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Making the Unprofitable Profitable:
Mapping Affordable Housing Development Networks

Abstract
How is the public-private organizational field of affordable housing finance impacting the organizations producing housing in urban neighborhoods? Drawing on interview data from 20 stakeholders involved in the Chicago affordable housing development process, this article contributes to literatures of housing policy and urban sociology. First, mapping out the process of affordable housing development, I show how organizations do not fit into dominant theoretical models present in urban planning, sociological, and housing policy literature. Specifically, I show how these models adopt units of analysis that miss crucial field effects of organizations on one another. Second, I emphasize that treating organizations as productive of social relations is essential to understanding the outcomes of affordable housing projects. By this I mean how organizations are beholden to one another in different ways, depending on legal structure, size, and financing pattern. A heterogeneity of organizational relations helps account for project siting patterns of affordable housing as well as the composition of the organizational field.

Introduction
Affordable housing is a catch all for a patchwork of public programs and private organizations implementing housing subsidies. Annual funding for affordable housing consists of over $8 billion in government funds alone and easily breaks $10 billion when adding matching private funds (HUD, 2018). Affordable housing, a public-private partnership, represents a relatively new form of subsidized housing (Hoffman 2013). Despite its large size and novel financing structure, affordable housing has been understudied by social scientists in favor of public housing or private market housing (Venkatesh 1999; Krover-Glenn 2017). Instead, affordable housing has been studied by urban planning and housing policy analysts seeking to perform program evaluations, intended to conceptualize impact in terms of neighborhoods or singular organizations.

Resulting from disparity in study, program evaluations lack a critical sociological focus. Specifically, program evaluations often overlook organizations, their interactions, and the social relations impacting both organizations and interactions. Organizations and their interactions constitute an important topic as affordable housing partnership bring together state and financial capital, which constitute distinct sets of organizations and interactional practices (Ho 2009; Lee 2018). These organizational practices are generative for the field as a whole, and by extension, for neighborhoods with affordable housing projects.

The Affordable Housing Development Process[1]

[1] The paper isolates the development process to make a broader point about the qualitative differences in funding schemes between traditional public housing and affordable housing, but the argument carries for long-term maintenance.

Affordable housing is a form of subsidized housing, but it is not equivalent to public housing. Affordable housing is a catch all for a patchwork of public programs and private organizations implementing housing subsidies. Affordable housing is primarily funded through the Department of Housing and Urban Development (HUD) and Department of Treasury (Treasury), along with private sector funding in the case of the Treasury's implementation. For this paper's purposes, the biggest differences between affordable housing and public housing is the privatization of implementation.[2] In the past, public housing authorities were the sole entity for the funding, development, and maintenance of subsidized housing. Now, affordable housing has privatized these two aspects, leaving government agencies only in the role of co-financier. Due to this privatization, a myriad of new organizations has emerged to fill the role of developer and property manager. The result is a number of for-profit and non-profit organizations competing for and profiting from affordable housing.

How Affordable Housing Works – Allocation & Syndication

Affordable housing development is predicated on one main program: the low-income housing tax credit (LIHTC)[3]. The affordable housing development process is then contingent on obtaining one of two LIHTC allocations, the 9% the 4%. These percentages correspond to a respective 70% and 35% share of an affordable housing project's cost. The result is that even in the highest allocations of tax credits, the development cost will not be covered in full. This difference between the total cost and the LIHTC allocation is called gap financing. Gap financing is a problem in *every* LIHTC deal.

Created in the Tax Reform Act of 1986, the LIHTC received funds through the Treasury in an annual allocation of tax credits in proportion to the allocating jurisdiction's population. This makes LIHTCs the largest, most consistent sources of government funding for housing. The size and consistency is weighed by developers against the rising costs in Chicago, approximately $300,000 per unit of new construction per informants. The attraction of LIHTC is that it allows those with capital gains to forgo taxation if they invest in affordable housing for 15 years. As such, affordable housing developers look to sell these tax credits to entities with a lot of capital gains, namely banks and real estate corporations.

The sale of tax credits is done through brokers known as syndicators. Syndicators identify risk in LIHTC projects and match projects with interested investors through legal agreements. In doing so, syndicators price tax credits at an exchange rate for cash. Tax credit prices can vary between $0.80 to $1.80 per credit dollar depending on the location, construction, and developing group, but standard price is around $1.50. Tax credit awards are capped up to $1.5 million credits for a single project, but are multiplied across the 15-year investor tax credit write off. For example, a $1.5 million tax credit allocation at a $1.50 syndication price yields $22.5 million in cash.

There are approximately six annual allocations over $1 million in tax credits between the two agencies in Chicago, the Department of Development (DPD) and the Illinois Housing Development Authority (IDHA). The predictable allocations of these sizeable LIHTCs attract developers, but the high cost of new development in Chicago ($300,000/unit) drives most

[2] There are also important rollbacks of tenants rights that won't be covered but are still worth noting.

[3] Project based Section 8 deserves an honorable mention; however, it is very rare for affordable housing to be developed on project based vouchers alone. Project based is now used chiefly to leverage private loans in LIHTC deals.

developers out of non-competitive 4% allocations. The result is an intensely competitive applicant field for 9% allocations. This competition plays on on the Qualified Application Plan (QAP) that is submitted to allocating agencies.

The QAP is scored by allocating agencies according to various criteria, namely development design, population served, finance structure, and project location. Development design is fairly standardized across projects while the others factors are much more variable. Population served points can come from an allocating agency's targeted group, such as veterans and chronically homeless. Financing structure points are won and lost depending on how the developer fills their gap. Specifically, if developers rely on other government grants instead of private bank loans, then they would score less. Finally, if developers do not site their projects in designated "Opportunity Areas", they stand to lose up to 10% on an application. In a competitive allocation process that can be decided by single points, this location is huge.

Empirical Puzzle: Chicago's Affordable Housing For-Profit Developers

The LIHTC was intended to connect financial capital to neighborhoods, and has done so since its inception. But there has been an important shift in the implementation since 1986. Historically grassroots, non-profit community development organization (CDO) were on the developing end of the deals. Since the 1986 Tax Reform, for-profit developers have emerged, but there has also been a high volume of corporate non-profits (Levy 2017). The for-profit rise is a curious one as it coincides with a decline of government gap funding and few long-term financing options for affordable housing. It follows that the number of firms in the subsidized housing market would contract as the amount of available subsidizing funds falls. But this has not been the case as more for-profit developers have moved to Chicago.

There are three parts in the process. First, the rise of for-profit developers has been possible due to public housing redevelopment mega-contracts as part of the Plan for Transformation. Second, allocating agencies have been scoring applications for tax credits. Third, is the combinations of funds that the two groups can muster, namely in the access of private equity and connections to public officials. While disparate, two threads connect these trends. First, the privatization of welfare provision in America (Soss et al. 2012). Second, the evaluation of risk in developments and investments, which has traditionally devalued social mission in favor of profit (Levy 2014).

Theoretical Framework

Introducing Dominant Understandings of Development

The social relations involved in the affordable housing market have been either inadequately theorized by earlier models of urban structure in sociological literature, or taken for granted in housing policy literature. In urban sociology, the principle shortfall for a robust analysis of this capital flow is the treatment of organizations as strictly derivative of social structure or systemic forces (McQuarrie & Marwell 2009: 247). This obfuscates the social productivity of relations for neighborhood conditions (McQuarrie & Marwell 2009: 248). In contrast, organizations form a prominent object of analysis in housing policy (Bratt & Rohe 2003; Ballard 2003; Wong 2018). I argue by taking the neighborhood or one type of organization as the unit of analysis, researchers miss the field effects of organizations interacting in concert to produce development.[4]

Urban Sociology Models: Human Ecology and Growth Machines

[4] This argument is heavily derived from McQuarrie & Marwell's (2009) meta-analysis.

On the theoretical side, urban sociology has had two prominent models: The Chicago school of human ecology and the political economic Neo-Marxian model. Both of these are inadequate as they are not properly adapted for the rapid change that has occurred since their inceptions. Particularly, the objects of analysis they each take helps obfuscate larger trends as well as the interactions between actors and organizations.

Developed by Robert Park and Ernest Burgess in the early 20th century, the ecological model takes the neighborhood and the residential community as the object of analysis (Park & Burgess 1921). The shortfall of this approach for the LIHTC is that it either misses or ascribes higher order trends onto neighborhoods. For example, theories of social disorganization either miss the impact of deindustrialization and racist policies or place them onto the community's character a la collective efficacy (Sampson et al. 1997). In this model, organizations are the product of the community, not of the interactions with other organizations outside of their geography. This will become especially salient as I show how organizations and financial capital deeply involved in neighborhoods and communities are distinctly not place based.

In response, Neo-Marxian political economists adopt a spatial focus and contextualize it into conflict theories of power relations. The most notable product has been Logan & Molotch's model of the city as a growth machine (Logan & Molotch 1987: 51-72). In their theory, urban elites are united with politicians in a pro-growth coalition to maximize the exchange value of land. Their theory is strict dyadic one based on top-down logics of class struggle. This leaves organizations (and politics) as derivative of this coalition and as conduits for interests to flow through, unable for any backlogging of bottom-up interests. What it misses are the potential for a non-hegemonic coalitions and therefore supra-dyadic interaction effects (McQuarrie 2010; Smith & Christakis 2008). Such a view is necessary as I show how communities mobilize in a grass-roots manner to delay gentrification and resist affordable housing, subverting growth politics.

Implications of Theoretical Underpinnings in LIHTC Policy Analysis

The implications of a sociological framework are important for housing policy as empirical studies rely on different models in their analyses. The theoretical shortfalls of the human ecology and political economy play out here. Specifically, they treat organizations "as *derivative* rather than *productive* of urban social life... [and miss how] organizations play a role in the constitution of social relationships such as socioeconomic stratification or social solidarity" (McQuarrie & Marwell 2009: 256). This plays out in three main ways. First, there is a myopic focus on the product (project) and not the process (development). Second, there is a lack of acknowledgement for organizational interactions. Third, when organizational interactions are taken into account they are cross-sectional and miss processual relations which heavily structure interactions seen in cross-sectional analysis.

The focus on the location of projects and project effects originates from the human ecology framework many LIHTC studies take and the use of the neighborhood as their object of analysis (Talen & Koschinsky 2014; Baum-Snow & Marion 2009). The main issue in the evaluation of the LIHTC in such a manner is that it misses how the project fits into a larger social production of the neighborhood via organizations. A common theme in these analyses is a quantitative focus on the product and the effects it has on a neighborhood, either in terms of developing the community or concentrating poverty. This is not a failure of these studies per se, they were not set up to identify the qualitative relations of the process.

Additionally, the human ecology approach take their findings as a result of an inherited structure of class and race relations (Ellen, Horn, & Kuai 2018; Horn & O'Regan 2011). Such an approach does not aim to understand how the LIHTC and the organizations within it are socially productive of relations in ways outside of the physical developments and their neighborhoods. That is, how are conceptions of value being produced in risk sharing and tax credit valuation in the process of LIHTC development? This sentiment is captured in many potential inferences of quantitative studies, e.g. "[one] explanation for the large racial differences [in LIHTC siting] is that they simply reflect the entrenched patterns of racial segregation in U.S." (Ellen, Horn, & Kuai 2018: 585).

Alternatively, a political economic focus produces an analytical focus that takes policies as written and malleable through top-down efforts alone; thus not on implementation and the development process as socially productive (Dawkins 2013; Ellen & Horn 2018; Bratt 2018). For example, Ellen & Horn (2018) focus on whether the government can instigate siting LIHTC projects in better neighborhoods yet do not look at how and why particularly communities contest development from the bottom-up, arguably a greater factor for siting. The top-down focus does not look at subordinate organizational differences. For example, these articles do not look at how the privileging of "areas of opportunity" actually penalizes place-based grassroots organizations and encouraged non-placed corporate organizations.

Housing Policy's Organization Focus and Its Limits

In instances where human ecology and political economy are sidelined to look at organizations critically, the analysis only captures a cross-section of the process. This cross-section does not typify differential relations that actors can have with one another. As such, by focusing on one part of the LIHTC development process, researchers miss larger trends that provide structure to seemingly unstructured interactions. For example, in an analysis of interactions between non-profit developers, they divide organizations successes and failures into "contextual and organizational" (Bratt & Rohe 2003: 5; Wong 2018). Contextual factors were largely macro forces, such as federal policy, while organizational were factors within the organization, such as employee turnover.

But the cross-section organization focus misses the interactions between non-developer organizations within the field, namely how non-profit organizations found corporate investors, how government allocating agencies viewed them and their mission, and how these views ended up affecting "organizational factors." By focusing only on CDOs there is a conspicuous lack of the market structure that underpins affordable housing development e.g. those who are actually providing capital and those who compete for it. Only by taking a holistic view which incorporates all of these relevant players can CDO successes and failures be evaluated in tandem with the LIHTC.

In the most holistic view, Ballard (2003) looked at for-profit developers' competition with CDOs. While Ballard explored the differential interactions for-profits and non-profits can have with allocating agencies, these interactions were theorized using assumptions rooted in power relations of growth politics. In this view, there is a privileging of for-profits and their financing over the community services CDOs provide. Aside from not exploring how CDOs leverage community legitimacy over money (Levine 2016), Ballard also importantly misses arguably the most important differences between for-profits and CDOs: the price they get for tax credits and the terms of their private loans.

Advocating for an Organizational Focused, Processual Approach

To understand how these flows of financial capital are affecting neighborhoods, I take the organization as my focal point and situate them into a field (McQuarrie & Marwell 2009). By organizational field, I mean "those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products" (DiMaggio & Powell 1983: 148). In contrast to human ecology and political economic views, these organizations are not bound by geographical space but by social relations. These relations are constantly being generated and contested which are anything but hegemonic and determined. Finally, I avoid fixating on any single LIHTC project which allows me to understand the obstacles, decision makers, and gatekeepers within LIHTC development as a process.

The major theoretical motivation for my project is a processual approach that conceptualizes affordable housing development "not as a social structure...but as a social process that changes over space and time" (Liu 2013: 671; See also Abbott 2016). This allows me to theorize how organizational actors from communities, non-profits, for-profits, and the government interact with one another. With this approach, I assume financing of affordable housing is being made and aim to understand the determination and consequences of that (Logan & Molotch 1987: 9).

Taken together, the use of an organizational focus in a processual approach allows me to understand how "multiple state-market relations can coexist within the same state" (Hoang 2016: 2). The result is an ability to understand how, in an era of non-profit expansion, there is a decline of non-profit affordable housing developers in a multibillion-dollar market. To do so, I draw on interview data sampling from the majority of organizations in the field.

Data Methods & Analysis: In-Depth Interviews & Abductive Coding

Data Collection

In order to study a process, qualitative methods are imperative. As a result, I conducted 20 semi-structured, in-depth interviews conducted from 2018-2019, each lasting between 45-90 minutes. The sample was made up of individuals related to affordable housing developments. Respondents include lawyers, activists, policy advocates, non-profit housing developers, for-profit affordable housing developers, tax syndication agencies, government officials, and tenant organizations.

The persons interviewed were recruited by convenience and snowball sampling methods. First, by convenience, the "Affordable Rental Housing Developments" lists management company names and phone numbers, which were used to make interview requests over phone or email (Small 2009). Then by snowball sampling from the interviewees who responded, I would ask if they could recommend other individuals or organizations to contact (Small 2009). Additionally, I would contact names listed in publications for leads. For example, there is an *Affordable Housing Finance* is an industry specific publication that has a body of work on Chicago with listed contact information. This sampling method allowed me to select respondents from a variety of organizations in order to capture the breadth of this field.

Qualitative Data Analysis – Abductive Coding of In-Depth Interviews

The aim of these interviews was to understand the differential interactions between local and non-local for-profit and non-profit development corporations. To analyze these interactions, I used in-depth interviews and hand coding. This coding process is based on an abductive heuristic strategy centering on what types of organizations are in the affordable housing scene, how they acquire land, and how they navigate the political and financial aspects of a development (Tavory and Timmermans 2014). The interviews reflect the population's perspectives and interests. In an attempt to triangulate these perspectives, I relied on a variety of established secondary sources and publicly available reports, such as those by HUD and the

City's Department of Development. This triangulation was done as much as possible in both areas of agreement and disagreement.

Each interview was analyzed and coded before the next one took place. This allowed for a continual refinement of the research question and adaptive interview guide. I used a first cycle and second cycle to review any codes, categories, and themes which may emerge throughout the process (Saldaña 2010). The transcription process was done using the machine-learning transcription service Temi, and the open coding was done by hand (Saldaña 2010).

Limitations of Data

Qualitative interviews are by nature hard to replicate exactly and attain causal, mechanistic explanatory power. Due to confidentiality issues, I cannot disclose my interviews in their entirety for alternative analysis. These factors make it difficult to know the external validity of the conclusions, especially since this project did not reach saturation. However, qualitative methods allow researchers to understand the why and how of a phenomenon. This is a substantive contribution because it "identifies a causal sequence based on meaning-making structure" (Tavory & Timmermans 2013).

While diverse, there was a multitude of perspectives left out of this study. The first that come to mind are those of tenants who have left their affordable units, potential tenants who are still looking for units, local non-profits who have gone out of business, and for-profit developers trying to get established. Perhaps most damning is the lack of syndicators who are pricing project tax credits, thus driving the system. To account for this, I ask pointed questions at other actors such as lawyers and developers, to outline the relationship of syndicators. Finally, the interview sampling techniques are the best practices to reach these populations as an outsider where quantitative data does not exist (Weiss, Robert 1994; Duneier, 2011).

Results

The Rise of Affordable Housing as a New Organizational Field

Historically, affordable housing in the United States has been broken up by private and public housing. The alternative to the private market was income-capped, income-based assistance. Such an income designation means that residents over a certain income level were ineligible for public assistance. But it also meant that if a resident's income fell, their rent amount would fall in proportion to the share for that income bracket. Income-based assistance meant that as poverty increased, rent revenue fell, leading to budget shortfalls. Decades of willful neglect compounding and lead to the whole sale demolition of public housing in the late 1990s under the Plan for Transformation. In the wake of public housing, the City unloaded responsibility onto civil society in the and the private market in an alphabet soup of government programs, all under the umbrella of affordable housing.

The former organizational field for affordable housing was comprised of small time landlords, tenants, the Chicago Housing Authority (CHA), and HUD. The new organizational field includes tenants, non-profit developers, for-profit developers, real estate lawyers, the CHA, HUD, tax credit syndicators, and private equity and real estate investment firms. The most radical changes from this new organizational field are the public-private partnerships which mix state and financial capitals. Most importantly, public-private partnerships have allowed for the rise of specialized for-profit affordable housing developers and the presence of financial institutions into low-income neighborhoods.

The New Organizational Field is Distinctly Not Neighborhood Based

The Case of The Regions Group's Financing Pipeline

The main reason ecological LIHTC evaluations fall short is failing to recognize the qualitative differences of unit production under the public-private partnerships. In short, researchers focus on content (housing units) while missing form (financing structure). This can be seen most readily with a case study of a for-profit developer: The Regions Group (hereafter referred to as Regions). Located in the downtown business district, Regions owns over 1400 units, over 30 developments, in 5 different neighborhoods in Chicago. Yet, Regions itself is a subsidiary of a larger affordable housing based in New Jersey, The Spillman Group. This subsidiary status is important because it gives Regions resources to keep applying for tax credits and gives it a pipeline for financing.

The pipeline for financing is a product of The Spillman Group entering a limited liability corporation (LLC) with Missoul Financial Group, a national mortgage provider. Together, they created Eastbay Capital, a New Jersey based investment firm. Eastbay Capital is responsible for bundling the tax credits that Spillman's subsidiary companies like Regions produce and selling them to financial investors through the syndication process. A large part of Eastbay's job is looking at the terms of the credits in the context of their risk. Among other factors, Eastbay's evaluation will look at Regions's capital reserves, Regions's deal history, and the ratio of hard and soft funds in the deal. The product will be the price Eastbay offers to investors, which after their brokering fee, will be the equity Regions's gets for development.

The equity Regions gets from syndication will determine the ease with which they can close the financing gap when they approach the City's allocating agency for soft funds, the Department of Planning and Development (DPD). Closing the gap becomes easier because the higher the price Regions gets in syndication, the less soft funds DPD needs to give. The less soft funds that are requested, the easier it is to close the deal. In addition, having such a close partner in Eastbay allows Regions to make predictions of equity on future QAP applications to DPD.

Based on an interview with Michael, a DPD official, "efficiency of public resources" is a large driving factor in the City's QAP. The result being Regions gains favor with DPD officials for using less money, creating more tax credit allocations which increasing deal flow and further prop up their future project's syndication price. Conspicuously backgrounded in the entire financing process is participation of any place based groups or collaborations with the residents of the neighborhood the project resides in.

The Politics of Development: Aldermanic Prerogative

That's not to say there is no input from "the community", as the local Alderman has the prerogative to downzone lots in their wards. Since zoning is critical for development, DPD requires a letter of support from the Alderman on their QAP. Aldermanic prerogative then acts as a *de jure* veto power for any development that the alderman doesn't want in their ward. Ideally, the Alderman represents the will of the community, but there is skepticism. Mary, a housing lawyer explains,

> "usually developers are asking [DPD] for HOME dollars or CDBG dollars in concert with that they got tax credits and they might have project based vouchers and now they still have a gap in their financing...[and] the local Alderman for that ward gets to decide if you get that money. So you need his letter of support and if you don't get his letter of support, you can't get your money, then they have a gap in their financing."

Jon, the president of a large Midwest non-profit developer, encapsulates the sentiment of all my informants, “I mean there's no question in Chicago your opportunity or ability to move forward on something of scale in real estate---if you don't have the Alderman's support it's not going anywhere.” Appealing a veto by an Alderman is not an easy thing to do as Aldermen are responsible for introducing motions into the Zoning Committee as Julie, a VP of a non-profit housing provider recalls,

> “to get funded [for development] you have to get introduced one month before and wait a month for it to pass. The City Council does not announce it's meeting dates more than a month ahead time so you can't because you don't know what the dates are going to be.”

The New Organizational Field Isn’t a Neoliberalizing Growth Machine

NIMBY, BANANA, and Other Resistance

Aldermanic prerogative is certainly a vestige of Chicago’s machine politics, but these politics should not be conflated with neoliberalizing growth politics for two reasons. First, there is a significant capacity by neighborhood residents to organize and contest developments from the bottom-up. Second, there is a growing involvement of State and City allocating agencies in the development process which have had major downstream effects on the industry. A part of the involvement of the State and City have been in response to organizing efforts which found an outlet to legal recourse and successfully litigated for change. As I will show, the Chicago affordable housing market is crucially embedded in complex racial, political, economic, and legal relations and not a top-down growth machine.

Contesting the Machine from the Bottom Up

The primary means by which residents organize to contest development is in Not In My Backyard (NIMBY) movements. Depending on the neighborhood, NIMBY movements have different motivations that cut across race and class in divergent ways. In low-income, minority neighborhoods, there is not a large NIMBY movement as residents see benefit for themselves in the programs. But in gentrifying minority neighborhoods, NIMBY movements manifest strongly. Part of the NIMBY organizational movement is a historical memory of disinvestment by government and a rejection of the terms of development. For example, in the rapidly gentrifying neighborhood of Shorewood, a local land use committee has leveraged their Alderman to oppose virtually all developments not done explicitly by the neighborhood’s nonprofit developer, Shorewood Together.

But in gentrifying White neighborhoods NIMBY is taken to the extreme and the story is much different. Despite being similarly working class as Shorewood, Nolson Park residents unite under Build Absolutely Nothing Around Nobody Anywhere (BANANA) because of race. As Nolson Park’s Alderman, Sean Myers, tries to provide affordable housing for his constituents, he has to fight constituents who qualify to bring the housing. In an interview Myers recounts many times having to explain who qualifies for affordable housing and he watches as “the gears click [in their head] that that is them.” At DPD, Micheal, explains the paradox, “[to those like Myers constituents] affordable is code for poor, and poor is code for Black.” In an effort to keep Black people out of their neighborhood, Nolson Park residents oppose affordable housing even though it would benefit them. In this way, racial logics of exclusion filter affordable housing development policies and outcomes.

Perhaps most damning of growth politics in affordable housing is when Aldermen are not united. While Myers is pro-affordable housing in his ward, his peers are not. For example, Nathan Alan, the Alderman of the adjacent ward organized against Myers. Myers recalls an instance where Alan came into Myers's ward to protest an affordable development that was already approved. Alan came to community meetings that the developer was having and cited issues of traffic congestion, architectural character of the neighborhood, and school overcrowding. But Myers saw these concerns as hypocritical considering the nearby development three times the size set to go up in Alan's ward. When asked about this Myers said it came down to race.

> "[It's] bigotry and racism...[Alan] provided a study that says [his development] will not have a negative impact on school overcrowding. Then why would [he] come into my community and tell me I cannot build [a development with] height and density and the reasons are because of school overcrowding on a building that's one third the size. The only other variable is [Alan's] has 10% affordable, mine has 85% affordable."

In an effort to stall Myers is alluding to a larger project Alan approved in his ward, which was larger in every aspect except for the amount of affordable units. Eventually, the aldermanic turf war spilled into the Zoning Committee where there was a 7-5 vote against Myers's development. Such a split in the intense mechanistic politics of Chicago is a harsh renunciation of any idea of a growth coalition.

Can We Count Increased State Involvement as Neoliberalizing?

The devolution of responsibility for providing subsidized housing is generally neoliberal policy, but to say the politics of affordable housing can be theorized as *neoliberalizing* is incomplete. Since the inception of the LIHTC program, there has been an increasing involvement into the affordable housing through the QAP, which is continually undermining the efficacy of applying the vague term of neoliberal. By virtue of volume, there is some conception of neoliberal that could categorize an increase in regulations and demands from the State as such, but trying to make it fit a theoretical mold is antithetical to understanding it on its own terms.

The concrete ways that the State has impacted the industry is by giving differential application points for geographic focus, financing structure, or population served. When the application pool is so large, there is a strong emphasis to get those points. Large non-profits and for-profits respond to, and internalize, these applications changes. Steve, the VP of Regions, explains that without being located in QAP favored areas, so-called Opportunity Areas, then you're not really competitive.

> "I wouldn't say you're not allowed to build in the non Opportunity Areas, but generally you're not going to get points and you're not going to be competitive in scoring, in going after projects. So that's, that's a huge driver in locating projects, is finding opportunity areas for the IDHA map."

When considering the pipeline that Regions needs to keep their profits going is predicated on winning tax credits, when the State allocating agencies change the QAP, it's apparent they listen. Jon, the president of a social mission driven, corporate non-profit developer, explains how this QAP view is internalized even in organizations with a strong social mission like his,

> "Most developers, before they get a site on their contract have considered the likelihood of getting funding for a deal at that site... we may like a piece of

> property, but then we'll kind of put it through [an internal] QAP analysis...[and say] well, this just doesn't score either because of what we want as an intended use or because of the location [and] we'll pass."

State involvement and bottom-up organization meet in the QAP through the courts. A recent example was the emphasis on deinstitutionalization and the creation of the State Referral Network. After a successful lawsuit, it was found the State was over institutionalizing chronically homeless persons and was ordered to provide supportive housing. In response, IDHA now makes it a large criterion to give points to developments who serve these populations. While serving an important social good, it is one of many relations that have a ripple effect on the industry. Specifically, how the organizational field is implicitly penalizing place based, community development organizations (CDO).

How The New Organizational Field Is Biased Against CDOs

The Case of Shorewood Together

The ways in which these complex organizational relations meet impacts CDOs on the ground by being biased against place-based development efforts. That is, the system of financing privileges building affordable housing as an end in itself, not as part of a comprehensive neighborhood development agenda. Systems of financing can be seen in the case study of Shorewood Together, a CDO with an annual budget of $40-50 million. Such privilege can be seen in how for-profit developers have structured their companies and how (and why) the affordable housing industry has matured.

Biasing Against Place

In contrast to The Regions Group that surveys all of Chicago for a site, Shorewood Together keeps applying sites in their immediate neighborhood for tax credits. Each is representative of their group such that for-profit and CDO models of finding projects are inverses of one another. The for-profit model is much more responsive to changes in the QAP, which they change according to lawsuits and bottom-up organizing. Jorge, the President of Development at Shorewood Together explains the most recent lawsuit's effect,

> "[The State changes the QAP to] meet their goal, for their fuckup of their responsibility to take care of those people. Like we as nonprofit affordable housing developers are really working to solve a much larger myriad of social problems than just the fact that people need a lower housing cost burden and a stable, decent, safe and sanitary place to live. That's how it all started. But now it's like also help out the [mentally ill]."

Sharon sees mental health provision as an important service, but that affordable housing was not intended to become a dedicated mental health provider. QAP points for mental health provision are huge because place-based organizations are slow to adapt to these changes. As a result, the place-based model of financing loses deals which come to a critical head at syndication. Sharon, VP of Development at Shorewood Together explains that without deal flow, an organization is less likely to get good pricing,

> "[Syndicators] don't care if you're a non-profit or for-profit. They don't care. They need a bonafide performer to make this transaction go through. And that bonafide [criterion] looks at cashflow. That's it."

But that's not the only factor. The actual investor type matters as Jorge elaborates that investors can work to push down the pricing of projects if they think the developer is beholden to their funding,

> "A single investor might pay more because they really want something on the South Side of Chicago. A multi-investor group basically means several wealthy individuals or banks all have roughly agreed that they'll allow money to go into a deal that makes this return. So then as [everybody in the group] brings down pricing...[and] that's collusion."

Since grassroots non-profits will not have the same vertically integrated financial pipeline that larger for-profit companies have, they have to rely on these multi-investor groups. Taken together, place-based groups cannot readily adapt to large changes in the QAP nor can they get the same benefits of financing.

A common rebuttal is that there is 10% set-aside for non-profits, which can be accessed by for-profits if they make partnerships. Although non-profits are brought into deals specifically for their 501(c)3 tax-exempt status as "loss partners." In deals, non-profits serve as "grant washing." Since grants are federally taxable income in for-profits, non-profits will accept a grant on behalf of the for-profit partner in exchange for a fee.

For-Profit Competition & "Flipping"

Since the inception of the 1986 Tax Reform sparking the LIHTC, there have been for-profit developers but they had historically been among a greater field of non-profit developers. In this time prominent non-profit housing providers in Chicago were typically grassroots e.g. Bickerdike, LUCHA, The Resurrection Project, People's Housing, Lakeshore RSO, etc. But in a series of shutterings and mergers, the field of non-profits dwindled while the amount of for-profits increased.

This trend of increasing for-profits got to the point that most affordable housing is provided through for-profits, according to the City's published dataset. The increase in competition throughout the 1990s was driven not on a social mission, but on an opportunistic one. Sharon recounts this "old school" way was used to develop many projects in prediction of gentrification,

> "[For-profit developers] pulled together investors to invest into their tax credit project, and they would pick neighborhoods that they think might change and then like, "Okay, I'll go get some cheap equity. I'll own this building, I'll keep it affordable for 15 years, and then I'll flip it." A lot of South Shore, I'm really sure were done in just that fashion. It was like a lot of South Shore buildings were done in the old school tax credits.

Sharon is corroborated by a study of the LIHTC by HUD that cites thousands of LIHTC affordable use restrictions being terminated and "flipped", especially in low-income neighborhoods (HUD 2012).

State Reaction & Industry Maturation

Part of flipping is about reducing design and construction overhead on the building's quality to get the most profits from the tax credits. But this has the downstream effect of producing a countermovement of allocating agencies as building fall apart; Jorge explains that the correction of allocating agencies in response to flipping has raised the cost for all other organizations,

> “So like [back in the day] you would get money, you would just do just enough to get your [certificate of occupancy] and the building can run to shit because who cares? Because in 15 years you're going to try to take to market. So where now IDHA requires for you to spend more [on the project]. The projects now take more soft bonds, take more other funds, to just make it work because they cost so much. Our average Chicago tax credit deal is $400,000 a unit. In one way or another, right or wrong, that is basically making it where it will be hard to change that transaction and it's also hard to do [the transaction].”

Since the industry has matured in response to--among others--poor performing projects, there have been more onerous underwriting standards and longer restrictions put on deeds. This has the effect of making it a “riskier” deal for investors as there is more chance for a building to fall out of compliance. In response, investors fight to put legally binding guarantees onto the developer to ensure profits and then go silent. As Sharon explains, investors are concerned first and foremost with their return on investment and do so with onerous contracts,

> “And so that's when everybody starts polishing off [old contracts] like, "What the fuck did we sign off on? Who's guarantee? You know, what's at risk here?" Like everybody remembers it and fights to the tooth and nail getting to the closing [of the project] and then they forget until the property stops performing. So on [one of our projects]...there was a lot of attention on a deal going into the closing a lot of attention that we deliver units all the way--- pretty much up until that first tax return and then after that people sort of go quiet.

These guarantees require financial and corporate structure which favors for-profit companies since investors can tie agreements to equity in their company. This structure allows for-profit companies to make reserve requirements easier by putting up equity instead. Such reserve guarantees serve as a “black tax on [community] non-profits” as Jorge puts it. That is, outsourcing all the legal fees is a large drain on community organizations. In one prominent tax credit deal that went bad a full third of funds were used on “attorneys, accountants, underwriters, reserves and other closing costs” (Olivo & Bebow 2004).

Conclusion

There are two main conclusions for my study. First, the development process is not constrained to just the neighborhood nor is it a hegemonic coalition and therefore requires a new theoretical focus to understand the effects. Second, the emergence of for-profit and corporate developers is indicative of a privileging of organizations which are not place based. Taken together, these can help explain how the literature can better account for field effects in community development.

The first point requires reflecting on the financial structure of for-profits, aldermen’s political position, and government officials’ response to bottom-up organizing. By being in a neighborhood and designated tax-exempt, non-profits are unable to make contributions to any political figure. In addition to not being vertically integrated in terms of financing, CDOs are also constrained to one alderman’s fiefdom as they cannot give political contributions. As a result, CDOs suffer from a reliance on soft debt, which is down scored in DPD applications and results in limited deal flow.

A limited deal flow goes beyond simply not being able to consistently pay highly trained staff to meet the onerous regulations of a matured industry. There is also a declining number of soft funds that DPD is allocated from the federal and state governments for housing from block grant depreciation. In response, DPD pushes this onto applicants which must go to the private market for hard funds to fill gap financing. Getting a private loan for gap financing requires getting equity from syndicators. Based on interview data, a chief criterion for pricing is deal flow. In response to a lower deal flow, syndicators will add stipulations for higher capital reserves which are borrowed from developer fees as well a down pricing organizations with limited deal flow.

The deal flow disparity is then put into perspective when for-profit developers are usually in more than one allocating jurisdiction. This allows them to submit multiple applications a year and receive multiple deals a year, boosting deal flow. This for-profit advantage is offset in part by having to contend with racialized views of affordable housing (NIMBY & BANANA) which manifest themselves in elected aldermen such as Alan who control zoning. This is further convoluted in turf wars erupting from split wards such as Alderman Myers's.

In these fractured ways, an analysis of affordable housing needs to show that deterministic social relations extend far beyond the scope of a single project or a neighborhood and are not based in consensus with political and economic elites as earlier theorized. More so, there needs to be an understanding that limited deal flow is one of many productive social relationships stemming from the organizational field's effects.

Any housing crisis in Chicago is not borne of supply and demand or abstract market failure, its origins are in a history of exclusion and neglect as well as the actions of concrete organizations. Housing is just one intersection in economic life and communities. It cannot be easily separated and analyzed apart from other aspects of social life such as the changing nature of American work, quality of neighborhood schools, community violence. What is needed is a holistic approach to understanding community development as well as an appreciation for the services which community development organizations provide, instead of a fixation on unit production.