispositions over time and space make shifts in policy priorities towards non-housing purpose difficult to explicate in total. What we have seen is much more than a consistent form of state-led neoliberalization. The notion of top-down, government-facilitated, neoliberal policy reforms presented by some Marxist-influenced scholarship is complicated by a close look at how elected officials, community-based organizations, public housing tenants, and other stakeholders have influenced CHA redevelopment planning (Harvey, 1978, 2005; Hackworth, 2007). Through unpacking the specific policy incentives of land and the mechanisms used to promote dispositions, this case study serves to more concretely show how government officials' decisions and the policies they enact produce neoliberal processes, that shift over time, but in ways that maintain a focus on market mechanisms, privatization and capital growth of the city's assets.

CHAPTER NINE: CONCLUSION

Summary of Findings

This dissertation investigates the politics of urban redevelopment in Chicago, a city where the challenges of urban poverty and racial segregation define much of its history and landscape. It is a city where the scale of public housing and the need to ensure its provision to thousands of households makes urban reform challenging. Shifts in public housing policy meant demolishing a great many structures and displacing thousands of African-American households. The funding required, upwards of \$8 billion, and the profits to be generated, upwards of \$61 million in payments to developers to build mixed-income developments, demonstrate the massive extent of the effort.

Chicago's Plan for Transformation thus became the nation's most ambitious public housing reform agenda. The Plan articulated a well-established ideology that market-based solutions are the best hope for solving the historical challenges of public housing. The Chicago Housing Authority, working with increased autonomy from federal oversight, issued the nation's first securitized public housing modernization bond in 2001, undertook 12 sizeable mixed-income development projects, implemented mixed-finance models, transferred public land to private entities for housing and other uses, and engaged in other privatization arrangements. The mixed-income component of the public housing reforms, with its focus on new construction, fit into Mayor Daley's broader vision for reshaping the city's built environment and altering its population. The Plan's stated aim was to counter concentrated urban poverty. The processes it sponsored were meant to create new, economically diverse housing communities that would allow market forces to take root in the old public housing sites in order to generate well-resourced, safer, and healthier environments.

This study investigates how actors, policy processes, and political institutions shaped urban neighborhood redevelopment; in particular, it shows how government officials, real estate developers, bankers, lawyers, housing planners, grassroots activists, and others pursued policy strategies favorable to their interests over a sixteen-year period—a time marked by the financial crisis of 2008 and an ensuing recession.

This study also demonstrates how those stated reforms evolved and regards the reforms collectively as an example of an actually existing neoliberal policy project. It shows how state and market actors aligned their interests to try to use public housing sites for economic investment and how activists attempted to force adjustments to that agenda. The overall effect of the reforms was to burnish Chicago’s status as a “global city,” but the reforms also led to land appropriation, capital accumulation, and the displacement of many African-American public housing residents.¹

Prior to this study, Chicago’s public housing reforms had not been examined across time or geographic areas using Marxist critiques of neoliberal urbanism, nor through qualitative case study methods. This study fills that gap and uses the case of Chicago to improve our empirical understanding of neoliberal urbanism more generally. It accomplishes this through its particular attention to the wide range of actors who sought to bring the Plan to fruition and those who tried to alter its implementation. This focus brings to light the multiple and contradictory visions at work within a neoliberal framework: competing visions of the proper partnerships between the public and private sectors, shifting authority between local and national government agencies,

¹ My analyses of the available CHA data shows that of the 25,146 residents (including seniors and heads of households) who lived in CHA housing at the launch of the Plan, 49.8% (12,527) satisfied their right to return (see Chapter Four for detailed description).

and struggles for community-based redevelopment on the land where public housing high-rises once stood.

Moreover, the study shows how local actors adapted and responded to shifts in the political economy during the post-2008 recession, when most political and market actors worked to maintain an allegiance to the privatization framework despite the demonstrated challenges to its financial and political feasibility. In probing these conflicts and contradictions, *Privatizing Chicago* illuminates how organized political maneuvering on the part of public officials and private sector real estate elites altered market-based policies intended to remake urban poor neighborhoods.

Theoretical Relevance

The study adopts six analytical frames drawn from the Marxist-influenced critiques of neoliberal urbanism: (a) creative destruction, (b) urban entrepreneurial governance, (c) devolution, (d) privatization, (e) commodification of public property, and (f) contestation. Below I use four related sections to underscore the contributions the study makes to this theoretical understanding of actually existing neoliberal urbanism.

Political Agency and Resistance

This study contributes to the understanding of actually existing neoliberalism by showing how actors—and the political processes they initiated—helped create the conditions within which market-based policies came to be established as a standard practice. It demonstrates the specific ways in which neoliberal ideologies held by elected officials, private sector partners, and others became accepted as the prevailing norms, later translated into standard expectations, and eventually implemented as policies.

It is through observing the agency of political and market actors that one can best understand how Chicago's public housing reforms reflect the "creative destruction" that occurs in neoliberal policy transformations: the simultaneous roll-back (destruction) of public housing and the roll-out (creation) of restructured state institutions, policies, and governing approaches focused on capital expansion (Peck & Tickell, 2002, p. 43). Building on the theory, market logics are embedded in policies and government actors promote processes of neoliberalism through policy incentives such as mixed-finance approaches and land disposition. The evidence shows through specific examples how political and market actors' decision-making processes produced Chicago's reforms as not simply a retrenchment of public housing, but also as an agenda to facilitate private market engagement in what was previously a public domain.

Viewing Chicago as a neoliberal city requires recognizing its political landscape as one where struggles over the future of public housing and city neighborhoods have been in constant dispute during a period of structural transformation in the political economy. In this case, political pressure by activists mediated, to a degree, the advancement of an agenda focused on harnessing private sector engagement towards the goal of public housing redevelopment. For instance, early organized resistance mounted by the Coalition to Protect Public Housing resulted in CHA officials instituting a Relocation Rights Contract and maintaining public ownership of a portion of public housing sites rather than in fully transferring ownership rights to private developers. More recently, efforts led by the Chicago Housing Initiative triggered stronger oversight by HUD officials and City Council members and sparked CHA officials' action that produced higher voucher utilization rates (through a revised allocation procedure) and greater numbers of available rental units leased to applicants (through rehabilitation of off-line units).

Taking into account the agency of the mayors and local government officials, these two grassroots efforts focused on replacing public housing units and protecting as much as possible the needs of the low-income individuals and families who relied on public housing. However, activism ebbed and flowed over the 16 years, thus making only limited impact relative to the agency of elites and only in certain moments. Even so, these efforts demonstrate how processes of actually existing neoliberalism take shape within a contested political landscape in ways that, at least to a nominal extent, constrain the scope and trajectory of a purely neoliberal reform agenda. While contesting neoliberalism, these resistance efforts in Chicago faced challenges due to the durability of governing arrangements between public officials and their private-sector partners.

Privatization and Financialization

This study also contributes to the understanding of actually existing neoliberalism by detailing the intricate pathways by which market actors took advantage of public resources. It shows how privatization occurs within the mixed-income development strategy, mixed-finance arrangements, and disposition of public land. In the transition to privatization, public housing became, above all, a commodity with exchange value: public housing was converted into private ownership so that investment schemes could allow these units to be used to build even greater wealth by generating development fees, stable rental operating subsidies, tax-credits, and capital from long-term assets.

This study also documents how Chicago's alliance of elites—led by Mayors, executives at Chicago Housing Authority, housing developers, and financiers—modified privatized arrangements when the projected plans were no longer as financially viable, especially after the 2008 financial crisis. These actors were shown to reshape reforms continuously in ways that

expanded opportunities for market actors to benefit financially from public resources. In this way, the study demonstrates the mechanisms by which “*inherited* institutional forms and policy frameworks and *emergent* strategies of state spatial regulation” (Brenner & Theodore, 2002, p. 356) interact through contradictory, uneven, and always changing neoliberal processes. For example, when it became impossible to sell units in the mixed-income developments, government officials devised new plans for property disposition for alternative uses, an approach that was seen as politically impossible just ten years prior.

In addition, the study confirms how housing developers and financiers expanded their property portfolios by developing housing in physical spaces previously protected by public authority; how public housing became a particularly reliable line of business activity within the larger sphere of a firm’s portfolio; and how the mixed-finance arrangements allowed development firms to use public subsidies and public land to produce affordable rental housing that generated profit. Take, for instance, the investment process, which includes the buying and selling of tax credits. The CHA mixed-income developments received allocations of Low Income Housing Tax Credits that could be syndicated. This process generated nearly \$800 million in tax-credit equity (see Chapter Seven). These tax credits, while providing upfront capital to develop affordable rental housing, also provided benefits to private corporations through tax relief.

Mixed-finance arrangements became, then, a form of advanced financialization that benefited real estate developers, investors purchasing and reselling tax credits, and bankers originating loans for capital construction. Affordable rental housing policy became of service in a broader agenda of market expansion, while many relocated public housing residents and other low-income populations faced tremendous challenges to secure stable housing.

Finally, a related contribution shows how community activism within a neoliberal context must also focus on privatization and financialization, and in doing so shift towards emergent tactics and strategies focused on “following the money.” This shift in the nature of community organization changed the nature of CHI’s work from not only building leadership and power among its membership but also to interpreting and translating complex financial arrangements (see Chapter Six). Thus, this study contributes by illuminating how resistance efforts must contend and adjust to an increasingly dominate focus of financial markets within urban policy.

Local State Control, Federal Devolution, and Global Processes

The study makes another contribution to the understanding of actually existing neoliberalism by demonstrating how the mayor’s office exploited public housing and public property to expand market-oriented policy strategies with the goal of heightening the city’s global profile and meeting the economic interests of capital investors, such as those in the real estate and financing sectors. Over the 16 years in which the CHA was part of the MTW demonstration, it transitioned from a financially strapped agency to one with substantial underutilized federal subsidies, due in part to how Mayors Daley and Emanuel and CHA executives prioritized the agency’s financial position.

I use the literature on “entrepreneurial logics” within urban governance to interpret mayoral action of pushing property developers and financing partners toward the profitable redevelopment of public housing sites (Harvey, 1989, Leitner, 1990). According to Harvey (1989), local government serves the “strategic interests of capitalist development” primarily through the “speculative construction” of place-specific projects aimed at generating indirect benefits for the metropolitan region (Harvey, 1989, pp. 7-8). Urban entrepreneurs, such as mayors, institute public-private partnerships focused on investment, and this study shows how

Chicago's public housing redevelopment reforms became place-specific projects targeted by the mayor's office. Additionally, for Mayors Daley and Emanuel, transnational bond-rating agencies, such as Moody's Investor Service, proved important vehicles for determining how, where, and when capital should be invested (Hackworth, 2002, 2007; Sbragia, 1996; Swyngedouw, 1997).

This study adds to the existing literature of mayoral influence within neoliberal urbanism in two important ways. First, it demonstrates how local state actors interacted with and were shaped by national and global actors and processes. Daley, Emanuel, and CHA officials initiated public housing redevelopment projects for the benefit of the city as a whole and engaged private actors to do likewise. While Chicago's government officials all held "local" positions, whether at City Hall or Chicago Housing Authority, the private sector actors were connected beyond Chicago's metropolitan region through projects they undertook and financing they made available in other cities. For most of the developers and financiers, Chicago's terrain was only one location within their expansive portfolios. For example, most of the private developers in the mixed-income redevelopment projects had a national presence and were accustomed to working with other municipalities. The mixed-financing arrangements required in mixed-income development projects also necessitated investment by global financing entities. Financing partners such as J.P. Morgan Chase and Bank of America provided capital, purchased tax credits, invested in bonds, and otherwise pursued their financial interests in places across the nation and world. Chicago's local officials therefore competed with other cities in gaining the commitment and capital of private partners.

Second, it illustrates how Daley and Emanuel strategically pursued public housing reforms and made decisions about the use of public assets (e.g., subsidies and land) while taking

into consideration these global actors and processes. Applying the construct of “glocalization” (Swyngedouw, 1997, p. 137), the mayors maintained concern about the bond market while also facing decisions about how to position Chicago’s global success relative to other cities. When public housing sites could meet Chicago’s broader economic interests of gaining strong scores for global valuation and attracting financial investors in accessing private capital, the mayors acted to do so. In this way, Chicago’s mayors also “extracted value” (Weber, 2002, p. 519) out of the public housing sites but not for the benefit of direct profits for the city, but rather as a means for achieving the agenda focused on global economic competition, such as signaling the economic value of Chicago to investors.

The Relevance of Race

While Chicago’s public housing reforms sought to address poverty among what was a predominantly African-American population, the reforms were not explicitly framed as solutions to racial segregation. Rather, the framing of these efforts by policymakers focused on poverty deconcentration and was essentially silent on the issue of racial integration (Goetz 2011a; Khare, Joseph, & Chaskin, 2015; Smith, 1999; Turner, Popkin, & Rawlings, 2009). In particular, the ideas about social integration, positive role modeling, and proper social control that underlie the mixed-income housing strategy were touted as beneficial for poor people through an intervention primarily focused on economic integration (Joseph, Chaskin, & Webber, 2007).

Yet these reforms followed a similar pattern that can be traced back to early New Deal policies as well as through mid-century Urban Renewal initiatives in Chicago, whereby African-American communities were displaced through policy interventions aimed at remaking urban space. Public housing exacerbated racialized spatial divisions across cities—divisions thought to protect white-dominated businesses and institutions from African Americans and other racial

minority groups (Goetz, 2013b; Hirsch, 1998; Hunt, 2009; Hyra, 2008; 2012; Massey & Denton, 1993; Smith, 1999; Vale, 2013).

This study contributes to this historical knowledge in two ways. First, it shows how Chicago's contemporary privatization of public housing reflect reforms from prior eras. The evidence indicates that these reforms meld the class inequalities created by capitalist urban land markets and associated public policies with an underlying, color-blind prejudice reinforced by government agencies. In many ways, the evidence presented in this study highlights how Chicago's reforms were in fact a state-led process of gentrification, primarily targeting areas where the majority of residents were African-American and clearing those sites in order to facilitate private sector access to public land. The reforms reproduced segregation, as well, since most relocated residents could not move back to their neighborhoods and into new mixed-income developments. As a consequence of the reforms, the majority of relocated public-housing families, approximately 74% (9,754 households), tended to concentrate in low-income, African-American neighborhoods on the South and West sides of the city (Chaskin et al., 2009; Oakley & Burchfield, 2009; Sink & Ceh, 2011). The result is the reproduction of segregation and marginalization reminiscent of prior historical periods in which the dislocation of African-Americans who experience persistent poverty occurred.

Second, the study fills a noticeable gap in the literature on neoliberal urbanism—a literature that all too often underplays the relevance of race (Brenner & Theodore, 2002; Hackworth, 2007; Harvey, 2004; Peck & Tickell, 2002). Rather than explaining processes of neoliberalism solely as class-oriented capitalist projects, this study shows how enduring racial disparities were reproduced within Chicago's reforms through incentives that were prioritized in geographies where more whites lived (e.g., Cabrini-Green), while leaving other areas (e.g.,

Robert Taylor) with fewer incentive structures. The theoretical critiques of neoliberal urbanism fell short in explaining how institutionalized racism within housing policy becomes actualized through policy decisions, such as those highlighted in this study. This study suggests the need for a more explicit consideration of how race-based privilege and power functions to shape actually existing neoliberalism. In particular, the literature on critical race theory may strengthen what now appears to be disjointed conceptual frameworks, yet interlocking policy processes unfolding in real time and space.

Policy and Practice Implications

Public housing, once the largest federally funded rental housing program, is being phased out of hard units; between 1994 and 2012, more than 250,000 public housing units were demolished. The roll-back of public housing continues through HUD's budget, which is now about 50% less than it was in the early 1970s, leaving incomplete nearly \$26 billion of needed capital improvements as of 2010 (Abt Associates, 2010; Schwartz, 2014).

The Obama administration's policies have continued to prioritize the engagement of private owners and private capital. For example, the new Rental Assistance Demonstration (RAD) program allows PHAs to convert the ownership and financing structures of public housing developments, under the assumption that projects will be able to access private capital, such as tax-credit equity, bond proceeds, and bank loans (Smetak, 2014; Smith, 2015).²

² Launched in 2013, the Rental Assistance Demonstration aims to meet the physical deterioration of public housing and other HUD-assisted stock and to resolve the challenge of HUD budget deficits in meeting capital needs. HUD approved 250,000 public housing units for inclusion into RAD. The program creates a new financing structure by converting traditional public housing units to long-term Section 8 rental assistance contracts. PHAs can then convert to private mortgages, which in turn allows them to access private capital through borrowing money against the properties. Developers can also use LIHTC and forms of private financing to make improvements. Investors can benefit from future federal subsidy guarantees, interest payment on loans, and/or development and management fees. The shift away from the current

Furthermore, the new Choice Neighborhood Initiative (Choice) expands HOPE VI to allow different types of HUD-assisted privately owned properties, such as Section 8 project-based developments, to access more federal subsidies for redevelopment (Urban Institute & MDRC, 2015; Khare, in press).³ One noteworthy policy transition with RAD and Choice involves a new requirement for the one-for-one replacement of nearly all public housing units. Overall, the reforms from the Obama Administration take their place within a longer history of federal urban development policies that increasingly use government incentives to steer market responses towards the redevelopment of urban neighborhoods.

Overall, policymakers continue to embrace neoliberal ideologies. Even so, potential for more progressive policy agendas aimed at shaping equitable cities exists. There are, therefore, several implications worth considering for housing policy in order that low-income populations and neighborhoods receive benefits on par with those afforded to private developers, owners, and financiers.

This first set of policy recommendations focuses on strengthening government policies related to affordable rental housing and neighborhood redevelopment. First, the RAD and Choice framework of one-for-one replacement needs to be extended to all HUD programs that receive federal subsidies in order to reverse the current trend that eliminates approximately 10,000 public housing units each year. Second, PHA officials should reduce incentives, such as lower

appropriations-based funding system may lead to more stable financial operations. Critics suggest private investors will only be attracted to those projects where profits are predicted; thus the more distressed buildings may be those left within public ownership (Smith, 2015).

³ The Choice Neighborhoods Initiative (Choice) replaces and expands the HOPE VI program. First funded in 2010, Choice provides planning and implementation grants to local municipalities in order to redevelop distressed assisted housing projects and transform neighborhoods surrounding them into mixed-income communities. Choice maintains a focus on mixed-financing and public-private partnerships. Choice expands HOPE VI by providing funding for neighborhood improvement projects and partnerships with community-based organizations focused on social services, education, health, public safety, and other human needs.

developer fees or higher cost requirements for public land, in mixed-income projects located in neighborhoods with strong housing markets. Related to this, PHAs and city officials should require developers in these markets to provide affordable rental housing on-site or in the vicinity, rather than continue to rely on the current model that allows developers to opt out of developing these units by paying a fee. Third, in order to stimulate stronger housing markets in economically disinvested and racially segregated areas, officials at all levels of government need to develop more incentives for the production of rental housing, such as that with an income limit of 120% of area median income. Fourth, PHA officials should require some for-profit developers to provide a percentage of the ownership interest and associated income streams to local non-profit neighborhood organizations, in order that economic benefits derived from public-private partnership be shared with surrounding communities. Fifth, HUD and PHAs need to make efforts to retain long-term control of public land—and when land transfers occur, public officials need to negotiate to ensure that long-term community benefits are derived. Finally, HUD’s MTW demonstration needs substantial adjustments to ensure equity among PHAs and proper oversight within the framework of deregulation. For example, HUD officials should consider revising preferential funding formulas, requiring voucher utilization rates of at least 90%, and reducing the amounts of allowable annual carryover in unexpended funds.

Another set of policy recommendations relates to the fundamental challenge of urban governance within a context that prioritizes public-private partnerships. The evidence of Chicago’s mayoral control over the CHA suggests the need for greater transparency about policy decisions, greater public accountability, and more robust forms of representation in decision-making processes. First, mayoral authority to appoint the CHA CEO and Board members heightened the influence of the mayors’ agendas within CHA policy reforms. Stronger oversight

of the CHA, such as by HUD officials, is needed to ensure a balance of accountability across government branches. For example, HUD officials may need to revise the MTW Agreement to require more extensive reporting about performance and use of federal subsidies. Second, the by-laws and structure of CHAs Board of Commissioners may need to be revised to ensure a stronger role in policy and financial decisions, in order to intervene into the current pattern of underutilized federal subsidies and the lack of distribution of housing assistance. Third, working partnerships with a range of nongovernmental actors (who are not also contracted partners), organized through official committees of the Board, could allow for greater levels of participation. These other actors include tenant leaders, housing advocates, and representatives from community organizations who hold a stake in the future of public housing reforms. At the site level, CHA's Working Group structure may need to be revised to include different representatives and also more public participation into site redevelopment planning processes. Ultimately, Mayors and CHA officials will need to decide if and how they want to create more deliberative forms of democratic participation.

A third set of implications draws from evidence of Chicago's grassroots resistance efforts. These shifted over time in their capacity to build power that could contend with the mayor's administration, CHA officials, private developers, and other elites driving the neoliberal policy agenda. First, activism occurred most often when tenants were under threat of forced relocation, such as from 1999 to 2000 at the outset of the Plan, and more recently, from 2011 to 2016, when low-rise public housing projects were targeted for redevelopment. Thus, organizers should concentrate on building tenant leadership in existing public housing buildings that may be under threat of conversion to another owner or redevelopment, such as those targeted for the RAD program. As for those residents who have already been dispersed, organizers should

concentrate on shared interests across populations and geographies, such as those related to policy changes (e.g., RAD). Second, tactics such as researching financial models and quantifying diminished use of federal subsidies demonstrated their successes in shaping public discourse regarding the need for transparency among government. Accordingly, activists should gain expertise in analyzing the intricacies of financial data and translating their implications to wider audiences. Third, the most recent organizing by the Chicago Housing Initiative faced challenges in gaining support from the base of tenant leaders elected to represent CHA residents, such as those in the Local Advisory Committees. While difficult to achieve, greater institutional change may be possible by creating united fronts across even more diverse organizations and geographies. That kind of change might occur by organizing tenants living in new mixed-income housing developments and by aligning with organizations representing prospective residents on the waitlist, such as those centered on homeless populations. Related to this, activist efforts that seek to build power across issue areas, identity groups, and urban scales hold potential to grow the power base. CHI's most recent work to unite with groups working to confront Chicago's corrupt criminal justice system reflect this important choice to forge a stronger power base among those constituency groups who have similar needs and interests.

Finally, the implications of this study relate broadly to the purpose of market-oriented housing policies. Policy incentives that engage private sector actors to deliver affordable rental housing—such as tax credits, subsidies, and transfers of public land—need to be reconsidered. Government policies need to ensure a balanced exchange when using public resources to steer private action. The evidence presented here suggests the need to rethink and restructure privatization reforms so that benefits are more equally experienced across time, such as in periods of recession, as well as across different geographic areas, such as those that remain

predominately racially segregated and economically challenged. Thus, government officials need to look beyond market-based housing models to consider policy strategies focused on public, collective, and non-profit ownership. First, community land trusts and shared equity co-op models that take land out of the speculative market present opportunities for people to have more control over decisions about property—in part through property ownership and also through collective governance typically inherent in these models. Second, PHAs can use their legal authority to act as co-owners for a percentage of new projects so as to ensure at least some continued level of public ownership. PHA’s capacity to operate traditional, senior, and scattered-site public housing units have proven strong in some localities, and these models need to be highlighted. Finally, PHAs need to consider the balance of for-profit and non-profit entities in the contracting process. It may be warranted to allocate a portion of subsidies to non-profit housing development organizations that operate with volunteer boards and with mission-driven purposes.

Conclusion

This study shows how government officials intervened to institute “a new institutional fix” (Peck & Tickell, 1994, p. 280) in order to address negative consequences created when market-oriented policy strategies failed to function as planned while simultaneously expanding the use of such strategies. This cycle of state intervention into market failure will continue as long as the role of the state remains dominated by an agenda of capital expansion, rather than one of equitable development that ensures a place for low-income populations to live. Efforts by activists to resist market-oriented policies aimed at privatizing public housing may be the only way to provide alternatives to what is now seen as a path-dependent process of displacement,

demolition, disposition, and privatization, all of which reflects the “dispossession” (Harvey, 2003, p. 137) of home for purposes of accumulation.

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APPENDIX

Interview Protocol

Privatization of Chicago's Public Housing

Amy Khare, PhD Candidate

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Study IRB Approval Number: 13-0648

Thank you for agreeing to be interviewed. Just to be clear, I will be asking about public housing reforms that have occurred in Chicago since 1999 with the Plan for Transformation, which I will refer to today as the "The Plan." I am most interested in understanding your perspectives about the mixed-income developments that are created through public-private partnerships.

In addition, I hope gain a better understanding of how developers, housing policy experts, advocates, and others think about the public housing reforms during the past five years of radical changes in the economic and political landscape. For the purpose of this study, I am looking at transitions in both national and municipal political leadership, as well as in policy priorities. I am also interested in how various actors responded to the 2007-2009 economic recession and what that may mean for the mixed-income public housing reforms.

Do you have any questions before we begin?

A. Introduction and Organizational Role [5 mins.]

First, I would like to learn more about [name of company/organization] and your background.

- 1) What has been [name of company/organization] role in Chicago's public housing reforms? [*probe: policy design, housing development and related services, advocacy, oversight of implementation*]
- 2) Can you briefly describe your professional experience as it relates to public housing reforms these past ten years?

B. Privatization, Policy Tools and Public-private Partnerships [45 mins.]

I want to begin by talking about some of the reasons behind turning to private developers to deliver subsidized housing, as well as provide property management and social services. I am interested in the role of these non-profit organizations and for-profit corporations, and their relationship to the public sector.

B.1. Privatization

- 1) From your perspective, what are the potential opportunities and benefits to having private developers involved in the Plan? [*probe: financial opportunities and incentives; strategic or political opportunities and incentives*]

- a. Thinking more broadly than developers, what are the potential opportunities and benefits for other private sector actors, including the:
 - banking and financing industry,
 - property management companies,
 - social service providers,
 - the philanthropic sector, and
 - any other actors you want to discuss?
 - b. Which actors are most likely to experience the opportunities and benefits of the private sector involvement? *[probe: low-income residents, other residents living in rental or for-sale units, surrounding neighborhood residents, housing development firms, CHA, City]*
 - c. Have any of the benefits with private sector involvement become more apparent in the past five years? Why? *[probe: recession, changes in political leadership and policy directions]*
- 2) What are the drawbacks, challenges, and risks of turning to the private sector? *[probe: challenges in their expectations about design, unit mix, and housing tenures; unfamiliarity with lower-income tenants; outside neighborhood/city actors; lack of interest/experience in serving low-income populations; interest in housing development over community development of the neighborhood]*
 - a. Who is most likely to not benefit from turning to the private sector?
 - b. Have any of these challenges with private sector involvement become more apparent in the past five years? Why? *[probe: recession, changes in political leadership and policy directions]*
 - 3) Are the incentives and challenges of private sector involvement different depending on certain factors, for example:
 - a. the location of the public housing site,
 - b. the scale of the project,
 - c. the timing of development,
 - d. the mix of housing and income types,
 - e. or the type of work being contracted?*[probe: geographic location, scale of project, extent of housing mix, type of contracted work—housing development, social services, property management]*
 - 4) Do you see any specific differences between the non-profit housing organizations and the for-profit housing firms when you consider the benefits and limitations of private sector involvement?
 - a. Have any of these differences become more apparent in the past five years? Why? *[probe: recession, changes in political leadership and policy directions]*

B.2. Policy Tools

Now, I want to talk about the role of the government and how public policies create incentives for private sector involvement.

- 1) I am interested in policy tools such as tax incentives, TIF districts, land leases, public utilities, streetscape infrastructure support, capital and operating dollars, and other public investments. Which policy tools and incentives provided by the public sector have been most influential to gaining involvement from the private sector?
 - a. Which policy tools have been most frustrating or challenging?
 - b. What is your sense of how these policy tools operate differently now compared to five years ago? Why?
- 2) Mixed-income developments are also referred to as mixed-financing projects since they require the layering of funding from a variety of public and private source. What do you see as the major benefits or limitations of mixed-financing arrangements?
- 3) With the owner of the building being the development partnership, but the owner of the land being retained by CHA, how do you think about what constitutes “public housing” within the mixed-income strategy?
 - a. What have been some of the benefits and drawbacks of CHA retaining ownership of the land?
- 4) Now, I want to hear your sense of how CHA’s role has changed since the launch of the Plan?
 - a. How about the leadership of key staff and the Board of Commissioners?
 - b. How about the contracting with private actors and the monitoring of performance?
 - c. How have internal CHA operations shifted? In particular, with the following departments:
 - Asset management (role of monitoring and contracting)
 - Resident services (relocation, family works, ombudsman)
 - Housing Choice Voucher department (CHAC and now CHA)
 - d. How has the financial capacity of CHA shifted?
 - e. What do you think drove these changes? [*probe: internal leadership, political/economic changes*]
- 5) I want to talk specifically about Plan Forward, the new plan to continue the work of the Plan for Transformation. How do you think Plan Forward will change Chicago’s public

housing reforms and plans for neighborhood redevelopment? *[probe: site plan redesign, schools, commercial development, transit, green space]*

- 6) We know there have been some challenges in delivering the units on time.⁴ What factors you think contribute to the challenges in delivering units on the schedule that was projected at the start of the Plan?
 - a. Are there particular challenges of delivering units in mixed-income development sites?
 - b. Of the original residents, approximately 9% moved into new mixed-income housing. What factors may have influenced how many residents and which residents moved to mixed-income housing?
- 7) Thinking about the bigger picture of U.S. housing policy, what does it mean for the provision of public, subsidized housing when the majority of it is provided in the private market?
 - a. Is this good or bad? Why?
 - b. In what ways?

B.3. Public-Private Partnerships

I now want to talk about partnerships.

- 1) How would you explain the concept of “public-private partnerships”?
- 2) Are you involved in any “public-private partnerships”? If so, in what capacity?
- 3) In your experience working with the public-private partnership, how would you assess the extent to which partners have shared interests?
 - a. How about different interests?
 - b. How do you view the organizational culture of this partnership? *[probe: collaborative towards a shared vision, functional for business purposes, equal partners, distrusting]*
 - c. How has this professional working relationship changed over time, particularly in the past five years?

C. Changing Economic Context [15 mins]

In this next part of our conversation, I want to focus more closely on how the economic recession has impacted the mixed-income development strategy and the responses of public and private sector actors.

⁴ CHA reports that 3,327 out of the projected 7,700 replacement units have been built at mixed-income developments. CHA Year 13 Moving to Work Annual Report.

- 1) I want you to think about potential impacts of the recession on the public-private partnerships implementing the mixed-income strategy. Which types of private sector actors do you think have been most impacted by changes in the economic context? (*probe: non-profits, for-profits, smaller firms, local vs. national orgs/firms*)
 - a. How have these [the ones the respondent mentions above in the lead question] private actors responded [*probe: behavior changes by private actors, organizational changes*]?
 - b. How do you think the CHA has been impacted by changes in the economic context and what has been their response?
 - c. Given what happened with the downturn of the economy, have your perspectives changed on the mixed-income strategy?

Let's do a quick time check, can you give me a sense of how much more time we have together? I've got two more sections and I may want to prioritize the rest of the questions depending on our time frame.

D. Changing Political Context [15 mins.]

Next, I want to discuss changes in the political environment.

- 2) I am interested in your perspectives on the ways public officials outside of CHA—but in other government roles---have been influential in shaping the Plans' implementation. Let us start by talking about municipal offices---such as the Chicago Department of Housing and Economic Development. In what ways has this office been important to furthering the goals of the Plan?
 - a. Has this changed in more recent years, and what has been the impact of this change?
 - b. What is your sense of how the Mayor's office has influenced the Plan?
 - c. Do you see any differences between Mayor Daley and Mayor Emanuel's administration in terms of the policies of public housing and neighborhood revitalization?
 - d. What about the ways that these two different administrations have worked with various private sector actors, such as private developers, neighborhood organizations, or others?

E. Assessment of PFT [15 mins.]

Finally, I'd like to ask you to step back and consider how you would assess the Plan as a whole.

- 1) In your perspective, to what extent has the Plan been successful in facilitating relocation of residents with vouchers?
 - a. What factors do you think contribute to the success and/or challenges of using vouchers in the private market?
- 2) What is your sense of how the Plan impacted the supply and demand of both affordable and subsidized rental housing? [*probe: scale of demolition, lack of preservation*]
 - a. Do you have any suggestions on alternative strategies that Chicago should consider in order to provide affordable housing for low-income residents?
- 3) We know that the mixed-income strategy focuses on income and housing tenure integration and that the majority of CHA residents are African-American. In what ways do you think race is relevant within the policy design and implementation of the Plan for Transformation?
- 4) The mixed-income strategy has been cited as helping to strengthen the local economy through the creation of jobs across different industries. How and to what extent does the mixed-income development strategy contribute to economic development?
- 5) What policy recommendations about public housing reforms, the mixed-income strategy, or neighborhood redevelopment in general, would you like to suggest to CHA, the city or federal-level officials?
- 6) Are there any individuals that you would recommend I reach out to interview for this study?