

Wills and Ways: Policy Dynamics of HOPE VI from 1992 to 2002

ARCHIVES

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Abstract

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Congress created what became known as the HOPE VI (Homeownership and Opportunity for People Everywhere) program in 1992 to revitalize severely distressed public housing developments. To date, HOPE VI has constituted the primary vehicle and the most strenuous governmental effort ever undertaken to salvage public housing in America. Over the past decade, after several transformations in its goals and foci, the program evolved from a modest attempt to remedy the ills of troubled projects into an ambitious plan to reinvent the public housing system by engaging the Department of Housing and Urban Development (HUD) and Public Housing Authorities (PHAs) in a new way of doing business.

This dissertation aims to develop a historically aware and empirically sound account of how and why HOPE VI policy evolved when it did. Recognizing the ambiguity and serendipity in the policymaking process, I apply and extend John Kingdon's "Multiple Streams" theory to the federal rule-making process of a particular agency, HUD. By positioning the politics of the public housing program within a temporal and institutional context, I show how transformations in HOPE VI occurred as a result of the convergence of re-articulated policy problems, the availability of policy alternatives, and the ebbs and flows of the political climate. In particular, I highlight how policy entrepreneurs inside and outside the government (at both the federal and local levels), working within internal and external insitutional constraints, captured and created windows of opportunity for policy change.

HOPE VI brought to light again the federal role in low-income housing delivery and contributed significantly to a landmark piece of legislation – the Public Housing Reform Act of 1998. A thorough analysis of the stability and change of HOPE VI policy offers insights into the potentials and the pitfalls of this major public housing program and similar federal policies in the American political system. I will suggest strategic ways to deploy political advocacy and to facilitate genuine policy learning in the domain of housing and urban development in general. Qualitative in approach, this study relies on extensive document reviews and in-depth interviews with key policymakers and practitioners involved in the program.

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Chapter 1

INTRODUCTION

Ambivalence toward housing the poor has a long history in America. In the 1990s this ambivalence reached a fevered pitch. HOPE VI was born as a result. Starting out with a Plain Jane appearance, HOPE VI was soon turned into public housing's Cinderella – "the new face of public housing" when national politics veered sharply to the right and the American welfare state as a whole came under severe attack. Yet, the glamor of Cinderella disappeared, when her glass slipper were taken away by the new Administration of George W. Bush. How and why did it all happen?

To date, no one has offered a close account of how HOPE VI evolved and who shaped it over time. Fortunately, the public policymaking and policy implementation literature has both developed over three decades, from which the study of HOPE VI policy evolution can benefit tremendously. This study is a first attempt to use John Kingdon's Multiple Stream framework (2003 [1984]) to reveal the underlying currents driving HOPE VI development from 1992 to 2002.

1.1. HOPE VI in a Nutshell

Congress created what became known as the HOPE VI (Homeownership and Opportunity for People Everywhere) public housing program in 1992.¹ Under this competitive grant process, local Public Housing Authorities (PHAs) apply to the U.S. Department of Housing and Urban Development (HUD) for housing revitalization grants. From 1993 to 2002, the HOPE VI program awarded nearly \$5 billion in grants that averaged \$31 million per housing development, involving over 115,000 distressed public housing units in 114 cities (HUD 2002). In the past decade, HOPE VI has constituted the primary vehicle and the most strenuous

¹ HOPE VI, also known as the Urban Revitalization Demonstration Program (URD), was originally created as part of the Department of Veterans Affairs and Housing and Urban Development and Independent Agencies Appropriations Act (H.R. 5679 Public Law 102-389) approved on October 6, 1992. The Quality Housing and Work Responsibility Act (QHWRA) in 1998 rewrote Section 24 of the U.S. Housing Act of 1937 to establish a statutory authorization for the HOPE VI program through September 30, 2002. In the FY 2003 appropriations bill, Congress reauthorized the program through FY 2004.

governmental effort ever undertaken to transform public housing in the United States. As sparkling townhouses replaced long-stigmatized high-rises and barrack-style apartments, HOPE VI generated both praise and controversy. One can easily find its wholehearted champions and wholesale critics as exemplified below:

We are transforming the worst public housing developments in America into outposts of opportunity that will help poor families build better lives and help revitalize America's cities.

– Vice President Al Gore²

While it was intended to be a solution to severely distressed public housing, HOPE VI has been the source of new problems as serious as those it was created to address.

– *False Hope: A Critical Assessment of the HOPE VI*

Reflecting the heated congressional debate about the future of HOPE VI, a series of recent studies have inaugurated a nation-wide effort to assess this high-profile program.³ The National Association of Housing and Redevelopment Officials (NAHRO) also asserts that the program “enjoys broad bipartisan support and has proven a catalyst that has revitalized neighborhoods and galvanized local support from a variety of local housing and community development entities.”⁴ The Housing Research Foundation asserts that HOPE VI epitomizes a genuine rescue that has not only dramatically changed the physical and socioeconomic landscape of many distressed inner-city areas, but has also begun to “fundamentally alter the nature of public housing developments, the trajectory of their residents, and the role and mission of public

² Quoted in HUD (1999a). In the same publication, President Clinton was also quoted as saying:

HUD's HOPE VI grants are a step toward achieving my Administration's goal of helping people help themselves to improve their lives and their communities through hard work. By providing job training and improving the quality, management, and safety of public housing, we are giving hope to communities that have previously known despair.

³ These studies include Wexler (2001), The Urban Institute (2002, 2003, 2004), HUD (2002, 2003), GAO (2002, 2003, 2004), NHLP et al (2002), and The Urban Institute and the Brookings Institution (2004).

⁴ Written testimony of Kurt Creager on behalf of NAHRO regarding the “Housing Affordability for America Act of 2002,” April 23, 2002, House Subcommittee on Housing and Community Opportunity. (<http://www.nahro.org/legislative/docs/kurtcreager-roukema.pdf>)

housing agencies.”⁵ A 2004 study by the Urban Institute and the Brookings Institution commends the HOPE VI program as “a dramatic turnaround in public housing policy and one of the most ambitious urban redevelopment efforts in the nation's history.” (The Urban Institute and the Brookings Institution 2004: 1)

While it has received praise and positive press, HOPE VI has produced mixed results, vast local variation, and has spurred much controversy. Topping the list of a wide range of criticisms is the net loss of permanently affordable housing stock and the displacement of the most needy (CCC 2003; Keating 2000; National Housing Law Project 2002). Pointing to the inequalities in the delivery of public services, some opponents call it taxpayer-supported or public gentrification.⁶ Some argue that it is simply a step toward gradually eliminating the only program that produces publicly owned and permanently affordable housing.

Some critics have also challenged HOPE VI on legal and ethical grounds claiming that HOPE VI failed to hold public and private actors accountable for their fulfillment of public functions of the program (Crump; Pitcoff 1999; West 2003). Some have observed that HOPE VI bears striking similarities to the federal urban renewal program of the past in that both programs used federal dollars to attract private interests to redevelop dysfunctional property at the expense of the most vulnerable (Keating 2000; National Housing Law Project 2002).

In 2003 the Bush administration unexpectedly declared HOPE VI mission accomplished and asked Congress to zero out this program, blaming the slow pace of implementation, flaws in program design, questionable cost-effectiveness, and the lack of administrative capacity on the part of HUD (Kingdon 2003 [1984]). The proposal met strong bipartisan resistance from congressional leaders as well as various interests groups. Congress decided to keep the program on life support, albeit with a much smaller budget and a different set of target communities that represent electoral base of the Republicans. At the time of this writing, even that short-funding is in jeopardy. HUD's FY 2005 Budget again proposed to ax the decade-old program.

⁵ <http://www.housingresearch.org/hrf/hrfhome.nsf/FSHomeHopeAbout!OpenFrameset>.

⁶ See Cunningham (2001).

1.2. Research Question

This research is neither a booster for nor a nay-sayer of HOPE VI. Plenty of such evaluative research is already available. However, this fast-growing body of literature faces a central dilemma – it is trying to assess a moving and elusive target. As a report on “A Decade of HOPE VI” report precisely put it:

HOPE VI has not been “one program” with a clear set of consistent and unwavering goals. Rather, the program has evolved considerably during the past decade—in legislation, regulation, implementation, and practice. ... It is impossible, therefore, to provide simple answers to general questions about programmatic effectiveness and “lessons learned.” The response to such questions is usually another question: “Which HOPE VI program are you asking about?”

As a matter of fact, there has not been and (and could not be) a single, comprehensive evaluation that has systematically examined the program in its entirety. Programmatic alterations of the HOPE VI program rendered many evaluation designs problematic, if not irrelevant. First, owing to HOPE VI’s fast shifting strategies, program evaluators found it impossible to do across sites and time comparisons. For example, a number of assessments were built on a comparison of baseline and current conditions, yet several important indicators such as HOPE VI’s spillover impacts on surrounding communities were not collected for some sites at the outset, particularly those of the early years of HOPE VI.

Second, various HOPE VI studies offer drastically different conclusions, ranging from singling out HOPE VI as a profound success to characterizing the program as a complete failure, all backed up with their own data and statistics. These propositions may appear to be logical or outrageous, depending on one’s ideological bent and world view. Moreover, HOPE VI is still a work in progress; it is too early to tell who is right. The degree to which a generalized conclusive judgment can be made is at best questionable. After all, information is always incomplete and so it is difficult to mount a comprehensive analysis that leads to a definite answer.

It is also worth pointing out upfront that this research is not meant to offer a normative assertion about whether HOPE VI should return to its original objectives or where exactly HOPE VI should be going. Recently, some seasoned public housing advocates pointed out that HOPE VI

just veered off the tracks in that HUD and PHAs did not faithfully fulfill the action plan established by the National Commission and the program goals stated in the “HOPE VI statutes” (appropriations acts). The remedy, according to this viewpoint, is to return to the starting point (CCC 2003; Sherwood 2003).

Indeed, just as the goals of the HOPE VI program changed during the course of implementation, so did the underlying rationale for intervention. In the world of public policy, however, scholars have long appreciated that implementation processes are uncertain, evolutionary, and consequential. From this acknowledgement, a body of literature on implementation emerged some three decades ago. Jeffrey Pressman and Aaron Wildavsky’s classic study on implementation (1984), for instance, succinctly characterizes and explains the evolutionary dynamics of the implementation process: “As implementation becomes a moving target, the vocabulary of creation and completion becomes less appropriate than the language of evolution.”⁷

The Brookings Institution and the Urban Institute offer a broad brushed explanation to account for the elusive goals of HOPE VI, highlighting a great need to contextualize the current debate of the wisdom of HOPE VI approach.

In many respects, HOPE VI has served as a laboratory to test new and often contentious ideas about public housing finance, management, and design. People’s thinking about the performance and impact of HOPE VI is intertwined with their views on the evolution of federal housing policy more broadly, and their concerns about the future role of public housing in helping to address the needs of the poor.

Indeed, the program was initiated at a time of enormous change when a broader reform of the public housing system was fermenting. Unfortunately, rarely has anyone offered a solid account for the ways in which this program has emerged, evolved, and “ended” in the larger political, socio-economic contexts – both externally and internally. A new line of inquiry aimed at addressing the policymaking process is thus warranted.

⁷ Some of the earliest implementation studies emerged out of the field of low-income housing and urban development and anti-poverty programs in the 1960s, including Martha Derthick’s *New Towns In-Town* (1972), Jeffrey Pressman and Aaron Wildavsky’s *Implementation* (1984), and Martin Anderson’s *The Federal Bulldozer* (1967), among others.

A Policy Process View of HOPE VI

Since its inception, HOPE VI has undergone a series of administrative, regulatory, and legislative changes. In the absence of program-specific regulations⁸, HUD has administered HOPE VI through yearly appropriation acts, Notice of Funding Availability documents (NOFAs),⁹ and individual grant agreements with PHAs (See Appendix C). More specifically, HOPE VI has evolved from an modestly embellished modernization program focused on the rehabilitation or demolition of “the most severely distressed” projects, into an ambitious plan to “revitalize distressed urban communities” and “reinvent America’s public housing system” by engaging HUD and PHAs in a new way of doing business (1995 NOFA, HUD 2002:1).

Four stages in HOPE VI policy development over the past decade can be identified. In Stage I (1993-1994), HUD interpreted Congress’s ambiguous intentions through hastily developed NOFAs. Following almost all the old regulations governing public housing, HOPE VI projects in the first two years focused on revitalizing large distressed projects through physical rehabilitation/new construction plus community and social services.

Interestingly, with opinions from HUD’s General Counsel supporting the agency’s interest in extending private ownership of public housing, HUD fashioned “HOPE VI Plus” through an array of new program priorities and preferences before the first redeveloped projects came on-line. Giving more flexibility to PHAs to leverage private funds and blending public housing into its surrounding neighborhood, HOPE VI Plus ushered in the Stage II (1995-1997) of the evolutionary program.

During Stage II, Congress and HUD freed HOPE VI from many restrictions embedded in existing public housing legislation and regulations. PHAs were encouraged to be creative and bold, and to propose solutions and request further waivers for HUD’s consideration on a case-by-case basis. Since then, HOPE VI has departed from the basic public housing model set forth in 1937, embarking on an adventurous journey. With the “one-for-one replacement” rule

⁸ No regulations have been published for HOPE VI to date, though HUD had planned to do so, according to GAO (2003).

⁹ NOFAs, as published in the *Federal Register*, announce the availability of funds and HUD’s specification for grant awards, including application requirements, threshold requirements, rating factors, and the selection process.

suspended by the Rescissions Act of 1995, HOPE VI started encouraging demolition and mixed-income housing became the biggest game in town. "Defensible space strategies"¹⁰ and "New Urbanist" design approaches also emerged as new program highlights, supporting crime prevention, social de-stigmatization and economic integration. Enjoying the site and neighborhood exception policy, HOPE VI was fundamentally turned into a community-wide comprehensive renewal program.

With its increasing emphases on leveraging of private funds and public-private partnerships, HOPE VI gained momentum for the on-going public housing reform. The enactment of the Quality Housing and Work Responsibility Act of 1998 (QHWRA) was the hallmark of the third stage of HOPE VI policy development (1997-2000). Reaffirming many innovations in the HOPE VI program, QHWRA restructured the income-targeting policy and coordinated resident support services with welfare-to-work programs. While promoting resident self-sufficiency, HUD promoted HOPE VI as a catalyst for innovation and the widely praised new face of public housing.

The most recent programmatic preferences of Stage IV (2001-2002) during the Bush Administration have stressed higher leveraging, greater project readiness, and have favored smaller PHAs and wider geographic distributions.

In sum, with its increasing publicity, HOPE VI has evolved from a "Plain Jane" policy of a new dress for public housing into a "Cinderella" program for urban regeneration – yielding a largely unexplored public policy question that needs real attention.¹¹

The Question

This dissertation aims to develop a historically aware and empirically sound account of how and why HOPE VI policy evolved when it did. Recognizing the ambiguity and serendipity in the policymaking process, I apply and extend John Kingdon's "Multiple Streams" theory to the federal rule-making process of a particular agency, HUD. By positioning the politics of the public housing program within a temporal and institutional context, I show how

¹⁰ See Newman (1973, 1996) for a detailed account about the concept of defensible space.

¹¹ Thanks to Professor Langley Keyes for letting me use his metaphor of Cinderella.

transformations in HOPE VI occurred as a result of the convergence of re-articulated policy problems, the availability of policy alternatives, and the ebbs and flows of the political climate. In particular, this inquiry highlights how policy entrepreneurs inside and outside the government (at both the federal and local levels), working with the internal and external institutional constraints, captured and created windows of opportunity for policy change.

1.3. A Preview of Findings

The major findings are as follows. In the late 1980s, despite a trail of adjustments in public housing policy, the crisis of the severity of troubled projects coupled with political pressures for change in public housing gave rise to the HOPE VI program in the last year of the senior Bush's Administration. The arrival of a reformist HUD Secretary Henry Cisneros and the opening of a political window in 1994 sent HOPE VI into a dramatic departure from its origin. The Republican victories in Congress, ensuing pressures to reinvent HUD, and the "Devolution Revolution" of the 104th Congress forced HUD to swiftly adapt to the changing political environment, resulting in an turbulent but exciting setting for policy learning. Pushed by a host of new actors who were attracted by the new federal dollars for public housing and urban redevelopment (developers, mayors, investors, syndicators, and new urbanist designers), the past policy failure, once regarded as a matter of *problem projects*, was now reframed as an issue of *concentration of poverty and the isolation of PHAs*. In the midst of welfare reform debates, policy entrepreneurs in and around HUD and PHAs shifted HOPE VI toward a new paradigm of economic integration by creating mixed-income communities, integrating projects into surrounding communities, leveraging private funds, and initiating public-private partnerships.

Under the leadership of Secretary Andrew Cuomo, the elevated entrepreneurial spirit and the emphasis on proving government's competence at HUD further made HOPE VI a "glamor policy" – a showcase of a reformed federal agency. While undergoing codification and standardization along with the passage of the Quality Housing and Work Responsibility Act in 1998, HOPE VI became less flexible. Unfortunately, due in part to the scarcity of bureaucratic expertise and operational skills in dealing with the most complex deals in urban development at both national and local levels, HOPE VI was slow to progress. With HOPE VI's rising

publicity, HUD was under constant pressure from Congress and housing advocacy groups to refine strategies and improve performance. As the scheduled reauthorization opened the window of opportunity for another change in its policy discourse and other financial tools were provided for public housing, HOPE VI became a less attractive endeavor soon to be shut down under the new Republican administration of 2001.

1.4. Relevance

Why is it worth taking stock of how, politically speaking, the policy choices of the HOPE VI program came about during the last decade?

1.4.1. Adding to the HOPE VI Literature

As the only significant federal funding for new construction of affordable housing, HOPE VI brought to light again the federal role in low-income housing delivery and contributed to the formulation of the landmark legislation – the Public Housing Reform Act of 1998.¹²

By and large, existing research efforts on HOPE VI involve two streams of intellectual pursuits: implementation studies (with an emphasis on the local political economy at play) and program/policy evaluation (focusing on the effectiveness of certain programmatic aspects).

This endeavor does not aim to discount the previous HOPE VI scholarship which largely provides a significant yet static view of the program. Rather, building upon those rich materials, I set forth a policy perspective to make sense of HOPE VI by shedding light on how the actors and their actions at all levels have come together to shape this program overtime. This perspective recognizes that HOPE VI has played out differently in different localities – a common policy outcome in a federally organized governmental system that relies heavily on subnational institutions for policy implementation.¹³ It also reveals the political nature of HOPE VI evaluation analysis (or policy analysis in general). Viewing the existing studies not merely as a fact-finding and problem-solving tool, but rather a legitimate means for different groups to participate in the democratic political process, this study adds another layer to the HOPE VI

¹² There is a relatively wide array of policy studies of public housing, mostly during the 1950s and 1980s. These include: McDonnell (1957), Fisher (1959), Friedman (1968), Wolman (1971), Keith (1973), Hays (1995), Mitchell (1985), and Bratt (1989).

¹³ One would expect that there is no single national solution to widely diverse local housing needs either.

literature in a refreshing way and promises insights into the potential and the pitfalls of this major public housing policy and similar social policies.

1.4.2. Advancing Theory

Despite the outpouring of research concerning theories of policy change in the past decades, with few exceptions, the substantive subject of housing has long suffered from a lack of real attention from the political science community. This omission is a reflection of the unfortunate fact that housing is a chronically neglected subject on the political agenda of America – a country where unfettered capitalism and individualism dominate the political culture and housing is generally considered to be best delivered by the private sector (Dreier 2000; Dreier and Atlas 1996b; Winnick 1995).

Meanwhile, in the larger context of devolution and rethinking of the federal government's role in social welfare, assisted housing policy has evolved over the past three decades to favor rental vouchers, block grants to localities, and tax credits for the production of low-income housing. This “de facto” devolution has generated intense discussion in the fields of planning and housing and community development. (Bratt 2003; Orlebeke 2000). This excessively local focus has left unmet the daunting task of developing theoretically grounded analyses of continuity and change and of the causes and consequences of policy choice in contemporary federal policymaking in affordable housing. HOPE VI, a decade-old, hotly debated, national public housing redevelopment program presents a fascinating case to fill the gap.

This dissertation takes into account of several distinctive aspects of the domain of assisted housing. First of all, public housing and low-income housing production in general are hybrid in rationale. They are both bricks-and-mortar forms of a safety net and can be touted as a possible economic stimulus, generating a variety of benefits to neighborhoods and cities. If we consider Theodore Lowi's classic categorization of public policy (distributive, redistributive, regulatory) with modifications and extensions by James Wilson (cost-benefit typology), we see that the domain of public housing presents a somewhat uneasy combination of two different intervention rationales and styles. Public housing has both redistributive and economic development (thus distributive) goals, the former believed to be best situated at the federal level,

the latter, at the local level. These distinctions, although not clear cut, underlie the constant tension present in each policy choice of housing assistance to the poor.¹⁴

Secondly, federal housing policy, like other social welfare policies, tends to originate in the executive branch, as opposed to the legislative branch. It is important, therefore, to bear in mind that the agency that has jurisdiction over the policy area – HUD – has been traditionally considered a politically weak and contested organization (Dreier and Atlas 1996b; Nenno 1996; Pierson 1996). Since the 1970s, public perception of HUD and public housing has been rife with negative images of abuse, fraud, mismanagement, and sometimes policy failure, as epitomized by run-down high-rise projects. Previous policies and a hostile policy-producing environment constrained the development of administrative capacities that would have given political elites the knowledge and managerial experience necessary to intervene extensively and effectively. HOPE VI evolved during a tumultuous period in HUD's history, when its own existence as a cabinet-level department was seriously challenged within a larger context of government reforms.

Last but not least, various policy initiatives in assisted housing usually attracted little notice outside of a small circle of long-term actors – certain members in Congress administrators, trade organizations, advocacy groups, and policy experts in academia. The majority of actors have been short-term participants – realtors, builders, investors, mayors, and design professionals, who come and go depending on the specific issue at the time.¹⁵ That said, HOPE VI policy evolution represents a different kettle of fish. The program, as a demonstration, has been experimental and open to change by design. Despite its emphasis on people, HOPE VI has been fairly place based, image sensitive, and subject to the glare of publicity.¹⁶ These characteristics of policy communities are all carefully incorporated in the rhetorical and empirical account of HOPE VI evolution.

¹⁴ According to Sabatier (1999), the environmental policies have benefited tremendously from the significant quantitative data that have been increasingly available and crucial to policy development. Low-income housing policy (similar to welfare policy), however, is analytically less trackable, lacks significant quantitative data, is subject to varied interpretation, and is less likely to be viewed objectively.

¹⁵ See Sabatier (1999: 8).

¹⁶ The power of the HOPE VI image was compellingly described in a HOPE VI leadership conference held at Harvard University on December 8-9, 1999: “The physical transformation of distressed urban properties through HOPE VI is proving to be symbolic of the rehabilitation of the public housing system, the families that live in it, the agencies that administer it, and the inner-city neighborhoods that are most affected by it” (HRF 2000).

As Chapter 2 and Chapter 8 will further demonstrate, the application and refinement of John Kingdon's classic "Multiple Streams" framework in the rule-making process of HOPE VI will add to the on-going theoretical advancement concerning policy dynamics.

1.4.3. Informing Practice

Having been an academic for the past decade, I am passionate about learning, synthesizing, and generating ideas that would contribute to the betterment of society. The fields of planning and public policy, though taking from different perspectives and professional approaches, have been inherently embedded in day-to-day practices. Therefore, I do not intend to "[crawl] along the frontiers of knowledge with a magnifying glass" or to "[reduce] the most engaging subjects to tedious debates about methodology," as the *Economist* has complained (March 16, 2002). Instead, recognizing the difference between the tenets of social science research and a policy analysis,¹⁷ I wish this dissertation to have peripheral vision and link our scholarly interests to larger efforts to act upon public problems, sustain political attention, and influence the directions of public policies.

Moreover, I hope that an informed account of the policy process of HOPE VI will leverage intellectual power to not only to excel in academic seminars but also to leave people working on the ground with hopes to devise strategies and possibly, solutions. It is within the context discussed above that I engaged in this research.

Unfortunately, in the area of affordable housing policy, advocates, developers, private think tanks, academics and journalists have frequently descended into rhetoric and factional fighting, sometimes even turn into ideological posturing. While many supporters of affordable housing call for political action in federal problem-solving, their advocacy efforts often turn out to be insignificant, if not wholly irrelevant.¹⁸ Sadly, past experience shows that questioning authority is not good enough, and reactively criticizing a done deal is not productive. For advocacy efforts to be effective, questions need to be asked as to where to wage the fight, how to be more proactive in shaping the policy, why good ideas do not find their ways onto the political agenda, and how political will is generated.

¹⁷ For a detailed discussion about the differences between social sciences and policy analysis, see Moore (1983).

¹⁸ This observation was largely inspired by the discussion regarding "advocacy without politics" in Briggs (2002).

These questions demand a nuanced view of the nature and processes of real-world politics. A solid and subtle analysis of how the HOPE VI program evolved as well as its various underlying factors (politics, problems, policies, and policy entrepreneurs) will suggest venues to leverage policy change and thus better prepare housing advocates to promote their agendas more effectively, to gain and maintain political support, and to see their way through the windows of opportunity that arise in the course of political life.

1.5. Organization

This introductory chapter has provided an overview of the HOPE VI program and outlined the research questions, major findings, and reasons this line of inquiry is significant. The next chapter introduces the theoretical framework adopted to analyze how and why policy change in HOPE VI took place, as well as the research methodology designed to address both the theoretical and empirical questions involved. In keeping with this dissertation's historical approach, Chapter 3 reviews the policy history that has shaped the nation's public housing debate, laying the foundation for the examination of HOPE VI policy dynamics in subsequent chapters. Chapter 4 discusses the initiation and the early development of the HOPE VI program, which resulted from a bipartisan consensus to address the worst-case problem projects in the late 1980s. The chapter also probes the reasons for the selection of specific policies by HUD in the first two years of the HOPE VI program. Chapter 5 discusses the actors and events leading up to the drastic shift in the HOPE VI policy agenda at a critical juncture in the mid-1990s when the nation took a sharp turn to the right. It offers a contextual account of how an ordinary public housing program was quickly transformed into a harbinger of the wholesale reinvention of public housing. Chapter 6 describes the trajectory of HOPE VI policies under the leadership of HUD Secretary Andrew Cuomo in the midst of the enduring debate over the Public Housing Reform Act of 1998. Chapter 7 then briefly touches upon the most recent stage of HOPE VI, which is a result of the confluence of a heightened scrutiny from all parties – Congress, interest groups, the press, and the academics. It also describes the gap between the high hopes of the program for solving complicated chronic problems and the scarcity of bureaucratic and operational expertise in both HUD and PHAs, which sadly became the justification target for elimination by the new Bush Administration in 2002. Lastly, Chapter 8

synthesizes the findings and offers further reflections on theory, research, and advocacy in the area of low-income housing and urban development policy in general.

Chapter 2

THEORETICAL FRAMEWORK AND METHODOLOGY

2.1. Theoretical Framework ¹

The *how* and *why* of the distinctive trajectory of the policy evolution of HOPE VI over a decade demands a holistic view of the policymaking process. The general stages of agenda-setting, decision-making, implementation, and evaluation should be considered as integrated components of the feedback and looping of the policy process. On the other hand, explaining such a complex phenomenon as HOPE VI policymaking requires a simplified model of political life. When searching for a plausible theoretical lens, I sought to find one that was descriptively realistic – a theory that is not necessarily meant to be predicatively accurate, but to serve as a close approximation for the policymaking process in question.

Like Aristotle who made the famous mistake of claiming that women have fewer teeth than men by forgetting to ask Mrs. Aristotle to open her mouth, it took me a while to surf in the sea policy-process theories before I thought of a simple solution to this complex problem: to talk to people on the front lines of policymaking. These interviews proved to be liberating:

Running HOPE VI is like writing a dissertation. It is uncharted. You do not even know whether you are asking the right questions. You do not know precisely where it is headed. However, you have to be out there, making a series of choices – almost always with uncertainty – because that’s what the demonstration demands, so adjustments can be made as we go along. Mistakes are almost unavoidable, most likely pointed out by others. But you do know that the answers are somewhere out there and you need to keep searching for them. Above all, we have the commitment to make it a successful demonstration, and we have to get things done.

– Paraphrase from an interview with a HUD official who preferred not to be tape recorded²

¹ The choice of this theoretical framework has emerged from conversations with Professors Martin Rein, Xavier de Souza Briggs, Steve Meyer, and doctoral candidates Laurie Goldman, Gretchen Weismann, Boyd Fuller, Arturo Ardila at MIT and Kil Huh at Columbia University (currently at the Fannie Mae Foundation).

It is this sense of ambiguity and uncertainty rendered vividly by the HUD official that further confirmed my choice to use the Multiple Streams theory first developed by political scientist John Kingdon. In his influential book *Agendas, Alternatives and Public Policies* (2003 [1984]), Kingdon offers a powerful framework for analyzing policy choice that acknowledges and incorporates the role of chance in choice-making (Zahariadis 1999).

2.1.1. Multiple Streams: Problems, Policies, and Politics

Kingdon's multiple stream theory was built upon the "garbage can model" of organizational behavior outlined by Cohen, March, and Olsen (1972), which proposed that the final output depends on what "garbage" has been collected, when the material arrives or exits from a can, when a decision needs to be made, and who is paying attention at that time. In this model, choice is primarily context dependent.

Policy circles, as Kingdon observes, are "organized anarchies," in which (a) policymakers do not understand the full array of processes at work; (b) policymakers do not know exactly what they want; (c) the mechanisms and processes of turning ideas into actions are not well understood; and (d) participants drift in and out of various phases of decision-making, and they learn from experience and trial-and-error. Therefore, under conditions of ambiguity, decisions are often made based on the logic of time management and are often not rational action based on comprehensive optimization processes.

Approximating the real world of policymaking, Kingdon identifies three major streams flowing through the policy-making system: problems, policies, and politics, each of which has its own dynamics and discourse, largely independent of the others. The *problem* stream addresses the issue of why and how particular problems make it onto the policy agenda. Major attributes of this stream include crisis and disasters, feedback from current program operations, and indicator availability.

² From my discussion with other policy actors/experts on the frontlines, the vocabularies they use also echo Kingdon's account of the world of policymaking.

The *policy* stream is conceptualized as a variety of ideas floating around in a policy “primeval soup,”³ in which solutions are continually combined and reconstituted to yield policy alternatives (2003: 116). The community of policy specialists is composed of Hill committee staffs, bureaucrats, academics, researchers in think tanks, and analysts for interests groups that conduct policy-oriented research.

The *politics* stream consists of political events such as national mood change, pressure group campaigns, election repercussions, and administrative or legislative turnover. Issues gain prominence on the policy agenda when three streams – re-articulation of the policy problem, presentation of new plausible policy alternatives, and changes in the political climate – converge at critical moments in time.

One crucial aspect of the multiple stream theory is the independence of each stream. Although the three streams are related to each other to a certain degree, Kingdon stresses that each stream has “a life of its own.” (2003: 227) They each have their own origins, paces, and dynamics. For instance, quite contrary to the conventional wisdom that policy analyses are developed to solve problems, (thus rendering it inappropriate to separate policy streams from problems streams), policy proposals are in fact driven by many different purposes. As Rein and White (1977) insightfully related, “research affects policy in ways that are rather far removed from this problem-solving model.” In reality, legislators use policy analysis to justify actions⁴; bureaucrats to protect or expand their “turf;” interest groups to advance their economic and political interests; parties to further their ideologies, and academics to “speak truth to power.”⁵

Similarly, politics and policy streams are not as connected as conventional wisdom would hold either. In fact, they each operate under different rationales. Policy communities are primarily occupied by people who specialize in particular issues and who have detailed knowledge and

³ The concept of “primeval soup” refers to the state before life comes into being, which contains the basic ingredients for the beginnings of life.

⁴ Policy research conducted by commissions, task forces, and demonstrations can win political leverage for political leaders; it helps policymakers postpone decisions while maintaining the commitment to action.

⁵ David Kirp (1992, 2004), among others, has lamented that policy analysis has been marginalized by politics. However, the utilization of policy analysis is broader than directly supplying solutions to solving programs. An alternative view, as suggested by contemporary policy process literature, is that policy analysis serves as an instrument of democratic process, rather than of a problem-solving process. For a detailed discussion on this issue, see Shulock (1999).

technical expertise. They are often theory oriented, striving to produce scientific, objective evidence to support the course that policy should take to serve the public interest. Political communities, on the other hand, involve elected politicians who engage much broader issue areas than the policy experts do. They tend to be action oriented, focusing on winning elections, promoting parties, and mobilizing and sustaining the commitment of individuals with diverse values and purposes. It is hardly news that policy people and political people do not get along, and rarely are people able to wear these two hats simultaneously: policy researchers lose their perceived legitimacy as impartial, disinterested scholars, while politicians lose the credibility of garnered by fulfilling their political commitments and advancing their own values and the values of their constituents.⁶ Policy communities often see “politics routing analysis” (Kirp 2004), accusing politicians of repeatedly relying on “insider” information instead of appreciating the “merits” of an issue. Politicians see policy people as failing to comprehend pragmatic electoral and legislative realities.⁷ Therefore, it is empirically illuminating to conceptualize the three processes – politics, problems, and policies as largely independent from one another.

2.1.2. Coupling, Windows of Opportunity, and Policy Entrepreneurs

The key to Kingdon’s argument is the *coupling* that must occur in order for a major policy to be made. Coupling takes place when solutions are linked to problems, proposals are linked to political demands, and agenda changes lead to the selection of particular policy alternatives. Policy change is *likely* to occur when moments of fleeting chance or *windows of opportunity* are opened by compelling problems or by political focusing events.⁸ Policy windows may be as unpredictable as the 9/11 terrorist attacks or as predictable as annual budget allocations.

In Kingdon’s framework, elected officials and political appointees play a central role in placing an idea on the political agenda. Nonetheless, it is communities of specialists, or networks of relatively “hidden participants,” from academics and think tank researchers to career

⁶ For detailed discussions about the relationship between policy research and policymaking, see Martin and White (1977) and Weaver (2000: 135-68).

⁷ Policy specialists are more likely to be involved in important conferences, visible studies, congressional hearings staged by staffers, and analysis papers with conceptual breakthroughs (Kingdon 2003: 228).

⁸ Pending retirements, leadership changes, provincial and/or federal elections, and external socio-economic pressures all foster a political climate that can be conducive to change or retrenchment (Kingdon 2003 [1984]).

bureaucrats and congressional staffers who generate policy alternatives. To advocate for policy change, policy communities must do more than simply recognize a policy window through which to push their favored solutions. *Policy entrepreneurs* are needed, both within and outside of government, who are willing to invest their resources to promote specific agendas despite uncertain consequences and are adept at coordinating disparate individuals and groups. In order for coupling to succeed, policy entrepreneurs must be poised to “ride the wave” when an opportunity presents itself. They must have prepared arguments to link their solutions to problems, lined up political allies, “softened up” policy communities, and generated favorable sentiment among the public.

As shown above, Kingdon’s conceptualization beautifully establishes a structured analytical lens that also leaves room for residual randomness. (2003: 221-5). The model accounts for the processes operating within each stream, the structures shaping couplings, and general constraints on the system that provides patterns in the world of complexity, whereas fortuitousness, fluidity, and unpredictability are also fruitfully captured by the inclusion of the windows of opportunity. After all, in describing these processes, seasoned practitioners in the policy world recognize that hard-and-fast rules and mechanic or mathematical formulas seem unproductive in understanding the vague and imprecise phenomena. As Kingdon posits, “To the extent that our vision is still obscured, the world itself may be somewhat opaque.” (2003: 208)

2.1.3. Distinguishing the Locus of Policy Windows

The separation of three streams allows the model to test for paradoxical processes of choice. Highlighting the role of the policy window in coupling, Zahariadis and many others argue that the nature of coupling depends on in which stream the policy window opens.⁹ Coupling is likely to be consequential (searching for solutions to a given problem) when windows emerge from the problem stream; coupling is likely to be doctrinal (finding a problem for a given solution), when windows emerge from the political stream.¹⁰ In other words, problem-driven

⁹ This finding confirms the hypothesis presented by Nikolaos Zahariadis’s case study of the sale of British Rail (See Zahariadis 1999).

¹⁰ One of the major reasons is the elevated importance of adopting promised policies rather than actually solving any problems in the case of electoral victory (Zahariadis 1999).

windows encourage a “consequential search” for solutions in which problems and solutions are “marginally redefined to ensure a good fit” (1999: 83). Politics-induced windows, in sharp contrast, promote the opposite: “to a man with a hammer, everything looks like a nail.”¹¹

In short, policy responses are not necessarily created in a sequential order in which problems are identified and then strategically addressed, as suggested by a stages model based on the logic of rational choice.¹² Rather, the process is more like Kingdon’s independently floating streams – complex, serendipitous, and paradoxical, whereby policy outcomes are dependent upon *how* three streams are joined together and *when*.

By providing various and fleeting chances, a rapidly changing environment can strongly affect which problems are attached to which solutions and whether this package will be acceptable to the policymakers of the day. Under such conditions, it is common that policy objectives are constantly changing and frequently contradictory, that the means to achieve the ends are untested, and that policy choices get derailed and deviated from in the process of implementation. More often than not, solutions often chase problems rather than the reverse in that policymakers just adapt a constant solution to a changing problem or they simply attach an available solution to a less-understood problem, not knowing of any alternatives due to temporal and institutional constraints. The analysis of the policy evolution of HOPE VI below supports the above claim. This distinction will prove instrumental in understanding the drastic shift that took place from 1994 to 1996 when an ordinary public housing modernization endeavor was turned into a flagship program for public housing reform.

2.1.4. Anchoring Multiple Streams within Institutional Settings

Although Kingdon’s original argument refers primarily to pre-decision activities (agenda-setting and alternative specification), as shown in many subsequent works including Zahariadis’s (1999), Kingdon’s model is also applicable to the entire policy formation

¹¹ Among various explanations for this tendency associated with doctrinal coupling, are the risk-averse nature of policymakers in the face of limited time and resources, and the spillover effects across policy domains. One of the major reasons is the elevated importance of adopting promised policies rather than actually solving any problems in the case of electoral victory (Zahariadis 1999).

¹² The general “stages” or in Deborah Stone’s words “production” model was, for many years, the preeminent theory concerning policy-making. It involves agenda-setting, decision-making, implementation, and evaluation.

process.¹³ In fact, I show that the conceptualization of multiple streams can operate across different levels of policymaking, from lawmaking by congressional committees to the rule-making process of a particular agency – in this case – the Department of Housing and Urban Development.¹⁴ The reasons are as follows.

Unlike most other public housing programs that are authorized under the Housing Act of 1937, the HOPE VI program was introduced and operated until 1998 through appropriations acts rather than through a classical authorizations process. In a traditional legislative sense, the authorization process gives permission to establish or reauthorize programs and agencies, setting the policy parameters for the budget and appropriation bills that follow. The authorization process often involves extensive congressional debate, hearings, and deliberations. The appropriation process holds the power of the purse: allocating money to authorized programs and agencies annually. In the absence of an appropriation, a law may sit on the books for years and never be implemented. In the absence of an authorization – if Congress is willing to fund a program even if its authorization is incomplete or delayed – policy can also be made and modified through the appropriations process.¹⁵

The HOPE VI program was initiated and redefined through appropriations, which entailed fewer hearings, less debate, and less public participation than the traditional authorization process. Until 1998, while HOPE VI had enjoyed stable streams of funding, Congress (Appropriations Committee, in particular) reserved the right to execute change annually.¹⁶

¹³ Zahariadis (1999) and Weaver (2000) expertly demonstrate the possibility of using the multiple streams model to analyze a single policy issue, whereas Kingdon's original model focuses on the overall national government and covers a broad spectrum of policy issues.

¹⁴ The intellectual roots of the multiple stream theory might prove instrumental in "stretching" the framework to back to the organizational level. The theory was adapted from the Garbage Can theory in the field of organizational behavior to agenda-setting at the national level.

¹⁵ As appropriations bills must pass to keep the federal government operating, they are often the target of "riders" pieces of authorizing language that members of the Appropriations Committee insert into these bills, rather than have the issue allowing the issue to go through often tedious processes on the floor of Congress. For example, the Quality Housing and Work Responsibility Act of 1998 was the rider of the 1998 Appropriations Bill.

¹⁶ An example of an authorized demonstration program, among many others, is Moving to Opportunity (MTO), authorized under Section 152 of the Housing and Community Development Act of 1992.

Furthermore, despite the ambitious goals established in the annual appropriations bill, Congress offered few details as to how HOPE VI was to be put into operation.¹⁷ As such, Congress left to the administrative agency, HUD, the job of filling the vacuum through its rule-making process, which can be, as Kenneth Culp Davis puts it, “a virtual duplicate of the legislative process.” (Quoted in Kerwin 2003: 52)

The rules of the HOPE VI game were primarily based on the annual Notice of Funding Availability (NOFA), which was, until 1995, often revised only one or two months after introduction. Moreover, individual grant agreements between PHAs and HUD served as the ultimate form of HOPE VI policymaking at the local level. Not until 1998 was the HOPE VI program codified into law through the Quality Housing and Work Responsibility Act. Meanwhile, HUD periodically released various program guidelines, notices and comments. This type of “informal” rule-making, as Kenneth Culp Davis maintains, is one of the “greatest inventions of modern government.” In this scenario, HUD did not merely *implement* a statute enacted by Congress or an executive order of the president, or a judicial decision. Rather, HUD needed to provide substantive elaboration and enjoyed significant bureaucratic discretion, as well as flexibility to adapt to changing circumstances. Meanwhile, with substantial new funding for public housing at its disposal, HUD’s inferring of Congressional intention was also surrounded by the familiar political efforts of policy entrepreneurs (both old and new), who took advantage of a compelling problem or political event and to make the case for connecting the three streams.

In addition, the design of HOPE VI created more opportunities for drawing more on local practices and relying on negotiations happening *below* the level of legislation. In turn, a changing cast of stakeholders entered as *entrepreneurs* into the policy scene; the national-local dialogue that occurred outside the congressional halls became an important pathway for policy change. As a result, HUD became the *de facto* locus of policymaking for the HOPE VI program, and the rule-making process *supplemented* the legislative process.

¹⁷ When internal legislative information is scarce, the legislators tend to rely on bureaucrats to resolve uncertainty.

Although windows of opportunity may open in the problem or political streams at any time, institutional structures and the relative power and resources that various institutions and organizations possess allow coupling to occur at a particular juncture and to bring about change of a different nature. This analysis extends Kingdon's framework by exploring the specific institutional setting in which HOPE VI policy was being designed and redesigned.

Understanding HUD and PHAs

The multiple streams theory is not explicit about the roles of institutions. Although in the second edition of *Agendas* Kingdon writes "Governmental forms and procedural requirements make some outcomes possible and other outcomes unlikely," he is not attentive to the ways in which the organization of policy analysis and the institutional structure of politics affect decision-making (2003: 230).

Here I use Kingdon and the new institutionalism's conceptualization of institutions. Plainly put, institutions are enduring rules for making decisions. Operating at all levels, institutions (from the Constitution to agency procedures, or rules) structure the policy process in important ways. Much scholarship has examined how issues are processed within institutional structures and what policy outcomes eventuate. Indeed, particular institutional arrangements define who is included and excluded, encourage the use of certain aspects of information rather than others, and promote certain problem definitions and solutions instead of others (Baumgartner and Jones 2002: 24-5). Notwithstanding the profound impact institutions have, a more complete view of institution involves actions in the opposite direction: institutions also respond to changes in policy and practice and thus change and evolve over time.¹⁸ As Kingdon states, "Government structures and governmental actors might be sufficiently autonomous that they both act on their own and affect their environment as much as they are affected by it." (2003: 230).

It is crucial, therefore, to take into account the external and internal institutional contexts and constraints under which HUD was operating in determining the boundaries and tensions of

¹⁸ For example, institutional structures are subject to occasional change as they are forced to adapt to new issues, share jurisdictions with competing institutions, and attend simultaneously to a greater number of the underlying elements of the issues (Baumgartner and Jones, 2002: 24).

policy change in HOPE VI.¹⁹ In other words, choices made regarding public housing programs are much more than an abstract objective of “serving the poor.” Rather, public housing’s very problems and solutions are contested and comprised while being translated to the day-to-day decisions of the government. At the macro level, balance has to be struck in order to assure the agency’s survival (thus its long term mission) by adapting to the political climate and national mood of the time. At the micro level, government does not think or act in unison. Consisting of many individuals with different levels of authority, lines of responsibility, divisions of labor, and distinctions of personality, bureaucratic integration and the cooperation of individual actions is limited at best. Hence slogans or notions such as “welfare dependency” and “concentration of poverty” are often used to form a basis for harmonious action.

Externally, as any other agency, HUD is embedded in the context of the separation of powers – legislative, executive, and judiciary. The motivations and limitations of these constitutional branches of the government structure largely shaped the ways in which HUD made its policies. The “macro” political process seldom resolves all the conflicts that place an issue on the policy agenda. It is the bureaucracy that takes the baton to make concrete policy choices, and thus faces pressures from various actors involved (Rourke 1986).²⁰ In fact, more often than not, HUD gets caught in a web of conflicting goals espoused by Congress, the president, the courts, the media, local governments, and many others.

Besides the separation of powers in a pluralist society, the division of powers between the federal and state governments, namely federalism, also set the stage for implementing federal programs. States, often considered as “laboratories of democracy” and more responsive and innovative than the heavy-headed federal government, have become increasingly favored as the provider of affordable housing assistance.

Traditionally, the United States relies heavily on private market forces to house its population (Dreier 2000; Vale 2000). Competing, if not contradictory, forces have given rise to and

¹⁹ To this end, the principal-agent model offers insights into the dynamic relationships between the bureaucracy and its political environment. See Waterman and Kenneth (1998).

²⁰ Through the 1980s, political science generated a dynamic and comprehensive view of how political institutions affect bureaucratic behavior. For a detailed review of the dynamics of political control of the bureaucracy, see Wood and Waterman (1993).

shaped the contours of housing policy. Although heightened during the Roosevelt New Deal and the Kennedy and Johnson anti-poverty programs, presidential and congressional support for low-income housing and urban aid, have been largely slim (Bratt and Keating 1993; Dreier 2000; Marcuse 1995). The lack of a strong political will and the absence of a coherent political constituency mark the nation's housing policy debate. The contemporary debate over housing policy is often limited to the size and allocation of the HUD budget, thus leaving policy-making authority in the hands of the Office of Management and Budget (the White House) and congressional committees.²¹

Congress and HUD are driven by different sets of incentives.²² In her seminal book *Agency under Stress* (1989), Martha Derthick argues that the American government functions in ways that are not conducive to good administration. Lawmakers often attach low priority to the executive branch and lack the ability to anticipate the administrative consequences of policy choice. In the case of HUD, the agency was often asked by Congress to fulfill obligations that exceeded its organizational capacity, and thus it repeatedly fell short and needed correction and adaptation.

In the eyes of the White House, as the political constituency for urban policy eroded, HUD has gradually lost its influence and could be treated as the Federal Government's "affirmative action agency" to which the President could conveniently appoint members from minority groups to occupy the Cabinet level post.²³ The invisibility of HUD to the White House was never more evident than when Ronald Reagan mistakenly greeted his HUD Secretary Sam Pierce as "Mr. Mayor" at a White House urban affairs reception.²⁴ The lackluster status of the HUD secretaryship was widely recognized and best portrayed as "(a) job that has zero glamour,

²¹ This life support for housing programs depended on annual authorizations of Congress. Therefore the amount of funding was open to direct congressional control rather than being driven by changes in housing demand.

²² In Congress, the following committees have jurisdiction over HUD: House Appropriations; Senate Appropriations; House Financial Services; Senate Banking, Housing, and Urban Affairs; and House Government reform, Senate Governmental Affairs.

²³ Even the popular TV show "The West Wing" featured an African-American woman as the HUD Secretary.

²⁴ Secretary Pierce, so called "Silent Sam" was Reagan's only black cabinet official and the only one who served for two terms.

no prospects for an infusion of new federal money, a neglected constituency with little power and virtually no urgency on the White House domestic agenda.”²⁵

In the case of HOPE VI – a demonstration program and small in scale – it was not until the most recent attempt to eliminate the program that the White House played a fundamental role in its policy process. While many lawsuits were filed as a result of HOPE VI, the courts have not had HOPE VI-specific regulations on which to base their rulings.

HUD’s funds currently provides only about one-fifth of federal housing subsidies and HUD’s budget has declined by 80 percent (in constant dollars) since 1980, more than any other domestic policy area. In fact, the bulk of this nation’s housing subsidies have been carried out through the tax code. The so-called “hidden welfare state” generously gives the largest housing subsidy to the middle-class and the well-to-do in forms of mortgage interest deductions, rather than providing direct assistance to the poor. Even the most recent innovation in low-income housing provision – the Low Income Housing Tax Credit (LIHTC) program – is administered by the IRS, not by HUD. Moreover, unlike Social Security, Medicaid, most Veterans’ Administration programs, and food stamps, housing assistance for the poor is not an entitlement.²⁶ Providing merely a portion of those who meet eligibility criteria, HUD’s programs serve a narrow constituency and its budget has been relatively easy to cut (Dolbear 1996; Pierson 1996). As Professor Dreier put it, HUD plays only “a small part in the Federal Government’s housing puzzle.”²⁷

Advocates are typically marginal to the public debate (Bratt 1989; Dreier 1997; Dreier 2000). Only at a few junctures, namely in the 1930s, late 1960s, and in the mid-1970s, were advocates able to build broader coalitions to greatly expand federal housing assistance, often with the middle-class, labor unions, and construction and development interests. However, broad constituencies appeared hardly possible to sustain (Dreier 2000; Marcuse 1995; Nenzo 1996; Pierson 1996). Any potential alliance is rendered even more fragile by a shift in the public’s attitude toward the government, especially the federal government, tackling difficult social

²⁵ Quoted in Cuomo (1999).

²⁶ See Hartman (1998).

²⁷ According to Professor Dreier (2000), in fiscal year 2000 the Federal government spent more than \$125 billion for housing subsidies of various kinds, with HUD’s annual budget at only \$27.4 billion.

problems. Many citizens have come to believe that incompetent bureaucrats at the federal level cause more problems than they solve. Lacking cohesive clients and thus political clout, HUD gradually acquired an undesirable reputation for mismanagement and corruption, particularly under Reagan and the first Bush administrations.²⁸

Internally, the institutional history, administrative structure, and bureaucratic capacity of HUD and PHAs define the possibilities of coupling by different policy entrepreneurs, thus further setting the pace and shaping the nature of policy change. HUD was founded in the swirling events of the mid-1960s, a year after the Watts riots in Los Angeles, as the first cabinet-level urban agency and the cornerstone of Lyndon Johnson's Great Society. Under this activist president, HUD attracted many energetic young people to its staff who aspired to bring resources to improve the quality of life in declining urban America. Since the end of the Johnson era, HUD has been losing its resources and strong political leaderships and has attained a low-profile status (Nenno 1996). Beleaguered by problematic finances in administering an increasingly poor clientele, a series of scandals, as well as the loss of talented career staff over time, HUD was turned into a "demoralized" federal bureaucratic entity whose poor performance was hardly news at the national level.

Local housing authorities by and large followed the downward cycle of HUD. PHAs not only were "reined in" by Washington through rigid and detailed regulations and rules regarding virtually all operations of public housing and other forms of federal housing assistance, they also lacked sufficient funding resources for existing programs. Mired in unchecked vandalism and the escalating cost of maintaining large numbers of aging buildings PHAs found themselves hard pressed to retain skilled staff and in need of spirited morale (Nenno 1996).

It was within this turbulent history and the institutional peculiarity of both HUD and PHAs that the story of HOPE VI unfolded. The impact of the above factors, as echoed in Derthick's discussion of agencies under stress, is particularly strong in such policy domains as low-income

²⁸ A poor public perception of HUD has continued. In an annual survey of public perceptions and opinions of government conducted by Pew Research Center for the People and the Press in 1998, HUD's approval rating was at 51%, tied with the CIA. Both were lower than any other agency identified except for the IRS which was 38%. The postal service ranked the highest - 89%.

housing programs that require “intrusive and complex actions of implementation and oversight” (Pierson 1993: 605).

Understanding Other Participants

Currently, HUD’s constituency is composed primarily of those who have a direct stake in housing the poor and bringing resources to cities, including both HUD’s partners and ultimate customers. In the public sector, state governments, mayors, and local government housing bureaucrats depend on HUD’s dollars to house their poor population and to redevelop their ghettos. Their lobby groups include the National Council of State Housing Agencies, the U.S. Conference of Mayors, the National League of Cities, the National Association of Housing and Redevelopment Officials (NAHRO), the Council of Large Public Housing Authorities (CLPHA), and the Public Housing Authorities Directors Association (PHADA).²⁹ It is worth noting that as urban voters have represented a smaller portion of the overall electorate since 1992, suburbs have become the battleground for swing voters, often at the expense of federal policies benefiting cities.³⁰ The keys to winning urban seats in Congress have been in the hands of national political action committees, rather than city-based political machines (Paget 1998). Hence, the urban lobby has seen steadily declining political influence in state and federal politics, and cities have been trapped in a vicious circle of fiscal isolation and political deterioration.

Among various domestic policies, housing programs for the poor are among the most vulnerable to political assault (Dreier 2000; Dreier and Atlas 1996b; Pierson 1996). Much of the public views low-income housing programs unfavorably. Within the larger policy community, housing policy has lacked a coherent and cohesive political constituency. Even

²⁹ HUD’s private-sector constituency consists of lenders, brokers, appraisers, developers, landlords, real estate lawyers, investors and others who involved in the business of the existing inventory of federally assisted housing. The National Association of Realtors and the National Association of Home Builders, and Mortgage Bankers Association (MBA) are the three biggest housing trade lobbies. Individually, developers and realtors are among the most generous contributors to congressional and presidential candidates. Institutionally, with deep pockets, the National Association of Realtors has established a massive local network and spent millions of dollars more than any other trade association lobby. Generally speaking, the chief concerns of these trade organizations are only remotely associated with low-income housing programs. In the realm of rental housing, the players include The National Multi Housing Council (NMHC), the National Leasing Housing Association (NLHA), the National Apartment Management Association (NAMA), and the National Affordable Housing Management Association (NAHMA).

³⁰ Suburbanites were a majority of presidential voters for the first time in 1992.

within the housing constituency, the inherent tensions among its various segments often work at cross purposes, each lobbying for its own specific piece of the housing resources, weakening the overall impact of their efforts, and undermining the likelihood of building broad support for federal housing programs (Dreier and Atlas 1996a; O'Connor 1999; Weir 1999).

For instance, mayors are very vocal lobbyists for CDBG and HOME funding. The National Alliance to End Homelessness and the National Coalition for the Homeless have their eyes on HUD's homeless programs. The American Association of Homes and Services for the Aging, and the Consortium for Citizens with Disabilities advocate for Section 811 for the elderly and disability-related groups. The National Alliance of HUD Tenants and the National Housing Trust are primarily interested in protecting federally assisted multifamily housing stock, including the Section 221(d)(3), Section 236, and project-based Section 8 programs. The National Council of State Housing Agencies focuses on preserving the State Housing Finance Agency administered federal housing programs, including Mortgage Revenue Bonds (MRBs), the Low Income Housing Tax Credit (LIHTC), and HOME. Civil rights groups such as the National Fair Housing Alliance focus on HUD's line item for fair housing enforcement. ACORN, the National Community Reinvestment Coalition, and others focus on protecting and strengthening the Community Reinvestment Act and are active at local levels.

The emergence of community-based non-profit organizations in the past three decades has become the much-admired and celebrated change in the affordable housing landscape (Briggs et al. 1997; Keating, Krumholz, and Star 1996; Keyes et al. 1996). These burgeoning CDCs, particularly their intermediaries and umbrella organizations – such as the Local Initiatives Support Corporation, the Enterprise Foundation, the National Congress for Community Economic Development, the Neighborhood Reinvestment Corporation, and others – have been largely championing the preservation and expansion of LIHTC, HOME, and the Section 4 Capacity Building for Community Development and Affordable Housing program. Enjoying close working relationships with private lenders and investors, foundations, and city and state governments, these groups tend to house “an easier group” of people. However, even the CDCs

tend to look down on their public housing colleagues who have been identified as landlords of the last resort.³¹

As for HOPE VI, the three public housing trade associations – CLPHA, NAHRO, and PHADA – are the major groups that have a direct stake in its activities. These associations work with members of Congress in efforts to develop sensible and effective public housing statutes, and obtain adequate funding for low-income housing programs. They also serve as advocates before the U.S. Department of Housing and Urban Development on a variety of regulations governing public housing nationwide.

Serving sixty of the nation's largest public housing authorities, which manage and administer more than 40 percent of all public housing and 30 percent of the Section 8 program, the Council of Large Public Housing Authorities (CLPHA) remains a powerful advocate for preserving and improving public and affordable housing. As David Bryson posits, “CLPHA has been the most effective in securing from Congress what it wants and probably has as much influence with moderate Republicans and Democrats as HUD does.” (Housing Law Bulletin, 1996)³² During the 1980s, CLPHA led the way in lobbying for sufficient operating subsidies for public housing.³³ Since that time, CLPHA has gradually broadened its vision beyond funding issues to advocate for a return to the original role of public housing conceived in the 1937 Housing Act to serve a broader spectrum of the low- to moderate-income population.

In contrast to CLPHA, the Public Housing Authorities Directors Association (PHADA) was heavily influenced by medium-sized and small PHAs. Established in 1979, PHADA represents the professional administrators of more than 1,900 housing authorities across the country.

Founded in 1933, NAHRO is the oldest and largest national organization representing housing and community development officials throughout the United States.³⁴ With wide coverage and

³¹ Interviews with Chris Hornig (08/09/04).

³² <http://www.nhlp.org/html/hlb/197/197clpha.html>.

³³ CLPHA's efforts contributed to the increase in the public housing modernization funding and prevented incremental units from falling below 100,000 units a year.

³⁴ NAHRO represents 2987 agency members (including local housing authorities, community development departments, redevelopment agencies, and affiliates) and 16,607 individual members and associates. (Source: <http://www.nahro.org/about/glance.cfm>)

diversity as its hallmark, NAHRO members administer almost every national, state and/or local housing and community development program, ranging from Public Housing, Section 8, CDBG and HOME to LIHTC. NAHRO members own or administer 95 percent of all public housing units (1,308,000 units) and 94 percent of all Section 8 housing (1,880,000 units).

Other housing advocacy groups have been active in the HOPE VI program. Sometimes referred to as the “housing movement” by friends and “do-gooders” by foes, these groups include such organizations as the National Low-Income Housing Coalition, the National Housing Law Project, and the Everywhere and Now Public Housing Residents Organizing Nationally Together (ENPHRONT), and The National Alliance of HUD Tenants as well as anti-poverty advocacy groups such as the Center for Community Change (CCC).³⁵

Since the early 1990s, the Nixon Peabody LLP and other Washington law firms have emerged and mobilized support among private clients for HOPE VI and mixed-finance public housing in general. In 2000, the Council for HOPE VI and Mixed Finance was founded with its chief motive being to support the growth and health of HOPE VI and mixed-finance projects. Consisting of over forty public and private sector organizations involved in the financing and production of affordable housing (including housing authorities, developers, syndicators, and lenders), the Council called for the continuation and improvement of the HOPE VI program beyond the September 2002 sunset.

Lastly, planners and designers have also been active participants in HOPE VI. Although housing issues are not their focus, the American Institute of Architects (AIA), the American Planning Association (APA), the Congress for the New Urbanism (CNU), and the Urban Land Institute (ULI) have been energetic supporters of HOPE VI.

As the following chapters demonstrate, these groups, varied in their vision, power, resource, and access to decision-making, have had different impacts on the HOPE VI program.

³⁵ The Poverty & Race Research Action Council and Sherwood Research Associates have been actively monitoring the development of the HOPE VI program. In addition, fair housing and civil right groups have also been involved.

2.2. Limitation

The adoption of the Multiple Stream framework for explaining the particular policy choices over the course of HOPE VI is not without its limitations. In fact, Sabatier and others argue that the Multiple Stream model is not a theory. Instead, they say, it is more of a heuristic device than an empirically falsifiable guide to policy analysis.

Admittedly, this study is descriptive in nature. The overarching question of “how HOPE VI evolved when it did” does not lend itself to a neat theoretical construct and narrow questions/hypotheses that can be answered/tested by highly technical research procedures thus predicting patterns of future changes with mechanical precision. Moreover, only compared to other alternative elucidations can conclusions be drawn with regard to whether Kingdon’s framework best answers the research question posed.

Limited by resources, however, I decided not to take on the task of proving or refuting the Multiple Stream theory. Rather, profoundly driven by my empirical questions, I humbly use the Multiple Stream Theory to simply shed new light on the political process of policymaking in HOPE VI – a largely overlooked aspect of this hallmark housing program, despite its importance to all interested parties. Most importantly, in a policymaking environment where virtually no reliable science of political weather forecasting existed, Kingdon’s realistic assumption of individual rationality singles out the Multiple Stream theory from many others.

However, further research such as using other plausible alternative theoretical constructs to explicate the policy dynamics of HOPE VI will certainly help in this regard.

2.3. Research Design and Methodology

In order to explain how the streams of problems, solutions, and politics are coupled to generate a particular policy output, I strive for good research design, multiple methods, the fair collection and presentation of evidence, and logical inferences drawn from that evidence.

The nature of this research lends itself to a qualitative-oriented methodology. Taking a historical and descriptive-institutional approach, the research involved documentary review and in-depth personal interviews with key policymakers, practitioners, researchers, and policy

entrepreneurs involved in HOPE VI. Data were gathered to document ebbs and flows in the problem, policy, and politics streams and how different policy entrepreneurs and interest groups pushed certain ideas onto the policy agenda, and obtained and sustained support (or failed to do so) for these ideas.

Document review

I undertook an extensive document review, covering a range of primary source materials including Congressional hearings and reports, GAO reports, and HUD documents related to HOPE VI as well as other public housing programs and their pertinent legislation (particularly QHWRA). They provide important “policy texts” for understanding the progress of HOPE VI policy development (Rein and Schon 1996; Schon and Rein 1994).

I chronicle the development of HOPE VI NOFAs (See AppendixD), program guidelines, notices, legal opinions issued by the General Counsel, letters of intention, and important internal memoranda.³⁶ In order to reveal the changing programmatic preferences and priorities from 1993 to 2002, I compared NOFAs over time. In particular, I present and investigate the changing weights assigned to different rating factors for particular policy instruments. These comparisons also help to illustrative to identify “poster-child” projects and their PHAs identified by HUD for nationwide programmatic emulation in each stage of HOPE VI policy development (1993-1994, 1995-1996, 1997-2000, and 2001 onwards).³⁷ It must be stressed that individual HOPE VI projects are not used to illustrate how paradigm shifts were reflected on the ground. Instead, they are “exemplars,” serving as evidence or “facts” utilized by various actors to push their pet solutions or to dampen the policy alternatives of others. Similarly, it will be prudent to examine “best practices” or “controversial” projects (or certain aspects of the projects) used by different social groups.

³⁶ Originally, I intended to compare the shifting weights assigned to various scoring criteria in each year’s NOFA. However, it proved to be difficult as HUD did not disclose the scoring standards for each factor used by its internal reviewers until 1999.

³⁷ On the other side, failed applications can also illustrate the alternative models that were not picked up as policy preferences. However, these data proved difficult to gather, if not impossible.

Relevant newspaper and journal articles helped enrich the understanding of how HOPE VI was perceived and discussed in the public discourse and, more importantly, they rendered a broader political and social context in which public housing and other social policies were debated.

Apart from considering articles on HOPE VI, the dissertation also drew upon professional journals and conference proceedings on public policy and administration, housing and community development, as well as planning and architecture. These discussions helped clarify how ideas about interaction among public housing, welfare, and urban decline provided signposts for particular paths, and how intellectual communities – from academics and think tank researchers to career bureaucrats and congressional staffers – have informed the policy debate through generating policy alternatives.

It is worth noting that the relevance of these documents is not derived from their accurateness or objectiveness. In fact, they shall be used to gather data for corroborating and augmenting other evidence on how policy actors defined and redefined problems and solutions to win political attention and support, bargained,³⁸ and compromised and formulated practical strategies for action in the policy process.

Personal interviews

While a good account of the problems and policy solutions can be derived from document reviews, it is not nearly as easy to grasp the ups and downs in the politics stream. In-depth interviews with key policymakers, practitioners, and researchers who are experts and/or were privileged witnesses to the HOPE VI program will help to provide a complete story.

I conducted two major waves of interviews during the summers of 2003 and 2004 with those involved in HOPE VI policymaking. After the initial rounds of interviews with a “panel of informants” – using Weiss’s conceptualization (1994) – I used “maximum variation sampling” to reflect the range and diversity of the perspectives held by different groups involved in the HOPE VI program. Interviewees included congressional staff, and officials at HUD, especially those in the Office of Urban Revitalization (OUR) of the Office of Public Housing Investments

³⁸ Bargaining occurred between HUD and PHAs, as well as between PHAs and local institutions (both private and public), and public housing residents.

(OPHI). Local public housing authorities, housing industry groups, members of think tanks, academics, advocacy groups, public housing residents, real estate development groups, professional planners and designers, and newly emerged interest groups were also interviewed (Appendix E). Additional interviewees were identified through a snowballing method as the research proceeded.

As sharply expressed by an unidentified Democratic congressman,³⁹ “everybody’s entitled to their own statistics,” and so it is vital not to take the “text” as given. Rather, I needed to document and interpret the policy actors’ tacit knowledge with great care, and to learn how policy events were (or are) interpreted and manipulated by different actors.

Of particular challenge to this study was gaining access to governmental officials and congressional members, the elusive “elites” who were especially sensitive and skeptical about the intention of this research. With few exceptions, I succeeded in obtaining the opportunity via careful plans for making research contacts and clarification of my research aim to HUD. Before interviewing those who are actively involved with the HOPE VI program, I began with those respondents who had already left their positions in the government.

The quality of my research largely depends on the credibility of those “untold” stories that will come from “elite” officials. Therefore, the exact identity of an elite source is critical for the comprehensive understanding of certain data. I have encountered the challenging task of striking a balance between obtaining credibility of information and protecting the anonymity of the respondents. Some interviewees, whom I had assumed would be comfortable with attribution by name, indicated that they wished the use of certain comments to be restricted. Some asked me to only use vague identifiers such as “a HUD official,” “a congressional staff member,” or “a lobbyist.” Some respondents prohibited me from using the material they provided in any way other than as an aid to my own understanding.

As my research entailed interviews with a wide variety of persons holding drastically different viewpoints and values, tailored interview guides were developed according to each respondent’s specific experience. Each interview usually lasted approximately 1.5 hours and

³⁹ Quoted in Weaver (2000).

rarely under forty minutes, and sometimes up to two hours. Most interview sessions were conversational in nature, one on one with each participant; however, a few sessions included two participants or additional observers. This dissertation will cross-reference the two methods (document reviews and interviews) with each other throughout.

As an international student, language always presents a substantial barrier to me in conducting in-depth interviews. Although I realize the importance of being an excellent conversationalist, for some obvious reasons, it is unlikely that the interviewing partnership will be as smooth as it would be with a native speaker. For instance, I often found myself unable to pick up every single “marker” dropped intentionally or unintentionally by the respondent. In preparation for the interviews, therefore, I made special efforts to conduct multiple pilot interviews, not only for the purpose of reframing research aims, but also for equipping myself with more knowledge of the research area and refining my vocabulary. Robert Weiss’s detailed accounts and commentaries on interview examples provided me with valuable opportunities to learn how to manage the communication in a socially and culturally sensitive manner while effectively conducting the interviews (Weiss 1994: 62-119).

On the other hand, my conducting interviews in English as a second language also brought in an interesting dynamic. Quite contrary to my initial worries, respondents tended to be kind and candid to me – an innocent “outsider” who was eager to learn, as well as to contribute to the scholarship. The research relationships I tried to establish with the respondents often turned out fairly well, especially when respondents gradually realized that I possessed a substantial amount of knowledge on the topic in question. Sometime, however, I found it operationally helpful not to ‘impress’ respondents by how much I knew but to position myself as a respectful student, admiring their authority and awaiting instruction.

Chapter 3

THE HISTORY OF PUBLIC HOUSING POLICY

The public housing program, effectively if not deliberately, was designed to fail... it was not tested and found wanting; it was condemned without trial.

– Eugene Meehan¹

Inherited policy legacy is crucial for understanding the transformation of the HOPE VI program. This chapter traces the seven-decade history of American public housing policy from the 1930s to the pre-HOPE VI era. The thread involves, again, three streams – how politics, policies, and problems were joined at critical junctures in time to make policy change possible over time. At the core of the discussion are the ways in which the issue of “housing for the poor” has been framed and reframed, and how the role of the state has been transformed in shaping the contours of the housing marketplace as well as providing solutions to housing problems in this nation.

3.1. Federal Leadership in Public Housing (1937 – 1972)

With its historical commitment to the sanctity of private property and supremacy of homeownership, the United States was a late and reluctant entrant, long after other industrial countries, in assuming responsibility for providing low-income housing (Listokin 1990; Vale 1995). Although the government’s intervention in housing markets can be traced to tenement house legislation, zoning ordinance and the efforts to boost homeownership during the 1920s, the genesis of direct federal involvement in housing provision was not possible until the 1930s when a broad shift took place in political climate, shaping key decisions in many policy domains. Housing was no exception.

¹ Meehan (1977)

3.1.1. The Housing Act of 1937

The economic crisis and the liberal upsurge during the Great Depression opened a substantial window, for the first time, for national government's intervention to respond to the failing economy and ensure the general welfare of its citizens. Assuming the presidency at the depth of the Great Depression, Franklin Roosevelt pushed program after program through Congress to provide relief, create jobs, and set up a welfare state, which otherwise would have met enormous resistance.² It was within this context that the basic "two-tiered" structure for housing policy emerged: a federally regulated housing finance and mortgage guarantee system and the public housing program (Hays 1995; Mitchell 1985).

During the Depression, the widespread loss of jobs and income resulted in sky-high eviction and foreclosure rates. The once vigorous private housing production went bust: housing starts plummeted to merely 10 percent of the 1920s peak. Mortgage foreclosures soared to 1,000 daily, and half of the country's homeowners were in default. This in turn led to massive unemployment in the building trades with which a third of all the families on the relief rolls were associated. From this economic and financial chaos, three powerful interest groups – the construction industry, the finance industry, and the temporarily submerged poor – emerged to press for federal intervention and assistance.

To rescue the nearly collapsed financial system and to stimulate the home-building sector, the federal government launched a constellation of programs and agencies (Mitchell 1985). President Hoover's Federal Home Loan Bank Act of 1932 for the first time brought thrift institutions throughout the country under the federal umbrella. President Roosevelt urged the creation of The Home Owners Loan Corporation (HOLC) and the Federal Savings and Loan Insurance Corporation (FSLIC), which protected many homeowners from foreclosure and many lenders from failing. Politically, these moves consolidated substantial middle-class support for the New Deal (Radford 2000: 107). Two years later, the Federal Housing Administration (FHA) was established through the National Housing Act of 1934. The FHA's mortgage insurance program encouraged home mortgage lending by adding a government guarantee to financial institutions against default, making more capital available at a cheaper rate for both developers

² For instance, federal cash and work relief programs were established in 1933; social insurance in 1935; and federal regulation of working conditions in 1938.

and consumers. Thus, the long-term, low down payment, fully amortized, level payment mortgage took shape which broadened the segment of the population who could afford a home.³ Later in 1938 the Federal National Mortgage Association (FNMA, or Fannie Mae) was established in order to foster a secondary mortgage market. These measures laid out the fundamental structure of this nation's home financing apparatus and enjoyed a substantial degree of popular support.

While the federal government was pumping life back into the housing market by restructuring its financial underpinnings, the campaign for directly aided housing came to the scene rather reluctantly. The National Industrial Recovery Act of 1933 provided the initial legal basis for federally sponsored public housing. "[W]ith a view to increasing employment quickly," the Act authorized the Public Works Administration (PWA) to construct public works project that could include "construction, reconstruction, alteration, or repair under public regulation or control of low-cost housing and slum clearance projects."⁴ Not until the PWA tried out all possibilities for private-sector projects, including limited-dividend companies, did this agency shift to assume direct responsibility for construction of low-rent housing (Vale 2000: 168).⁵ Despite its limited role in producing public housing units, "PWA helped to focus attention on substandard housing problems and the use of federal funds to deal with them." (Fisher 1959): 86).⁶ Indeed, it laid the foundation for enactment of the Wagner Housing Act of 1937.

Viewing homebuilding as "the wheel within the wheel to move the whole economic engine," President Roosevelt was lukewarm about backing a plan involving a large-scale publicly financed construction program. During the second wave of the New Deal period, Senator Robert Wagner (D-NY) introduced a public housing bill into Congress to provide housing for the poor and promote industrial recovery through slum clearance.

³ Note that African Americans were officially segregated by the FHA at the time.

⁴ Quoted in Straus (1944: 20)

⁵ However, PWA met with legal obstacles: The United States Court of Appeals declared the PWA's use of eminent domain powers for low-cost housing and slum clearance to be unconstitutional. As a result, PWA was unable to conduct federal slum clearance at first but had to build on vacant land (HUD 1974: 1-9).

⁶ Over a period of four years, PWA financed or built only approximately 25,000 units, most of which were very livable.

As the New Deal opened the doors of government to reformers, visionaries such as the Catherine Bauer influenced the fledgling public housing program. Working with the Labor Housing Conference (LHC), and drawing upon the government-supported housing programs and concepts in European countries since the end of the World War I, Bauer and her allies called for a universal policy for housing. Representative Henry Ellenbogen (D-PA), who was born in Vienna, Austria, sponsored a bill drafted by Bauer in 1935 that envisioned a fundamental realignment of the American housing industry: moving beyond a market-based mentality toward “non-commercial forms of ownership” and the “cooperative commonwealth” that targeted the majority of American society as well as its poor (Bauer 1934).⁷

Although Senator Wagner incorporated Bauer and Ellenbogen’s ideas in his new legislation for the 1936 session of Congress, their proposal faced fierce opposition and failed politically. The National Lumber Dealers’ Association claimed that public housing hindered house construction. While favoring public credit to sustain private enterprise, the National Association of Real Estate Boards (NAREB) resentfully opposed public housing as competition for homeownership. Congressional conservatives labeled public housing a socialist program or government paternalism for a preferred few. When Wagner’s legislation finally passed Congress in 1937, many key provisions of the proposed legislation had been compromised away.⁸ Instead, the public housing program established by the Housing Act of 1937 survived by bearing twin goals: to provide much needed jobs in the depression era; and to build decent housing to replace the widespread slum housing of the time (HUD 1990: I-4). The 1937 Act included an “equivalent elimination” clause, which required that local housing authorities demolish one slum dwelling unit for each new unit of public housing constructed, thus the overall supply of housing was not to be increased and the private housing industry was protected.⁹

⁷ This concept reflected the collectivist and communitarian thinking of many intellectuals of the early 1930s, and even tied back to the small-scale “utopian” experiments of the nineteenth century.

⁸ Such as loans to non-profit corporations and cooperatives for low- and middle-income housing.

⁹ The argument that public housing should not interfere with the private market logically led to the design philosophy that public housing should be clearly differentiated from the local privately built housing, so that they would be easily identified as subsidized “second-class” environments. It also translated into the poor location of projects, which were often tucked in cleared slums, away from the suburbs increasingly reserved for the middle-class by then.

The 1937 Act created the U.S. Housing Authority (USHA) to administer the program at the national level and preside over a network of local housing authorities. Under the program design, local housing authorities, chartered under state enabling laws, would build, own, and administer their housing projects, using the proceeds from sales of tax-free bonds. Public housing was expected to be *self-supporting*: Except for the development debt, rents paid by tenants would assure payment of all operating costs. In the early years, therefore, public housing did not serve the very poor, but rather the temporarily submerged working families hit hard by economic hardships yet en route to recovery.

Faced with strongly organized lobbies from home building, finance, and real estate groups, Congress also placed severe restrictions on public housing construction costs, forcing the elimination of facilities or architectural amenities that characterized the earliest public housing projects, such as porches and recreation centers designed to build community identity among residents (Friedman 1968). Moreover, localities assumed the power to select project sites and to determine racial occupancy, which would guarantee and reinforce residential segregation for years to come.

In sum, although the Great Depression convinced reformers that the private market and philanthropy could not solve the economic and housing problems of the poor, the term “public housing” was not in place until it could be coupled with another national objective – relieving unemployment (Karolak 2000; Marcuse 1995). The 1930s saw a two-tiered system being established that would frame government activity for the next generation: tier one involving home loans, mortgage guarantees, and tax deductibility, channeling cheap capital to producers and consumers of private housing; and tier two, public housing built to minimum standards and limited to low-income families (Bauman, Biles, and Szylvian 2000; Radford 2000).

As Americans mobilized for World War II, the economic stimulus provided by the war led to virtually full employment. Despite the rapid influx of workers migrating from rural to urban areas in search of jobs in defense industries, housing and other consumer goods were given few material allocations. Housing was thus in extremely short supply, especially around most military and industrial installations.

In 1940 President Roosevelt signed into law a bill introduced by Representative Fritz Lanham (D-TX).¹⁰ Known also as the Lanham Act, The National Defense Housing Act authorized the FWA to construct public housing for defense workers (regardless of income levels). As a compromise between liberals who favored expanding the public housing program for war workers and conservatives who responded to the oppositions from the home-building, real estate, and banking industries, the Act stipulated that defense housing could be only temporary and should be privatized immediately after the end of the war.

Despite the conservative agenda of the Lanham's Act, the FWA Administrator John Carmody foresaw large-scale public works and the public housing program playing key roles in lessening unemployment when the economy returned to peacetime production. Aiming to "set a pattern for the future development of housing in America," Carmody launched a wave of housing innovations and experimentation in architectural design, construction techniques, and home finance. International style design, comprehensive site planning, pre-fabricated housing, and cooperative or mutual housing were tested but later failed to serve as a model for postwar housing.¹¹ Ironically, the mass-production building techniques perfected in the defense housing laboratory were employed in famous postwar suburban developments such as Levittown.

In 1942, President Roosevelt consolidated sixteen federal housing agencies to the newly created National Housing Agency (NHA). The reorganization of the federal housing bureaucracy marked a shift in the focus of defense housing policy. Under the pressure of a resurgent real estate industry, the NHA Administrator John Blandford re-emphasized the provision of minimalist temporary housing that would be torn down when the war ended.

3.1.2. The Housing Act of 1949

The postwar era ushered in economic growth and stability and remarkable changes in many aspects of American society. Driven by expanding domestic and foreign markets, technological

¹⁰ Representative Lanham was known for his hostility toward the public housing program created by the 1937 Wagner-Steagall Act (Szylyan 2000: 124).

¹¹ Louis Kahn and Eliel and Eero Saarinen worked on planning and designing modern housing for postwar housing which promoted community interaction. Walter Gropius, Frank Lloyd Wright, and other renowned architects took on the challenge of designing low-cost pre-fabricated housing for defense workers.

advancement, and cheap energy, as well as fueled by a wide consensus about the government's macroeconomic role, Americans established an increasingly affluent society.

In the political stream, the reinvigoration of New Deal liberalism and its gradual exhaustion distinguish the quest for government's role in achieving the social and economic equality. Reflecting a sea-change in national politics, the urban and labor votes – particularly the big-city vote – peaked in the late 1940s as the most decisive political factor in making the 1949 Housing Act a success.¹²

Joining labor unions and progressive housers to push for post-war public housing expansion were civic groups (such as the League of Women Voters) and the veterans, who emerged as a large, powerful interest group whose pressing housing demand turned veterans into key supporters of federally supported housing production.¹³ For reformers who had lost their battle in the 1937 Act, many made little effort to renew their vision of public housing as mixed-income social housing. Rather, they chose to advocate for program expansion and adequate funds to build well-designed and quality public housing. They sponsored the National Public Housing Conference (NPHC), a small organization that helped coordinate the lobbying for public housing.¹⁴

Housing became a key issue and an important reason for Truman's victory in the 1948 election and for the regaining of control of both houses of Congress by the Democrats. During the campaign, in sharp contrast to the GOP platform which stressed that public housing and slum clearance should be a last resort, the Democratic platform echoed Truman's goal of decent housing for all Americans. Emphasizing that the housing situation of the nation was "intolerable and inexcusable" Truman suggested that Republicans update their 1928 election slogan of "two cars in every garage" to "two families in every garage" (Davies 1966). Truman

¹² Besides the primary vehicle for mobilization and lobbying – the unions and urban political machines – the U.S. Conference of Mayors, the National League of Cities, and their allies also advocated for more federal resources to address urban problems.

¹³ Veteran's lobbying gave rise to the Veterans Administration mortgage insurance program that boosted homeownership on a large scale (Mitchell 1985; Marcuse 1995, 1998). According to Mitchell (1985: 9), "VA loans helped boost the volume of home construction to over 1 million annually after the war."

¹⁴ The National Association of Housing and Redevelopment Officials and the Conference of Large Public Housing Agencies took NPHC's place as the key lobby groups for public housing, after NPHC was renamed the National Housing Conference and became dominated by private developers.

criticized the Republicans for “working hand in glove with the real estate lobby” and linked solution to housing problems to an overarching political thrust to win the Cold War. In his campaign speech in Wisconsin, he passionately argued, “[t]here is nothing more un-American than a slum. How can we expect to sell democracy to Europe until we prove that within the democratic system we can provide decent homes for our people?” (Davies 1966).

In fact, confronting the fierce opposition of the coalition of conservative Republicans and conservative Southern Democrats, Truman’s housing bill was the only part of his domestic agenda to survive. The Housing Act of 1949 declared that every American deserves a “decent home and a suitable living environment.” Three separate housing agendas emerged from the three-year battle.¹⁵ Title I of the Act renewed the war against slums and provided mechanisms for funding large-scale redevelopment. Title II increased the FHA mortgage insurance authorization to stimulate home building and homeownership. Title III involved committing the federal government to an expansion of the public housing program (building a total of 810,000 new public housing units).¹⁶

Among the three agendas, the public housing provision provoked the most opposition in Congress and barely escaped deletion. Public housing only survived by “wedding itself to urban renewal.” (Bauman, Biles, and Szylvian 2000: 140) In other words, government’s role in housing production was not justified until it was coupled with providing relocation for slum clearance and redevelopment resources for private enterprises.

Title III in the 1949 Housing Act only passed narrowly (209 – 204), foreshadowing a trouble-stricken future for public housing. Facing pressure from the real estate and construction industries and anti-Communist fervor, Congress consistently funded far fewer units than were authorized.¹⁷ Besides lacking the actual commitment of money from the federal government at

¹⁵ When Senator Robert Wagner introduced his comprehensive housing proposal in 1947, the liberal New Deal coalition had lost strength and the GOP controlled the Congress (Hays 1995). Representative Jesse Wolcott (R-Michigan), Chairman of the House Banking and Currency Committee during 1947-1948, led the opposition and charged that public housing would “fashion the key to open the door to socialism in America.” (Davies 1966)

¹⁶ Title VI authorized the secretary of agriculture to establish programs to improve rural housing. Title V established the Section 502 program whereby the Farmers Home Administration granted mortgages to encourage the purchase or repair of rural single-family homes.

¹⁷ In the 1950s, the Appropriations Committees typically funded about 25,000 units per year (Orlebeke 2000).

the local level, battles over public housing sites frequently wound up by building projects in the least desirable parts of town where poor families were already concentrated. By 1960, five years after the target date for completion of 810,000 new units, less than one-quarter of these had been built (Listokin 1969: 19-32).

The Housing Act of 1949 also launched the process of change that has led to the public housing as we know it today, serving the very poor. The 1949 Housing Act prohibited discrimination against welfare recipients in public housing and gave priority to those displaced by the urban renewal program. While the federal government was providing FHA-insured housing at low cost to working white families, the number of very low-income residents and non-white residents living in public housing increased.

During the 1950s and 1960s, city officials and designers subscribed to Le Corbusier's vision of towers-in-the-park as symbols of civic progress and modernity (von Hoffman 1996). Unfortunately, caught between stringent federal unit cost ceilings and inflating prices, the authorities skimped, eliminating such basic construction and safety elements as insulation for heating pipes as well as the provision of amenities (Meehan 1975)¹⁸. As public housing projects are situated in areas mostly segregated from other residential neighborhoods, vandalism, crime, and fiscal instability began to threaten the daily life of tenants. It was not surprising that public housing's poorly programmed "enlightening" open spaces and the communal corridors evolved into dangerous no-man's-lands and hangouts for gangs. Among other frustrated reformers, Bauer (Bauer 1957) sadly concluded, "after more than two decades, [public housing] still drags along in kind of limbo, continuously controversial, not dead but never more than half alive."¹⁹

The 1960s and 1970s marked the expansion of the liberal welfare state established during the New Deal. President Kennedy brought Democrats back to the White House after eight years of Republican administration under Dwight Eisenhower (1953–1961). However, with a narrow

¹⁸ Quoted in Bratt (1986).

¹⁹ The end of the 1950s witnessed a new subsidy program Section 202 assistance for the elderly, providing direct loans at a below-market interest rate to non-profit housing sponsors. This approach became the mechanism of choice in the explosion of housing program in the 1960s.

presidential victory over Richard Nixon and limited leverage over Congress²⁰, Kennedy's major social programs of the New Frontier were blocked by Congress, including the creation of a new Cabinet department for housing and urban affairs.²¹

After Lyndon Johnson won a landslide election victory and the voters elected the most liberal Congress since 1936, the President ambitiously declared a War on Poverty. Johnson's liberal agenda instituted a whole new range of welfare policies and government attitudes to poverty. Congress passed the Economic Opportunity Act of 1964 to create several programs to improve the social, economic, and physical aspects of low-income communities.

During the 1960s and 1970s, the dramatic disinvestment and decline of many America's older cities in the post-War era profoundly reshaped the mission of this nation's public housing program. The desindustrialization of urban areas and suburbanization accelerated (Bluestone and Harrison 1982). The exodus of large factories, retail services, thus jobs and the middle class to the suburbs, coupled with steady migration of southern blacks to the West and North shifted the demographic structure of the nation. Cities slid into ever greater poverty; poor minorities became increasingly concentrated in ghetto neighborhoods.²²

As the demographic picture began to shift, so did the population served by public housing. During the 1960s and 1970s, on the one hand, FHA and VA mortgage insurance programs and interstate highway programs helped pull most of the submerged middle-class residents from public housing to pursue a full-fledged suburban life style, nourishing an ever-growing, virtually all-white political constituency.²³ On the other hand, public housing was turned into a homogeneous haven for the those poor persons displaced by urban renewal and highway programs, African-Americans, and newly arrived immigrants, which led to concentration,

²⁰ Conservative Democrats continued to chair the major committees and worked with Republicans to block liberal initiatives in the early 1960s.

²¹ According to Jacobs (1982), in January 1962, the House Rules Committee refused to allow the House to consider a bill creating a Department of Urban Affairs and Housing. President Kennedy then submitted a government reorganization plan to create the department, but that plan was rejected by the House.

²² According to the U.S. Census Bureau (2000), the poverty rate for all central cities increased from 12.6% in 1970 to 19% in 1990. In the 100 largest cities, the proportion of census tracts with at least 20% of their population in poverty increased from 27.3% in 1970 to 39.4% in 1990 (Kasarda 1993).

²³ Between 1940 and 1960, homeownership in the United States grew from less than 45 percent to over 60 percent (HUD 1990: 1-5).

separation, and ultimately stigmatization of “public neighbors” physically, socioeconomically, and culturally.²⁴ Research work on the “culture of poverty” by Oscar Lewis and Daniel Patrick Moynihan, which focused on the causes and consequences of urban poverty in the late 1960s, framed much of the policy discourse of the War on Poverty.²⁵

The era of the 1960s and early 1970s was also marked by political activism: the civil rights movement, the ghetto riots, the community development movement, and anti-war movement justified an outpouring of housing assistance through the New Frontier and Great Society programs.

Responding to these social and economic trends, Congress and the courts charged large urban PHAs with the task of becoming “landlords of last resort” for very low-income households with increasingly multifaceted needs. While launching the first FHA-insured low-income rental housing, the Housing Act of 1961 authorized the first operating subsidies program for PHAs to fill in the gaps due to tenants’ difficulties in rent payments.²⁶ This 1961 act also marks a shift away from troublesome family housing to the construction of housing for the elderly, as a result of the increasing attacks on family public housing and the potential political power of the growing number of the elderly in the U.S. electorate (Biles 2000). The increase in the percentage of very low-income residents in public housing and the decrease in rental receipts quickly exhausted the capital and operating reserves built up by many PHAs over the first two decades of the program.

Despite the passage of major pieces of legislation – the housing acts of 1961, 1964, 1965, and 1966 – production of low-income housing in the Kennedy and Johnson Administrations “never reached a significant level” (Schussheim 1969: 1). The programs of the 1960s did, however, tread into a new terrain, exploring the political and administrative possibilities for subsidy alternatives that could engage the interest of the private sector (Orlebeke 2000).

²⁴ Those displaced by urban renewal and highway programs, the majority of whom were minorities, together with the black migrants from the South, were given priority for public housing units.

²⁵ See Moynihan (1965) and Lewis (1966).

²⁶ The Housing Act of 1964 extended the subsidy to local PHAs to help them defer some of their expenses but did not allow them to raise rents.

Congress passed the Housing and Urban Development Act of 1965, which established the US Department of Housing and Urban Development (HUD), and Robert Weaver was appointed the department's first head, who was also the first African-American cabinet member in U.S. history. The mid-1960s saw a split in conservative opposition: the National Association of Home Builders (NAHB) turned around and came to support federally assisted housing. The 1965 legislation initiated the first incursion of the private sector into the production of public housing – “turnkey” housing, which became enormously popular from the developers’ perspective (Bratt 1986).²⁷ The president of the NAHB called it “the first attempt in the 30-year history of public housing to use, for the lowest income brackets, the tremendous resources and productive capacity of the private homebuilding industry,” exemplifying “the proper role of Government in helping private industry to expand into areas not attainable without such help” (Quoted in Bratt 1986: 342).

3.1.3. The Housing Act of 1968

In 1968, President Johnson established a Committee on Urban Housing (the Kaiser Committee) to assess the national housing agenda. The Committee’s report, *A Decent Home*, stressed that sustained progress in housing quality is essential and that federal leadership in housing should continue. The Housing Act of 1968 reaffirmed the 1949 goal and established the production goal of 26 million new and rehabilitated housing units. Federal leadership in low-income housing triumphed, though together with the Kaiser Report, it was later considered “a testament to a bygone age.” (DiPasquale and Keyes 1990)²⁸

Richard Nixon’s presidential victory of 1968 signified an electoral shift from economic redistribution and social-welfare-based Democratic coalition toward right-leaning traditional values and patriotism. Yet, social spending of this presumably more conservative Nixon administration grew faster during Nixon’s tenure than during Johnson’s.²⁹ With the riots, sit-ins,

²⁷ The 1965 Act created a new rent supplement program to bridge the gap between the fair market rent and the amount lower-income families could afford to pay (defined as 25 percent of the tenant’s income).

²⁸ The Section 235 home ownership program and the Section 236 rental housing program were the major instruments for achieving the subsidized housing goal. They provided FHA-insured mortgages (for homebuyers and developers) and subsidized to a rate as low as 1 percent (Orlebeke 2000).

²⁹ Social spending soared from 28 percent of the federal budget when Lyndon Johnson left office to 40 percent of the budget when Nixon left in 1974.

and demonstrations continuing, and in an effort to reach out to the Eastern establishment, President Nixon appointed Daniel Patrick Moynihan, a committed champion of government social programs, to chair the Urban Affairs Council (Hayward 1999).³⁰ Standing in the liberal progressive tradition, Nixon approved massive increases in funding for the Department of Housing and Urban Development.

Nixon installed the production-minded Governor George Romney as the HUD secretary. Under Romney's leadership, the early 1970s witnessed a boost in public housing production: between 1968 and 1973, about 375,000 units were made available for occupancy, whereas only 470,000 had been added in the eighteen years following 1949 (Mitchell 1985: 12).³¹

Outlawing racial discrimination in housing, the Fair Housing Act in 1968 opened up public housing developments to minorities and welfare recipients. To prevent tenants from having to make up operation cost shortfalls, the Brooke Amendments (in 1969 and 1971), named after the Republican Senator from Massachusetts who sponsored the legislation, limited rentals to 25% of income, making public housing affordable to the very poor.³² This move further undermined the fiscal viability of local housing authorities, since the additional legislation needed for substantial operating subsidies was slow to gain passage.

However, the 1968 Act's ambitious goal of wiping out all housing problems in ten years was soon deemed impractical. The rapidly rising operation costs and future subsidy payments, escalated by inflation, led to mounting attacks from both inside and outside the Beltway on the production-oriented strategy (Hays 1995). With middle-class out-migration and the depopulation of inner-city neighborhood, the physical shortage of shelter was no longer considered the problem.³³ Although in 1971 the *President's Third Annual Report on National Housing Goals* applauded the record production, "cost, equity, and environment" issues were raised. The changing nature of housing problems, joined with the "runaway inflation of housing costs" and the fear of its future claims on the federal budget, resulted in "a full-scale

³⁰ <http://www.ashbrook.org/publicat/dialogue/hayward.html>.

³¹ In addition, with full funding from Congress to the Section 235 and 236 programs, FHA proved its ability to managing unprecedented volume production.

³² As a result, operating subsidies jumped more than tenfold, from \$12.6 million in 1969 to \$1.3 billion in 1982.

³³ This abandonment was partially attributed to the construction of subsidized housing (Orlebeke 2000: 499).

and bi-partisan revolt against the nation's 37-year-old builder-oriented policy" (Lilley 1971: 1535). The 1970s saw the end of activism, which led housing policy to swing in the opposite direction. Public housing was then sent into a downward spiral. As Peter Marcuse rendered vividly (1998: 29):

...The earlier tenuous alliances of the 1960s broke apart: Blacks became separate from whites; welfare recipients separate from the poorly paid; inner-city residents separate from those further out; public employees separate from taxpayers; and liberals separate from radicals. ... division between 'taxpayers' and 'the poor' was reinforced, at the expense of the poor.

In 1972, after repeated efforts failed to salvage the trouble-rampant Pruitt-Igoe public housing complex in St. Louis, the project was demolished, making headlines throughout the nation. The powerful image of Pruitt-Igoe's crumbling to dust has remained deeply embedded in the public perception that the federal government has been a poor steward of the taxpayer's housing dollar.

3.2. Devolution of Public Housing Policy (1973 – 1989)

In the mid- to late-1970s, a conservative tidal wave occurred in which all aspects of government policies were engulfed. The national mood was characterized by general hostility to ambitious new federal programs, government regulations, and big expenditures. There was also a steep rise of public cynicism about government competence and trustworthiness.

Soon after Richard Nixon's re-election in 1972, the White House and the Office of Management and Budget (OMB) warned HUD that the housing subsidy programs were in deep trouble and might be shut down entirely. In 1973, President Nixon declared a moratorium on all new subsidy commitments of the Federal Government for housing and community development.³⁴ This moratorium opened a policy window for decisive endeavors to alter the course of housing and community development policy. In the absence of paradigms during the post-moratorium era, Congress engaged in debating numerous proposals for new or redefined

³⁴ According to Winnick (1995), another reason that prompted the Nixon moratorium of 1973 was the billions in losses in new subsidized housing built to serve those above the public housing level.

programs. Demand-side solutions or housing vouchers³⁵ emerged as the dominant way to provide housing assistance from a confluence of discrete trends: mounting disappointment with supply-siders' unfulfilled promises, increasing attractiveness of vouchers in the context of a persistent rise in the real costs of multifamily developments, and the ebbing meter for electoral interest in the subject of housing. A new group of pragmatists reckoned that the core housing problem in a progressively better housed America was no longer an issue of quality and quantity, but a matter of affordability – the disproportionate cost of housing relative to income (Dreier 2000; Winnick 1995).

President Gerald Ford signed into law the Housing and Community Development Act of 1974. The Act introduced sweeping change: Title I of the act replaced urban renewal and many categorical housing and community development programs with Community Development Block Grant (CDBG).³⁶ Section 8 was developed out of negotiations between HUD and Congress. This later became a major housing subsidy through which the federal government would pay the difference between an established fair market rent and 25 percent of the tenant's income.³⁷ Since the commencement of Section 8 vouchers, the constant wrangling with Congress over subsidy types and mix characterized the Nixon, Ford, and Carter Administrations. Supply-side (production) and demand-side (allowances) subsidies were in “head-to-head” competition throughout the years of HUD Secretaries from George Romney to James Lynn, to Carla Anderson Hills (Orlebeke 2000: 504).

By the mid-1970s, low-income housing's visibility on the national agenda had been substantially reduced. Public housing's revival in 1976 would not have been possible had there not been a window of opportunity opened by the arrival of a new administration – President Ford in the White House and Secretary Hills at HUD who faced a recession accompanied by a precipitous decline in housing starts.

³⁵ Note that the idea of housing vouchers was not new. It was first advanced by the National Association of Real Estate Boards in the 1930s (Orlebeke 2000).

³⁶ The block grant idea did not receive strong support in either the executive or legislative branches during the Carter administration (Orlebeke 2000).

³⁷ This was later amended to 30 percent.

Jimmy Carter's election in late 1976 brought into power an administration eager to establish an activist stance in housing and urban policy. However, President Carter's attempt to undo the suppression of production program that Nixon had set in motion in his second term was not effective in the face of an unfriendly Congress, increasingly wary of low-income housing's high costs and public housing's limited political appeal (Winnick 1995).

The 1980 election produced a Republican senate and the Reagan administration – the most ideologically conservative administration since the 1920s (Hays 1995). As president, Reagan president reshaped the Republican Party, challenged Democrats to redefine themselves and shifted the grounds of the political debate in the nation.³⁸ Believing in free and deregulated markets, the Reagan administration's priorities included lowering taxes and reducing the size and scope of government on the domestic front. Housing assistance, among other social programs, was clearly among those that should be cleared away.

In 1982, representing a narrow spectrum of opinion, President Reagan's Commission on Housing justified the Administration's hostile position toward the long-held "liberal" view of the federal government's role in housing. Claiming that the Kaiser Committee "contributed to deterioration rather than renewal, to misery rather than comfort" and that the federal government was the major cause of, rather than a solution to, the low-income housing dilemma, the Reagan's Commission proposed to enable the genius of the private market and to "escape the fetters of public regulation and policies." (President's Commission, quoted in DiPasquale and Keyes 1990: 3) Defining the housing problem as one of affordability, not poor quality, the Commission recommended housing vouchers and a radical decentralization of new construction programs under the CDBG program (Hays 1995).

HUD suffered the highest proportional budget cuts and distanced itself from subsidized housing issues (Bratt 1989; Dreier and Atlas 1996a). According to Magaret Brassil (2002), with the exception of a voucher program in 1982, no new federal low-income housing programs were created between 1981 and 1990. Programs that subsidized low-income housing construction were eliminated entirely. Funding for direct assistance fell from \$27 million in 1980 to just over

³⁸ Reagan inspired a host of conservative Republicans to run for office and gave rise to a new generation of conservatives. Many credit the Republican control of Congress in 1994 to Reagan.

\$8 million in 1989, while overall new budget authority fell from \$58 million to \$12 million in the same period. Less than 200,000 units – just about 11 percent of the entire public housing stock – were constructed after 1980, most of which were replacements for units lost through demolition (NAHRO 1990).

As part of the Tax Reform Act of 1986, the Low-Income Housing Tax Credit (LIHTC) was introduced, leaving one positive legacy in assisted housing provision. Since then, LIHTC has evolved to become the primary way through which low-income housing is developed and preserved in the United States (Stegman 1991; Wallace 1995).

The inaction at the federal level in housing policy resulted in a *de facto* devolution. Since the 1980s, the states have taken the lead in low-income housing delivery (Brassil 2002; Orlebeke 2000). With the biggest federal retrenchment in housing assistance, increase in state and local governmental spending on low- and moderate-income housing made up approximately one-third of the loss of federal aid during the decade of 1980-1990 (Goetz 1993).

The 1980s saw numerous problems on housing fronts: rental housing was in astute shortage; public housing continued to deteriorate; the issue of homelessness became increasingly publicized; and a growing number of community development corporations and other local initiatives sought alternative funding sources for housing and neighborhood revitalization.

The Bush Administration continued most of the same policy agenda of Reagan's two terms in which Federal housing programs stagnated or starved. Secretary Jack Kemp, while busily dealing with the scandal he inherited from the Reagan administration, entered the office of HUD with a clear agenda – to make public housing sales a centerpiece of his national policy (Vale 1993).³⁹

3.3. Pre-HOPE VI Era: Past as Prologue

In 1989, when the cloud of President Reagan's deep retrenchment in housing gradually receded, Congress became furious when former HUD Secretary Samuel Pierce “stonewalled his way

³⁹ Both the Reagan and Bush administrations supported programs to privatize public housing (Schill 1990). In 1985 HUD championed the Public Housing Homeownership Demonstration (PHHD), which was intended to “find practical ways to enable lower-income public housing tenants to own their own homes through the sale of ... [public housing] units” (HUD 1986).

through” hearings on abuse, mismanagement, fraud, and favoritism at his agency. Although HUD (and similar agencies) was viewed as a journalistic backwater, heaps of hypocrisy helped turn its scandal into the season's hottest topic (Welfeld 1992).⁴⁰

With the federal government’s retreat from direct intervention, the nation’s earliest and largest federally assisted housing program – public housing – had shifted its focus from one of production to one of maintenance and revitalization and to increased opportunities for private ownership.⁴¹

Chronically lacking modernization funds, local housing authorities took a “triage” approach, resulting in rapid deterioration, severe distress, and uninhabitable conditions at many large urban developments (ICF 1992).⁴² Public housing was facing entrenched social and economic problems of an increasingly impoverished population. The challenge included high incidence of crime and unemployment, physical deterioration, concentration of poverty, political, social and racial segregation, poor management, and the stigmatization of persons and places.

The nation’s problem-ridden public housing projects confront the Bush Administration with one of its most difficult domestic policy choices. Many projects are rundown, poorly managed and besieged by drug traffickers – conditions that reinforce public housing’s generally bad image.

– *The Washington Post*, February 15, 1989

With an increasingly marginalized constituency, consisting of big-city mayors and local housing bureaucrats, politically connected private developers, and poor people and their

⁴⁰ Ironically, even though the stories of influence-peddling made the headlines, the hearings of the Senate investigating subcommittee that explored ways of strengthening HUD management and congressional oversight were treated with little enthusiasms by the media – even C-Span did not cover the hearings (Welfeld 1992: 115).

⁴¹ In the early post-World War II period, public housing was the preeminent federal assisted housing program, with more than 400,000 housing units produced by 1960. From 1960 to 1980, the number of public housing units tripled from 400,000 to 1.2 million. Public housing, however, was no longer the most significant federally assisted housing program, as more than 1.8 million units were built through other forms of federal subsidies over these two decades.

⁴² Large public housing developments are defined as developments with over 1,250 units. Nationwide there are 159 large PHAs, managing almost 60 percent of all units. More than 95 percent of all PHAs, however, operate no more than 250 units (<http://www.urbanicity.org/FullDoc.asp?ID=452>).

advocates, public housing became an “unwanted stepchild [who is] not a member of the family.” (Marcuse 1998: 30)⁴³ Frustrated policymakers of both parties have started to contemplate “how best to eliminate” public housing, and how best to privatize it. Some critics have branded public housing as a “social Chernobyl [that is] radiating blight on the neighborhood beyond.” (Grogan and Proscio 2000)

3.4. Summary

This chapter has traced the rise and demise of federal leadership in housing policy since the 1930s depression when the economic crisis coupled with the political liberalism of the New Deal set in motion federal government’s first action in housing assistance for the nation. Since then, public housing has carried the burden of six decades of socioeconomic, political, and cultural change. Despite its original intent, public housing has become the “surrogate for society’s refusal to do the right thing elsewhere: house the poorest; shut down dangerous drug users and dealers; get rid of violence; care for the aging in place; take in the disturbed homeless; get rid of bad projects, but do not demolish anything to do it; and most of all, do not do any of this in my backyard – especially integration” (Cavanaugh 1988, quoted in Nenno 1996: 97)

Taken together, the turbulent but incremental changes discussed above were the essential prologue to what happened to public housing policy in the 1990s and to what is happening today. In a sense, today’s politics of low-income housing is shaped more by this history than by any presidents, political party platforms, interest groups, media, or research findings.

⁴³ Since the mid-1990s the suburbs have enjoyed an absolute political majority, and the insignificance of urban votes has imposed more limitations on housing policy.

Table 1. Presidents and HUD Secretaries (1933 – 2004)

President	HUD Secretary
Franklin D. Roosevelt (1933–1945)	
Harry Truman (1945–1953)	
Dwight D. Eisenhower (1953–1961)	
John F. Kennedy (1961-1963)	
Lyndon B. Johnson (1963-1968)	Robert Weaver (1965-68)
Richard Nixon (1969-1974)	George Romney (1969-73) James Lynn (1973-74)
Gerald Ford (1975-1976)	Carla Hills (1975-76)
James Carter (1977-1980)	Patricia Harris (1977-1980)
Ronald Reagan (1981-1989)	Samuel Pierce (1981-1989)
George Bush (1990-1993)	Jack Kemp (1990-1993)
William Clinton (1994-2000)	Henry Cisneros (1993-1996) Andrew Cuomo (1997-2000)
George W. Bush (2001- present)	Mel Martinez (2001-2004) Alphonso Jackson (2004 -)

Chapter 4

INITIATION

Everybody agreed that something had to be done with the most distressed public housing. They weren't sure what it needed to be. But there were people in public housing who were saying that all we needed to do was to be able to fix the roof and make sure that the toilet flushed. That argument just didn't carry the day.

Willie Jones, Senior vice Present, The Community Builders, Inc.¹

4.1. Introduction

As discussed in the previous chapter, since the Housing Act of 1937, public housing has transformed from places of hope to housing of last resort and from a way station for temporarily “submerged middle class” to a warehouse for the very poor (Dreier and Atlas 1993; Vale 2002). By the late 1980s, many troubled public housing projects, particularly in large cities, revealed a high incidence of crime, drug-related activity, poor management, crumbling structures, and social distress. The “crisis” in problem projects as eventually confirmed and reinforced in a report by the National Commission on Severely Distressed Public Housing (NCSDPH) in 1992, placed public housing on the political radar screen.²

This chapter discusses activities leading up to the initiation and the early development of the program. It explores how the Urban Revitalization Demonstration program was introduced through the Appropriations Act of 1993 when the Senate Authorization Committee and the House Appropriations Committee recognized an opportunity to act. This chapter also probes the reasons for the selection of specific policies by HUD in the first year of the HOPE VI program.

¹ Interview with Willie Jones on 10/30/2003.

² In Kingdon, conditions are defined as problems when (1) new indicators are available, (2) dramatic events occur, and given (3) existing programs give feedback. Problem definition is bounded by the values and beliefs, comparisons (with other settings), and categories employed by stakeholders.

4.2. Problem Stream: Squeaky Wheels could not be Fixed?

4.2.1. The Problem Projects Paradigm

Back in 1960, the then 23-year-old public housing program faced mounting criticism “even from its friends.” (HHFA 1960: i) Mr. Norman Mason, United States Housing Administrator, solicited a wide-ranging review of the program and “fresh solutions to the housing problems of low income families.” (HHFA 1960: i) Based on Professor Ernest Fisher’s proactive report, *20 Years of Public Housing: Economic Aspects of the Federal Program*, and the opinions of some seventy recognized professionals in the housing field, a symposium of letters entitled “Views on Public Housing” was published by the Housing and Home Finance Agency.³ The viewpoints, not surprisingly, ran the full gamut on the subject, from ringing endorsement of the program to a recommendation that it be abandoned.

Five major questions were raised in the reappraisal, the majority of which had puzzled, and would continue to puzzle the public housing industry: (1) How should a low-income housing program be financed? (2) Which low-income families should be served under the program? (3) How much freedom should localities have in running a low-rent program? (4) What kind of houses or projects should be provided for low-income families? (5) What should be done about “problem families?”

The last item calling for serious attention in this 159-page compendium was “problem or broken families” due to displacement by urban renewal. Although still “a minor proportion of the tenants,” their misconduct had given rise to rent delinquency, increased management costs and administrative difficulties, and hurt the reputation of public housing in the 1960s (HHFA 1960: 158). Since then, under broader economic and demographic trends as well as the civil rights movements, public housing opened its doors to the lowest-income persons, multi-problem families, and growing numbers of the homeless and the mentally ill. The devastated conditions in projects continued to grow and become more aggravated (Vale 1993).

³ Widely different types of professional experience associated with low-rent housing were included: representatives of local housing authorities, builders and realtors, economists, architects, and planners, representatives of labor, social-welfare, religious, and minority groups, representatives of mortgage lenders, business, and financial institutions, representatives of private housing associations, and state and local officials and individuals.

While facing strong criticism, public housing has been “the longest survivor” compared to other federal housing assistance programs for low-income people (Nenno 1996: 97). Some attribute the longevity of the public housing program to its sunk costs in the physical stock and bureaucratic apparatus established,⁴ and to the vested interests of key players at all levels and from both public and private sectors.⁵ Others stress the deliberate framing of the “problem projects” or “troubled projects” to fulfill the “dual need to acknowledge failures and still justify further large government investment.” (Vale 1993: 148) Despite the fact that public housing (and other federally assisted housing) lagged far behind its lofty goal of meeting the housing needs of families of low-income, limited resources have largely constrained the debate around the public housing program to the condition of the existing public housing stock, the people receiving assistance, and the appropriate administrative structures.

Following the passage of the Brooke Amendments in 1969 and 1971, PHAs across the country lost their financial integrity. With rent receipts plummeting and the need for operating subsidies skyrocketing, all sorts of problems arose. Not a coincidence, the very term “troubled projects” and “troubled housing authorities” was introduced by HUD in the late 1970s.

Moreover, the design of modernization programs and relevant regulations and standards had only allowed HUD and their PHAs to steer limited resource toward developments with conditions corrected most easily and thoroughly, rather than toward the severely distressed. This approach resulted in rapid deterioration, severe distress, and unfit conditions at many large urban developments (ICF 1992; NCSDPH 1992).

4.2.2. Crisis in the Most Severely Distressed Projects

By the late 1970s, a series of federally sponsored reports highlighted the huge need for modernization funds. In 1979, HUD’s Office of Policy Development and Research conducted the first major national study of the problems of the “troubled” portion of the public housing inventory (Jones, Kaminsky, and Roanhouse 1979). The study concluded that 7 percent of public housing stock, consisting of 15 percent of total units, was troubled on four fronts – social,

⁴ Collectively, public housing represents a \$90 billion investment in over ten thousand developments managed by 3200 housing authorities that shelter 3.4 million low-income persons in 1.2 million units. Including rental income, it is a \$9 billion annual enterprise (Byrne et al 2003).

⁵ See Pierson (1996); interview with Andrew Cuomo.

physical, financial, and managerial. An Abt Associates study in 1988 indicated that, although the vast majority of the public housing stock was in good condition, 5 to 8 percent of public housing developments needed substantial renovation and modernization. The overall estimate for addressing such need was \$22 billion. By 1992, ICF (1992) projected that this need had increased to \$29 billion.

During the 1980s, gangs, crime, violence, and the crack cocaine epidemic exacerbated the dire conditions in many big city projects. The impression of public housing developments as places of violence, fear, and drugs also led to institutional abandonment by services including police, fire protection, health care, education, employment training, and youth programs (Epp 1996: 568-9; Keyes 1992). The disastrous signals were easily picked up by much of the public.

According to Professor Langley Keyes (1992: 150), until the 1980s, the characterization of public housing developments as “troubled” largely focused on the physical deficits of the development, as opposed to their social needs. The solution, therefore, could be framed as an injection of modernization funds. However, the funding levels of modernization programs or other means available did not appear to fix the “squeaky wheels.”

In 1989, revelations of sweetheart development deals made during the Reagan Administration brought HUD to national headlines. The newly sworn-in Secretary Jack Kemp swiftly proposed a reform package in which Congress enacted a sweeping overhaul of programs at HUD – the Department of Housing and Urban Development Reform Act.⁶ Attached to this reform proposal, though far down on the list, was the establishment of a National Commission on Severely Distressed Public Housing (NCSDPH) to heighten awareness, identify problem projects, access plausible solutions, and provide action plans to transform the nation's worst public housing by 2000. The Commission's mission, as mandated by Congress was the following:

- (1) to identify those public housing projects in the Nation that are in a severe state of distress;
- (2) to assess the most promising strategies to improve the condition of severely distressed public housing projects that have been implemented by public housing authorities,

⁶ Public Law 101-235.

other Government agencies at the Federal, State, and local level, public housing tenants, and the private sector;

- (3) to develop a national action plan to eliminate by the year 2000 unfit living conditions in public housing projects determined by the Commission to be the most severely distressed.⁷

Using eighteen months of intense research including site visits, public hearings, interviews, and case studies, the National Commission took a hard look into the interlocked issues associated with the chronic problems in the most troubled projects, including management, social support services, capital improvements, security, planning and design, and resident initiatives. Recognizing the severely distressed projects as a “national disgrace” (NCSDPH 1992: 1),⁸ the Commission determined that only six percent of the 1.4 million existing public housing dwellings – approximately 86,000 units – were in “severely distressed” condition.⁹ Although the Commission did not identify distressed units on a project basis, its *Final Report* projected that the capital improvement and related needs of revitalizing the 86,000 units would be \$7.5 billion in 1992 dollars.

Giving both the human and the physical conditions equal attention, the Commission proposed four measures of its definition of severe distress:

- ❑ Physical deterioration and unacceptable living conditions

⁷ Congress also suggested several potentially promising strategies to be studied as the below:

- (1) measures to correct management deficiencies;
- (2) the provision of supportive services to protect residents, and, if necessary, the redesign of projects to accommodate such services;
- (3) the redesign of projects to reduce density and otherwise eliminate harmful design elements;
- (4) the conversion of projects to mixed-income housing developments; and
- (5) the total or partial demolition or disposition of projects. Evaluation of such strategies shall consider efforts to provide for replacement of public housing dwelling units that were demolished, disposed of or otherwise removed from use by low-income persons

⁸ On the other hand, according to Wayne Sherwood, It was an optimistic time: the modernization funding appropriated by Congress had increased in the 1980s, therefore the public housing industry started to be able to address the needs of the most troubled projects.

⁹ The number was based on an estimate made by Abt Associates Inc. in 1987 of the number of public housing units with higher modernization needs (NCSDPH 1992a).

- ❑ Increasing level of poverty, especially a marked increase in households in public housing with incomes below 10 percent of local median
- ❑ High incidence of serious crime, and
- ❑ Management difficulties, as evidenced by high vacancy rates, high move out rates and numbers of transfer requests, and low levels of rent collection

The National Commission took a laudable departure from the common charge that the deterioration of buildings outstripped efforts at modernization, and spoke truth about the severity of the social distress in those developments. Severely distressed public housing, the National Commission warned, “is more importantly one of a deteriorating – severely distressed – population in need of a multitude of service and immediate attention.” (NCSDPH 1992: 46)¹⁰ “Absence of economic resources among and assistance to public housing residents is a consistent, pervasive, and inexorably destructive contributor to distress.”¹¹

Emphasizing the urgency of addressing the physical and human needs in severely distressed public housing, the National Commission powerfully placed the issue higher on the national agenda. However, in order for real transformation/ policy change to occur, identified problems have to be linked to solutions and supported by the political climate of the time (Kingdon 2003 [1984]).

¹⁰ Unfortunately, as some experts serving as consultant to the Commission rightly pointed out, the funding needs calculated by the Commission only covered physical improvements, leaving out the huge capital needs for resident programs and services or management enhancements (Vale 1993). In his article “Beyond the Problem Project Paradigm,” Lawrence Vale highlighted the importance of confronting the systematic problems of the entire public housing industry – “a system that must absorb the frustration of poverty without the resources to help the impoverished themselves.” (1993: 152)

¹¹ Since the early 1990s, many realized the emergency of 1992 more than 80 percent of the family public housing residents lived below the poverty line nationwide and most households in large PHAs reported incomes below 20 percent of the local median income. Moreover, the percentage of households with less than 10 percent of AMI dramatically increased from 2.5 percent in 1981 to close to 20 percent in 1991. Female-headed households were prevalent: Nationwide about two-thirds of the non-elderly families (85 percent among families with depended children) in large PHAs are headed by a single woman. Nearly three-quarters of family public housing households had public aid as their only source of income (NCSDPH 1992; Vale 1993).

4.3. Politics Stream

4.3.1. Poor Popular Perception

HOPE VI was born in a politically and ideologically hostile climate for assisted housing. During twelve years of successive Republican administrations (1981 – 1992), the United States supported a theory of “trickle down” economics, devolution, and retrenchment, rendering a “new politics of the welfare state” (Pierson 1996: 1). The prime political story was the failings of the War on Poverty and a return to what was regularly promoted as traditional American values. Social programs in general gave way to a conservative outlook based on self-reliance and personal responsibility. Cities and the poor thus suffered from a policy of neglect.¹²

Although public housing represents less than two percent of the nation's housing supply, the very fact that it is entirely in the public domain makes it loom large in public debate about national housing policy. By the late 1980s, within almost all portions of the political spectrum there was a perception that public housing policy had failed. Encompassing several voter backlashes – against crime, drugs, violence, the “undeserving” poor, and failed activist government – public housing became a political black eye for Democrats’ and a bull’s eye for Republicans.

As the saying goes, public housing is not popular with anyone except those who live in it and those who are trying to get in. More often than not, cities and communities turn their backs on public housing: many public services had abandoned public housing sites; residents of the surrounding community complained that public housing destroyed their neighborhood; and visitors naturally stayed away from the “projects” as soon as they spotted one. The stereotype is so deeply embedded that Gordon Cavanaugh¹³ once wryly observed that “if it’s good, people don’t think it’s public housing.”

The profound social stigma attached to public housing paralleled with the declining preference among voters for big social programs. In the eyes of the public, public housing was often

¹² There was no national urban agenda or funding commitments to revitalizations and redevelopment efforts.

¹³ Gordon Cavanaugh was General Counsel of the Council of Large Public Housing Authorities (CLPHA); chair and Chief Operating Officer of the Philadelphia Housing Authority; executive director of the Housing Assistance Council; Administrator of the Farmers Home Administration; and currently, the chair of the Cooperative Housing Foundation.

mistakenly equated with those meanest projects of the worst big-city housing authorities: In teeming high-rises, tenants – mostly welfare-dependent single mothers with kids – live in fear and frustration where drug dealers and gang members rule. In sharp contrast to the popular stereotyped image, high-rises account for only 27 percent of public housing, and most are located in the largest cities and primarily occupied by the elderly. The majority of public housing developments are in mid- to low-rise structures, most of which are in fairly good condition (Bratt 1986; Bristol 1991; Vale 2000).¹⁴

In the late 1980s, the increased frequency and deadliness of drug-related violence and crime even made their ways in the Matty Rich movie *Straight out of Brooklyn* (1991)¹⁵ and Alex Kotlowitz's book *There Are No Children Here*.¹⁶ The popular press, focused on the most notorious images of high-rises in blighted inner-city neighborhoods from Pruitt-Igoe in St. Louis to the Robert Taylor homes in Chicago, anecdotal stories of crime, the institutional neglect of property, and on “welfare queens” living in public housing rent-free, further stigmatizing the projects and the people associated with them.

As a veteran affordable housing developer, Willie Jones, rightly put it,

Public housing as we knew it then, really was going to change anyway: It had no political constituency. It didn't have advocates in Congress; it didn't have the people who could keep the flow of funds going so that those places could be kept up in a reasonable kind of way. So public housing, like it or not, was changing. It was just a lot of people in public housing didn't realize that, some of the struggles they were going through were a result of the lost of prestige and political support.

¹⁴ The composition of the rest of public housing stock is as follows: garden apartments (32%), low-rise walk-ups (16%), and single-family homes or townhouses (25%). Congress ended the construction of high-rises in the mid-1970s, except those built for the elderly.

¹⁵ Matty Rich grew up in the Red Hook projects in Brooklyn, NY.

¹⁶ Formerly a staff writer for the *Wall Street Journal*, Alex Kotlowitz humanizes the horrors of growing up in a gang-infested war zone on Chicago's Henry Horner Homes with his true story of two brothers. The title comes from a comment from the boys' mother: “There are no children here,” she says, “they've seen too much to be children.”

4.3.2. HUD in Post-scandal Transition

Under Reagan and Bush, HUD's widespread political favoritism and influence-peddling reinforced the public's skepticism about federally assisted housing programs. Seen as the epitome of bureaucratic lethargy, HUD became increasingly identified with public housing projects, big city ghettos, politically connected developers, and the welfare poor¹⁷ (Bratt and Keating 1993).

In the wake of the HUD scandals, then House minority whip Newt Gingrich suggested to dismantling the HUD bureaucracy. Secretary Jack Kemp pledged to clean up HUD and reconstruct a HUD that would "help the needy, not the greedy." His prompt action and political skills earned him respect from both Democrats and Republicans. As a conservative populist, Kemp evinced strong faith in market-based policies to empower the poor and reduce dependency and poverty (Kemp 1990). He took office with a clear agenda for housing. Rather than "paternalistic" liberal approaches, Kemp advocated Enterprise Zones to revive ghetto economies through entrepreneurship-building and job creation as part of his "progressive conservative war on poverty." He also championed expanding homeownership among the poor through resident management and ownership of low-income housing, primarily through his signature program HOPE (Homeownership and Opportunity for People Everywhere) series, aimed at promoting tenant homeownership of public housing, but did not win sufficient congressional support and produced limited results.

While facing skepticism and critiques from Congress, mayors, and housing experts, Kemp kept diverting funds from existing HUD programs to his pet initiatives. This "Kempian fantasy of homeownership" also found its way into the National Commission's Report (Vale 1992). A few years later, just as the National Commission wrapped up its mission in 1992, civil unrest in the streets of Los Angeles became a wakeup call for America's conscience. This crisis event prompted George Bush's quick visit to riot-torn South Central LA in May of 1992. Having long been criticized for lacking a urban agenda, George Bush and Jack Kemp announced a \$600 million in credits provided by the Federal Housing Finance Board to flow into the Los Angeles

¹⁷ There were many other issues in the FHA-subsidized inventory.

area to help meet the demand for housing and economic development.¹⁸ It refocused America's attention on the on-going plight and hopelessness that had engulfed its inner cities.¹⁹

4.3.3. Administrative Turnover

Although in basic philosophical agreement with Reagan's minimal government involvement stance, George Bush promised a "kinder, gentler nation," conveying a less ideological hostility toward social policy. The public discontent with the economy cost Bush in the 1992 presidential election in which Bill Clinton decisively moved the Democratic Party to the political center. Reflecting upon the sound defeats in five of the six previous presidential elections, Bill Clinton carefully avoided the "liberalism" label and firmly portrayed himself as a "New Democrat" – tough on crime, tough on welfare, resolute about personal responsibility rather than state handouts. During the presidential campaign, Clinton put welfare reform on the agenda, which stressed "empowering the poor" by "making work pay" and creating job opportunities.²⁰ Putting to an end the twelve years of the Reagan-Bush era, the new administration stirred in high hopes and expectations among liberals to put Democratic policymaking back on the political map. Affordable housing groups were no exception.

However, scandalized by cronyism during the Reagan administration, attacked by the Bush Administration, and losing support for funding in Congress, the fate of HUD remained uncertain when Bill Clinton took office in 1993. The passage of HOPE VI legislation and its program design was played out against the backdrop of this historic administrative turnover.

¹⁸ Interestingly, in the heated congressional debate about the LA riot, Jack Kemp squarely framed the question in welfare reform terms: "we're begging for congressional bipartisan support for the President's urban agenda to restore hope, opportunity, ownership, entrepreneurship, jobs, educational choice, and radically alter the welfare system in America to make the reward for working, saving, investing, and producing income more than it is for staying on welfare or being unemployed." (Hearing of the Senate Banking, Housing and Urban Affairs Committee: Plight of Urban America).

¹⁹ Rodney King vs. the City of Los Angeles.

²⁰ Primarily revolving around economic issues, Clinton's campaign proposed higher taxes on the wealthy and increased spending on investments in education, transportation and communications to boost productivity and growth and thereby lower the deficit.

4.4. Policy Stream

By the late 1980s and early 1990s when the media and the Commission Report helped bring public housing revitalization issues to the surface of the problem stream, there had been a culmination of a decade of management and salvaging efforts directed at troubled public housing.

Long before HOPE VI came into being, at least since the late 1970s, the issue of serious distress in troubled projects was recognized by those in the housing industry (Keyes 1992; Epp 1996).²¹ In her article “Emerging Strategies for Revitalizing Public Housing Communities,” former staff member of the National Commission Gayle Epp (1996) stated that although the HOPE VI program affected public housing in a radical way, the program borrowed from familiar strategies to reform public housing as well as from past and present efforts to provide subsidized housing.²² As Kingdon points out, it is quite common to trace the origins of ideas; however, “there is no new thing under the sun.”²³ Policy innovation involves the recombination of old ideas more than the invention of new ones.

4.4.1. Federal and Local Experimental Programs

Management improvement and anti-crime programs

Across the country, there had been a number of management improvements and public housing modernization demonstrations that had been put into practice since the 1970s at the federal, state, and local levels. These demonstrations became increasingly focused on the management challenges of big, troubled urban projects (Keyes 1992).

Prefaced by several small initiatives, HUD introduced the Public Housing Management Improvement Program (HMIP) in 1972 to “foster innovative approaches to enduring

²¹ Epp cites a 1979 HUD study of problems affecting public housing projects that focused on four dimensions of distress: social, physical, financial and managerial.

²² Advocates tried place-based and people-based strategies as remedies to salvage deteriorating public housing. Place-based approaches involve demolition, re-design of buildings and sites, privatization of management, and scattered site public housing construction (Epp 1996). People-based approaches include changing occupancy policies such as racial and income mixing, housing vouchers, as well as social services programs. The HOPE program series, from which HOPE VI got its name, was initiated as a tool to “incentivize” public housing and increase opportunities for private homeownership.

²³ Ecclesiastes 1:9, quoted in Kingdon (2003: 148).

management problems.”²⁴ Taking the baton from HMIP in 1975, the Target Project Program (TPP) was launched to explore different types of “special assistance upon projects with difficult operating conditions” PHA could provide.²⁵

In 1976, the National Tenant Management Demonstration was put into operation to test the potential and pitfalls of tenant management in improving operating performance and addressing entrenched problems in public housing (Keyes 1992).

In 1979, HUD created the “Public Housing Urban Initiatives Program” (PHUIP), which targeted to troubled public housing projects in large urban areas. As the final public housing demonstration program of the Carter Administration, the program provided an adequate amount of funds (over \$300 million in the first year) and was aimed at comprehensively tackling physical deficiencies and social and crime issues. Emphasizing process planning, linking physical renewal to management enhancement, and providing technical assistance to PHAs, PHUIP also encourage cities to put their resources into the efforts to address problems of public housing. Conceptually, this Urban Initiatives Program was much alike the HOPE VI program as we know it today (Abt 1996). Unfortunately, it was discontinued during the Reagan Administration.

By 1980, there was an increased sense that the troubled developments required a set of remedies including major physical upgrading, management improvement, as well as fiscal controls (Keyes 1992). Congress started to increase the modernization budget from 1980 on. A series of comprehensive modernization programs was fashioned by HUD.

The first substantial modernization funding – Comprehensive Improvements Assistance Program (CIAP) – was enacted in 1980. CIAP was designed to make substantive modernization funding available to smaller housing authorities (less than 250 units) to “correct physical, management, and operating deficiencies and keep units in the housing stock as safe and desirable homes for low-income families.” CIAP allowed PHAs, for the first time, to use a portion of their modernization funds for management improvements. Under CIAP, PHAs

²⁴ Carlson (1977), quoted in Keyes (1992).

²⁵ Sadacca et al (1974:2), quoted in Keyes (1992).

applied to compete for funds that would be used to address all needs at each funded project in a coordinated manner. The rehabilitation and relocation process of CIAP often entailed reduced number of units and thus offered PHAs an opportunity to introduce new tenants and screen “problem people” – an opportunity unavailable under the normal eviction process (Keyes 1992).²⁶ CIAP-funded projects included Commonwealth in Boston,²⁷ as well as some other pre-HOPE VI projects.

Major Reconstruction of Obsolete Projects (MROP) was created in 1989 as the first effort to focus on what would become HOPE VI’s targeted buildings, i.e. the class of projects calling for extraordinary expenditure beyond routine modernization needs predictable by formula. According to Gordon Cavanaugh, MROP grew out of the frustration that HUD did not allow per unit expenditures sizable enough to revitalize most conspicuously bad projects. In order to “get around” HUD, CLPHA lobbied to put the provision about the threshold rehabilitation cost in the appropriation bills. While CIAP used 62.5% of TDC as one of the thresholds for the viability review, the MROP had funded rehabilitation costs between 70% and 100% of local area TDC limits. However, the republican-controlled HUD unilaterally imposed cost limitations inconsistent with the intentions of Congress as outlined in the legislation that created MROP.²⁸

Authorized in 1990, the Comprehensive Grant Program (CGP) became the principal formula available for modernization grants, and this replaced CIAP for PHAs with more than 500 units. CGP is intended to provide PHAs with a reliable and predictable funding mechanism for capital improvements. The program also gave PHAs wide latitude to set their own priorities for the planning and implementation of modernization activities that geared toward local needs. Moreover, CGP differed from HUD’s previous modernization approach in that it used a formula, as opposed to competition, to allocate funding. Unfortunately, the formula did not take into account the full costs of revitalizing severely distressed developments.

²⁶ Federally determined selection criteria at the time was based solely on income and housing status, criminal records and substance abuse were not legitimate eviction criteria.

²⁷ Rod Solomon served as a legal counsel for the redevelopment effort for Commonwealth, previously known as Fidelis Way. Also note that Commonwealth was included in the case study of NCSDPH (1992b).

²⁸ Interview with Gordon Cavanaugh (08/19/03).

Resident management and empowerment

Another line of transformative policies focused on the role of resident management. Its self-help feature was popular among both liberals (supporters of more community control) and conservatives (who saw it as a means of achieving responsibility and home ownership).

First started in Boston (Bromley-Heath) in 1971, and soon thereafter in St. Louis, resident management of public-housing emerged to respond to management failures on the part of PHAs. The success of the early efforts²⁹ sparked the National Tenant Management Demonstration Program (1977-1979) involving seven public housing sites in six cities. However, in an evaluation of the program in 1981, the Manpower Demonstration Research Corporation (MDRC) found that the attempt yielded limited benefits with significant costs thus recommended against expansion of the program.³⁰

In the mid- to late-1980s, as vandalism and crime penetrated many public housing communities and public housing authorities failed to respond in an effective fashion, some residents began to organize among themselves to take on management and security responsibilities and to uplift living conditions in their housing developments.³¹ Resident management soon gained a new set of champions. As the energy emanating from tenant groups was coupled with the “self-help” ideal, conservative policymakers began to promote resident management as a way to encourage responsibility among public housing tenants and to reduce federal involvement in housing.

The Housing and Community Development Act of 1987 embarked on a major policy initiative using resident management in public housing. Congress authorized HUD to provide financial assistance to resident groups (up to \$100,000 to a single Council) to address such problems as deteriorating properties, lack of services, and escalating crime. This legislation promoted a fast-growing movement of resident management³² and the establishment of an Office of Resident

²⁹ Examples of successful tenant management included Bromley-Heath, Boston, Cochran Gardens, St. Louis; LeClaire Courts, Chicago; and Kenilworth-Parkside, Washington, DC.

³⁰ During the early 1990s, the only demonstration sites that had remained under this demonstration program was terminated due to poor performance (Stegman 1991).

³¹ Interviews with Willie Jones (10/30/03) and Mildred Hailey (03/05/04).

³² Throughout the country, Resident Management Corporations (RMCs) have formed a nationwide organization named the National Association of Resident Management Corporations which now has over 1,300 members.

Initiatives within HUD.³³ According to William Peterman (1994: 47-60), despite recognized accomplishments, Resident Management Corporations were largely considered technically and financially infeasible on a large scale.

Secretary Jack Kemp, a long-standing critic of what he viewed as inefficient and insensitive PHA management, enthusiastically expanded HUD's role in supporting tenant management.³⁴ Joining the resident management concept with his homeownership ideal, Kemp labored to launch the HOPE program as part of the Cranston-Gonzales National Affordable Housing Act of 1990. The HOPE program was a three-pronged initiative to promote low-income homeownership: HOPE I – sale of public housing units to tenants; HOPE II – sale of multifamily projects to RMCs, resident councils, corporate associations, non-profit organizations, and other eligible grantees through the planning and implementation grants; and HOPE III – sale of single-family units in scattered site projects through grants to non-profit organizations or public agencies in collaboration with non-profit agencies.³⁵ The HOPE series was highly critiqued by the left as impractical and a vehicle for “ending public ownership of public housing in the rhetoric of empowerment.” (Cavanaugh quoted in Stegman 1991)³⁶

However, despite the resident energy demonstrated in RMCs and the fact that the modernization funds had gone up by the by 44 percent in 1988 from its 1980 level, the

³³ According to IFC Inc. (1992), two distinct types of RMCs took shape: full-service and managing-agent. The full-service RMCs took on the majority of management and operations of their development (such as rent collection, tenant selection, finances, and maintenance), whereas the managing-agent RMCs had limited management functions (such as maintenance and tenant services) and no financial control. The former often emerged from relationships between the residents and the PHA; the latter, in contrast, were encouraged by PHAs and marked by collaborative relationships.

³⁴ Before he became HUD Secretary, Jack Kemp met with resident leaders around the country, in his capacity as a Congressman (Interview with Mildred Hailey on 03/05/04). When the Reagan administration was putting together the Public Housing Homeownership Demonstration (PHHD), Congressman Kemp (R-NY) was floating his own privatization bill in the House, modeled after Thatcher's “right to buy” through tenant associations (Stegman 1991).

³⁵ The Cranston-Gonzales National Affordable Housing Act of 1990 also contained HOPE IV, a demonstration program to test ways to combine section 8 certificates and vouchers with support services to help the frail elderly live independently. The Housing and Community Development Act of 1992 authorized HOPE V, the Youthbuild Program, to expand job opportunities for disadvantaged youth by training them to construct housing for low and moderate income families.

³⁶ Both the Reagan and Bush administrations supported programs to privatize public housing (Schill 1990). In 1985 HUD championed the Public Housing Homeownership Demonstration (PHHD), which was intended to “find practical ways to enable lower-income public housing tenants to own their own homes through the sale of ... [public housing] units (HUD 1986).

strategies above were still no match for the scale of the enormous problems involved in addressing the most devastated properties, particularly at a time when some seasoned observers of public housing deemed that the once small percentage of “problem people” had grown into the majority (Spence 1989).³⁷ Policymakers began to search for alternative means of dealing with these developments.

4.4.2. Setting and Confirming the Tone – the Housing Act of 1990

The year 1990 reaped the fruit of the Congressional effort to revisit national housing strategy based on the recommendations of the blue-ribbon National Housing Task Force established in 1987. Acknowledging the unmet need for appropriate housing for all Americans – the home ownership crisis facing first-time homebuyers, the lack of affordable housing for low- and moderate-income families, and the need to coordinate housing and social services for special populations – the Task Force offered a 10-point proposal intended to produce “fit, livable and affordable housing for all citizens by the year 2000.” It urged the Federal Government to make a renewed commitment to programs that encourage public-private partnerships and create housing opportunity for all.

After several apparent deadlocks and key compromises, the Cranston Gonzalez National Affordable Housing Act of 1990 was enacted and became the first major revision of housing programs since the 1980s. The Act marked an important watershed in Federal low- income housing policy through the creation of such programs as HOME and HOPE which offered residents groups and community-based non-profit organizations a greater role in housing production and homeownership initiatives.

Widely praised as an innovative blueprint, the National Affordable Housing Act of 1990 represented the “state of the art” thinking about the nation’s housing programs (Hays 1995). It confirmed and set forth four major features: (1) Primary reliance on tenant-based assistance through vouchers and certificates, utilizing existing housing; (2) Local control of production programs, through local government or non-profit community development corporations; (3) Homeownership as a central strategy for assisting low-income households; and (4) Integration of other social services with housing.

³⁷ Interview with Gordon Cavanaugh (08/19/03).

As the preceding discussion shows, HOPE VI's birth was surrounded by the politically popular program of demand-side solutions, which were considered less administratively complex and more cost-effective (hence more politically palatable), as they left production to the private sector. The Section 8 programs were touted not only as alternatives to publicly owned and managed housing, but also as successful ways to de-concentrate urban poverty and integrate the disempowered into mainstream society.³⁸

The ideas that informed HOPE VI also reflected the successes and experiences of other local housing practices, including the development of mixed-income housing by non-profit entities and public-private partnerships, the transfer of management responsibilities from public to private management companies (i.e. America Park in Lynn and Commonwealth in Boston, Massachusetts), and alternative means of financing housing and generating community-based housing.

Building on local community development practices that began in the late 1960s and in response to the federal government's retreat from the direct provision of low-income housing, a decentralized, multi-sector housing delivery system consisting of Community Development Corporations (CDCs), financial intermediaries, and other non-profit organizations had been experiencing uninterrupted growth since the 1970s.³⁹ This sector had been increasingly involved in producing and managing affordable low-income housing. Some states had also been leaders in providing innovative programs for affordable housing development (e.g. MHFA).⁴⁰ With the growing sophistication of housing finance systems, HUD began to serve a less critical role in the development of affordable housing.

The success of CDCs in creating affordable housing, for instance, gave support to the ideas that locally driven change was necessary and efficient, and that institutions closer to clients were better suited to provide housing opportunities and social services, especially when they

³⁸ The Housing and Community Development Act of 1974 had called for the "reduction of the isolation of income groups within communities and geographical areas and the promotion of an increase in the diversity and viability of neighborhoods through the spatial deconcentration of housing opportunities for persons of lower income." Quoted in Goldman (2001).

³⁹ The National Congress for Community Economic Development estimates that the number of CDCs has grown from 200 groups in the mid-1970s, to 1,500 – 2,000 in 1988, and to approximately 3,600 in 1999.

⁴⁰ See Stegman (1999)

involved those directly affected. Supported by CDBG and, later, HOME programs, CDCs have not only taken on the responsibilities for the development of affordable housing, but also grown, adapted, and established themselves as an integral part of an expanding institutional network that helps build capacity both inside and outside poor neighborhoods. Emphasizing resident participation, CDCs stood out as an important means of articulating the interests of impoverished communities and forging new access to resources (Vidal 1993; Keyes et al, 1996; Bratt 1997; Grogan and Proscio 2000). Their relatively bottom-up approach to revitalization and their smaller contextual housing developments have stood in sharp contrast to the top-down federal programs as symbolized by the destructive image of high-rises and run-down public neighborhoods.

Changes in other sectors of the affordable housing delivery system that were intentionally designed for systems completely distinct from (some might say antithetical to) traditional public housing principles were also available for incorporation into HOPE VI. Created through the Tax Reform Act of 1986, the Low Income Housing Tax Credit (LIHTC) has stimulated the engagement of banking institutions and a diverse range of major corporations, gaining broader political support for affordable housing production.⁴¹ LIHTC was increasingly conceived both inside and outside the government as a more viable strategy than fully subsidized public housing. LIHTC, among other factors, planted seeds in the soil gradually becoming fertile for radical change – forging once unlikely public-private partnerships and eventually redefining the potential roles of each partner in the provision of affordable housing.

4.4.3. Poverty Knowledge Linkage

As one policy domain – public housing – was debated and defined, ideas about welfare, poverty, and urban decline provided sign posts, suggesting the value of particular paths and goals. In

⁴¹ Under LIHTC, administered by the Internal Revenue Service (IRS), each state receives a tax credit (a per capita allocation) that it can use toward funding the construction or rehabilitation of rental housing units targeted to lower-income households. Under IRS regulations and program restrictions, many LIHTC properties are owned by limited partnership groups that are put together by syndicators. A variety of private investors participate in the LIHTC program, investing in housing development and receiving credits to offset federal taxes otherwise owed on their tax returns. Today, approximately 110,000 affordable apartments are produced and preserved under LIHTC annually, accounting for more than 30 percent of all multifamily housing production in a given year (Source: <http://www.nhi.org/online/issues/128/WNV.html>).

Kingdon's words, "spillover effects" from other relevant policy domains are crucial in the transference of ideas.

Long before HOPE VI was first initiated, there had been a growing acknowledgment of broader, systematic causes of inner-city poverty and the need for a comprehensive approach to neighborhood revitalization. Many housing professionals noted the importance of sociologist William Julius Wilson's work *The Truly Disadvantaged* (Wilson 1987), which looks into the structural origins, rather than the typical cultural and behavioral accounts, to explain the emergence of a "urban underclass." The urban deindustrialization and the massive loss of low-skilled jobs from the urban centers, Wilson writes, drained neighborhoods of economic means and institutional support. Over the 1970s and 1980s, inner cities became increasingly mired in concentrated poverty as they suffered from the departure of middle- and working-class blacks to the suburbs. The result, Wilson argues, was the rise of the impoverished female-headed households, joblessness, and increased "social pathologies." (1987: viii) These nonworking families are not only likely to be materially poor, but also to lack the social and human capital that would enable them to climb out of poverty.⁴² Moreover, they become increasingly reliant on welfare or turn toward underground economies that ultimately threaten the stability of surrounding communities.

Wilson's work has provided powerful intellectual leadership and renewed both scholarly and popular interest in the subject of the "ghetto underclass." In the area of housing and community development, studies of neighborhood effects on the life chance of the poor would eventually produce some fruitful and sophisticated work (Small and Newman 2001). As Chapter 5 shows, the growing empirical research and application of Wilson's theory heavily influenced the ways in which the HOPE VI's program was shaped.

4.5. Coupling

In the late-1980s and early 1990s a set of a few prominent alternatives rose to the top of the policy primeval soup, ready for policymakers to sample. In order for real transformation/ policy change to occur, identified problems have to be linked to solutions and supported by the

⁴² Others had also pointed out the adverse effects of living in high poverty areas as opposed to areas of lower poverty concentration. These include Jargowsky (1994, 1996), Massey and Denton (1993), and Kasarda (1993).

political climate of the time (Kingdon 2003 [1984]). The following section explores how policy entrepreneurs engaged in joining the three streams together to give birth to the HOPE VI program.

4.5.1. Jeff Lines: Getting Things Done

It was no secret that the conflicting goals/approaches to tackling the problems of the most distressed public housing were clear and loud at the very beginning of the National Commission (Wexler 2001). Consisting of a bipartisan group of political leaders, business leaders, public housing officials, and representatives of public housing residents, the Commission championed two very different approaches to reform and they failed to reach any agreement during the first year of the Commission.⁴³

The first camp kept the basic public housing model intact as conceived in 1937. The so-called “problem project” paradigm dominated. Stating that the vast majority of public housing stock was in a fair situation, the task would be to focus on turning around the worst projects through major expenditures to revitalize the physical aspects of severely distressed public housing and to overhaul most troubled PHAs.

⁴³ Below are excerpts from H.R. 1, 1989 H.R. 1; 101 H.R. 1 (1st session in the House of Representatives as enrolled 101st Congress:

- (1) The Commission shall be composed of 18 members, appointed not later than 60 days after amounts are appropriated pursuant to section 506 or made available from non-Federal sources. The members shall be as follows:
- (A) 6 members to be appointed by the Secretary of Housing and Urban Development;
 - (B) 6 members appointed by the Chairman and Ranking Minority Member of the Subcommittee on Housing and Urban Affairs of the Committee on Banking, Housing, and Urban Affairs of the Senate and the Chairman and Ranking Minority Member of the Subcommittee on VA, HUD, and Independent Agencies of the Committee on Appropriations of the Senate; and
 - (C) 6 members appointed by the Chairman and Ranking Minority Member of the Subcommittee on Housing and Community Development of the Committee on Banking, Finance and Urban Affairs of the House of Representatives and the Chairman and Ranking Minority Member of the Subcommittee on VA, HUD, and Independent Agencies of the Committee on Appropriations of the House of Representatives.
- (2) The Secretary and the congressional leaders referred to in paragraph (1) shall each appoint as members of the Commission
- (A) 2 individuals who are elected public officials at the Federal, State, or local level;
 - (B) 2 individuals who are local public housing officials or representatives of public housing authorities with experience in eliminating unfit living conditions in severely distressed public housing projects;
 - (C) 1 individual who is a tenant or a representative of tenants or a tenant organization; and
 - (D) 1 individual who is a leader of business or labor or is a distinguished academic in the field of housing and urban development.

The other camp regarded the problem of public housing as systematic and thus pressed for structural change. Richard Baron, chairman and CEO of McCormack, Baron and Associates, Inc, a real estate development and consulting firm specializing in public/private redevelopment projects in the inner-city, championed for private sector's involvement to correct the problems of failed public action. McCormack Baron had built multiple affordable housing projects successfully in St. Louis that attracted the attention of then Senior Counsel, Senate Subcommittee on Housing and Urban Affairs Bruce Katz, who invited Baron to join the Commission and to bring his fresh perspectives to the dynamic.⁴⁴

“I want to see a UDAG⁴⁵ for public housing,” Baron said on many occasions during the Commission's meetings, “It won't do it within the walls of the HUD or the rooms of PHAs.” Baron argued that the traditional system of Washington giving strict orders to PHAs should be replaced by the involvement of private sector developers and property managers with more discretion and flexibility in their operations. Moreover, the tools were available – the tax credit was already at work and should be taken advantage of in the public housing system. With the creative financial mechanisms, public money should be put to wise use – to provide incentives to attract investors to put more resources into public housing redevelopment.

A year into the Commission's work, some members were concerned about its progress due to staff members who were mostly inexperienced and conservative.⁴⁶ Pushed by Gordon Cavanaugh and others, Jeff Lines, President of TAG Associates, was hired in 1991 to serve as the lead technical consultant.⁴⁷ Known to many Commissioners as a public housing turnaround expert and considered the least objectionable of potential candidates, Jeff Lines brought to the

⁴⁴ Interview with Richard Baron (08/16/04).

⁴⁵ The UDAG program, launched in 1978, was designed to help alleviate physical and economic deterioration in severely distressed cities and urban counties. With little legislative mandates, HUD was given substantial discretion in designing UDAG's policy. Leveraging private funds in urban revitalization and public-private partnership soon emerged as the signature of this program. Basically, the distressed communities would lend the funds they received to private developers, thus “improving the feasibility of economic development projects that would otherwise not be implemented.” (GAO 1989: 2)

⁴⁶ Sources: interviews with Jeff Lines (10/24/2003) and Wayne Sherwood (07/25/2003).

⁴⁷ Gordon Cavanaugh is a good friend of Vincent Lane and Congressman Bill Green, two chairmen of the Commission.

table his fifteen years of frontline experience and the ability to lead, focus, and accommodate divergent points of views.⁴⁸

By focusing on the desperate situation caused by past failures and the emergency of doing something about it, Jeff Lines was able to convince the commissioners to put aside their differences and to build some consensus around the concrete problems of the most troubled projects.

I was trying to get them to focus on the problem, instead of who we are serving, why we are serving, and why the program was even here; our charge was to figure out how to deal with severely distressed public housing.

In the spirit of “getting things done,” Jeff Lines skillfully brought together eighteen commissioners to produce a high quality report within a short timeframe, much of which still rings true to public housing practitioners today.

The National Commission offered the most often cited and widely acclaimed policy solutions. Its *Final Report* emphasizes that “a new and comprehensive approach” would be required to address the range of problems existing at these developments. Defining the problem of public housing as social and economic, as well as one of bricks-and-mortar, the Commission recommended a ten-year, coordinated endeavor at the federal, state, and local levels in three general areas: physical improvements, management improvements, and social and community services to address resident needs.

Strategies suggested by the Commission included funding for social and support services, physical rehabilitation and neighborhood revitalization, and process for designating severely distressed developments to which a separate \$7.5 billion HUD program would be specifically targeted. The report also advocated a new maximum rent system aimed at retaining more working households in public housing, a series of initiatives for improved management, and

⁴⁸ Jeff Lines had been a senior management team member at the Boston Housing Authority working directly for the Receiver. He also administered a HOPE VI style severely distressed public housing program for state-assisted public housing in Massachusetts.

recommended that Congress fund a ten-year program at approximately \$750 million per year. This estimate included capital improvement (66%), architectural and engineering expenses (7%), planning (2%), stabilization efforts (8%), relocation (2%), construction phasing (5%), and a contingency (10%).

The conclusion also suggested some “alternative strategies” to fix public housing, including the use of tax credits and the development of public, private, and non-profit partnerships, as well as a call for Congress to commission a study on reducing and removing statutory, regulatory, and administrative barriers (See Appendix C). Despite the *Final Report’s* call for addressing the social needs of increasingly disenfranchised residents, the task of estimating appropriate costs on social services was left for future exploration.

4.5.2. Senator Mikulski and Two Legislative Moves

Another set of policy proposals – the Cleveland Report – though referenced less often, also served as an intellectual foundation for the HOPE VI program.⁴⁹ Sensing the political opportunities for policy change, Professor Arthur Naparstek, director of the Cleveland Commission on Poverty, brought the Cleveland Foundation’s Commission on Poverty Report to legislators. The report proposed to reinvent service delivery to the poor in Cleveland and turn four neighborhoods of Cleveland into “villages,” “by establishing village councils of neighborhood leaders and residents; by centering development around community assets such as churches, schools, libraries, and family-owned businesses; and by integrating human services, such as day care, public transportation, and job training, into the neighborhoods.”

A friend of Senator Barbara Mikulski’s, Naparstek took advantage of his close access to the chairperson of the VA-HUD Appropriations Subcommittee to advocate for community services and civic engagement as a basis for the new public housing program.⁵⁰ Senator Mikulski, whose district was affected by dilapidated high-rise public housing, shared Professor Naparstek’s idea that public housing revitalization could be achieved through people-based

⁴⁹ This set of solutions was later deliberately downplayed by HUD. Interview with Bruce Katz, Staff Director, U.S. Senate Subcommittee on Housing and Urban Affairs (1992-93); Senior Counsel, Senate Subcommittee on Housing and Urban Affairs (1987-92); and Chief of Staff, HUD (1993-96).

⁵⁰ Interview with Arthur Naparstek (03/12/04).

strategies – by building on community assets, cultivating resident leaderships, and integrating human services” (Mikulski and Naparstek 1993).⁵¹

Meanwhile, Gordon Cavanaugh worked with Senator Mikulski’s chief clerk, Kevin Kelly to address the issue of turning around the most troubled projects. Emphasizing that certain high-rise developments were not treatable under any available program or approach, Cavanaugh convinced Kelly that to “do something meaningful” about the problem projects, a significant block grant for one program was needed, which would not be trapped in HUD’s existing cumbersome practices of requiring several different approval processes (demolition, disposition, development, etc).

Informed by the proposals of Art Naparstek and Kevin Kelly, as well as the resident energy demonstrated in the RMC and the Gateway Initiatives,⁵² Senator Mikulski, a Democrat, mustered sufficient support on Capitol Hill and successfully pushed the new public housing bill through in the twilight of the Bush Administration. The bill received support from public housing communities, among them the Atlanta Public Housing Authority, as expressed by Senator Wyche Fowler (D-GA) while he was seeking a pre-qualifying “approval” for the Techwood/Clark Howell public housing development from HOPE VI’s “funding mother” Senator Mikulski (see 138 Cong Rec S 12971). Though she adopted the language of the National Commission’s report, Senator Mikulski did not explicitly mention NCSDPH’s policy recommendations. Instead, considering the hostile political environment of the time, she avoided possible opposition from Republican legislators and deliberately gave the Urban Demonstration Program (URD) a popular name HOPE VI, appealing to then HUD Secretary Jack Kemp who already supported a public housing homeownership program under the series name HOPE.⁵³

⁵¹ Arthur Naparstek was a professor at the Mandel School of Applied Social Sciences at Cleveland State University and director of the Cleveland Commission on Poverty at the time. The commission put together a report that proposed an innovative plan to reinvent services to the poor in Cleveland. (<http://www.cwru.edu/pubs/cwrumag/fall1998/features/anniversary/sections/s/index.shtml>)

⁵² The Gateway program was supported by Senator Mikulski. For an early program evaluation, see Rohe and Kleit (1999).

⁵³ Source: Arthur Naparstek’s remarks at the Urban Institute’s press conference of the Resident Panel Study, July 2002. The author also speculates that the Senator, with a background in social work, aimed to emphasize

The other legislation was in a race with Senator Mikulski – the Housing and Community Development Act of 1992. It was being developed with the housing authorizers sitting on the Senate Committee on Banking, Housing and Urban Affairs, Subcommittee on Housing and Urban Affairs, which established the National Commission in 1989.⁵⁴ It would have been natural for this Subcommittee to assume the task of creating a new program like HOPE VI, through a traditional authorization process. Besides, the Subcommittee were also more focused and better positioned to make extensive laws on this subject.

However, despite the opposition from the authorizers, Senator Mikulski was reluctant to let another year to go by and she pressed for putting it into the 1993 Appropriations Bill.⁵⁵ This action was strongly supported by Senator Christopher Bond, a ranking Republican, and Representative Louis Stokes (D-OH), an African American who grew up in public housing⁵⁶, Representative Bill Green (R-NY), the National Commission's co-chairman, and then chairman of the House HUD-VA committee. A glance at the Senate report of the 1992 bill shows the clear imprint of Senator Mikulski's social work background, revealing a strong influence from the Cleveland Report, a less publicized side of the HOPE VI story.

The goal of HOPE VI is three-fold: (1) Shelter to eliminate dilapidated, and in many instances, dangerous structures that serve as homes for hundreds of thousands of Americans; (2) self-sufficiency to provide residents in these areas with the opportunity to learn and acquire the skills needed to achieve self-sufficiency; and (3) community sweat equity to instill in these Americans the belief that with economic self-sufficiency comes an obligation to self-responsibility and giving back something

the people side of transformation and/or support the National Commission of Social Services funded under her committee.

⁵⁴ Tension between the authorizers and appropriators is not uncommon.

⁵⁵ The rationale might be three-fold. First, the Appropriations Act is subject to yearly renewal; therefore the Committee retains the power to confirm subsequent appropriations. Secondly, it takes a long time to go through the authorization process. Finally, the lobbying efforts from trade organizations such as CLPHA pushed for the idea of legislative and administrative flexibility.

⁵⁶ Congressman Stokes was appointed as the first African American to sit on the powerful Appropriations Committee of the U.S. House of Representatives. As former Chair of the Appropriations Subcommittee for the VA, HUD, and Independent Agencies, he has been a long-term champion of public housing with a deep commitment to helping poor communities. His brother, Carol Stokes, became the first African-American mayor of a major American city, Cleveland, in 1967.

to ones community.⁵⁷

In a *Plain Dealer* article by Senator Mikulski and Professor Naparstek, the crux of HOPE VI was described as “[transforming] federal urban policy and housing assistance by applying the Cleveland Commission's principles to public housing developments.” Going beyond bricks-and-mortar, they stressed that HOPE VI was designed to help America's inner cities escape poverty and rejoin the mainstream through community-building. This self-sufficiency and community-building focus would constitute an enduring source of tension as HOPE VI developed with the bricks-and-mortar side gaining an upper hand and income-mixing being elevated as the heart and soul of community in the years to come.

Soon after the passage of the 1993 Appropriations Act, the authorizers enacted the Housing and Community Development Act of 1992. This Act amended the Housing Act of 1937 by adding Section 24, which authorized the Severely Distressed Public Housing program.⁵⁸ The language of Section 24 was not much different from that of the HOPE VI program funded in the Appropriations Act of 1993. The major difference between the two bills lay in the treatment of community and social services (CSS). In Mikulski's appropriations version, the CSS component enjoyed a higher spending cap (20% of the total grant) than that of the authorization (15%). Moreover, the Appropriation specifically required that the Commission on National and Community Service be the administrative body for CSS activities. The decision was a result of the lack of confidence on the part of Congress in HUD's capacity to deliver human services programs, given that social services have traditionally been delivered through state and local governments and private non-profit entities (HUD 2002). The Mikulski's version eventually prevailed in the 1993 NOFA that the following section discusses.

⁵⁷ Senate Report 102-356, Committee on Appropriations, August 3, 1992. P.40. It was then quoted by Senator Mikulski in her Introduction piece to HUD's publication *HOPE VI: Community Building Makes a Difference* (2000).

⁵⁸ Enacted on October 28, 1992, the Housing and Community Development Act of 1992 was first introduced in June 5, 1992 in the House; the provision regarding the revitalization of severely distressed public housing was not introduced until September 12, 1992 in the Senate subcommittee of Banking, Finance, and Urban Affairs (version 5 of the bill).

4.5.3. The Devil is in the Details– Rule-making at HUD

The following paragraphs illustrate the circumstances that shaped the policy output as demonstrated in the first NOFA of the URD/HOPE VI program. The survival of policy alternatives, according to Kingdon, is determined by technical feasibility, value acceptance, and the anticipation of budget constraints (1995: 131-44).

Despite the Congressional Committee’s suggestion that HOPE VI was “a meaningful and constructive alternative to other programs with similar objectives that have not achieved the desired results” (House Report 102-902), specified policy changes in the program’s early stage were in fact modest and marginal. Left with limited guidance (3 pages) and little time (30 days)⁵⁹ to develop program guidelines for a demonstration program, HUD’s staff was inclined to follow old practices, offering incremental adjustments by refining policy solutions to identified problems.

While claiming that the local housing authorities were given “the greatest degree of flexibility in treating the development,” the first NOFA (published in January 5, 1993) specified that the URD/HOPE VI program be carried out under eight existing regulations governing demolition and disposition, development, replacement housing, and rehabilitation and physical improvement (Federal Register v58 n2: 439). The only areas in which URD was able to enjoy a loosened set of rules were the one-for-one replacement rule and the locally based preferences for tenant selection. As guided by the HOPE VI legislation, the 1993 NOFA allowed Section 8 vouchers to be used as a substitute for the new construction requirement for up to one-third of the replacements. Besides, PHAs were permitted to have a local system of preferences for selecting tenants for the revitalized development.⁶⁰

⁵⁹ After the passage of the 1993 Appropriations Act in October 6, 1992, HUD was requested to delineate the first NOFA within 90 days. The 1993 NOFA was published on January 5, 1993, then amended on March 29 and May 4, 1993. Congress gave HUD one year (until December 30, 1993) to allocate the \$300 million grant out to the housing authorities. No NOFA was necessary under the 1994 Appropriations Act.

⁶⁰ Note that the National Commission also proposed local preferences: “The Commission recommended that Title VI of the Civil Rights Act and HUD rules governing Federal preferences be amended to allow greater flexibility in using local preferences in selecting households for severely distressed public housing as a part of an overall revitalization strategy.” (1992a: 70).

HUD followed the National Commission's recommendation (1992a: 16-20) and designed HOPE VI as a modified Major Reconstruction of Obsolete Public Housing Program (MROP). In fact, the NOFAs for MROP and HOPE VI in the early 1990s were not very different. The major value-added components were the substantial infusion of money for each HOPE VI project and additional community-based social service components.⁶¹

The 1993 NOFA also continued the legacy of cost containments that some scholars identify as being responsible for the original design failure and resulting deterioration of property in many of the larger public housing properties (von Hoffman 1993, 1996). The societal value assigned to housing for poor remained intact, as revealed in the NOFA's instruction that locally based solutions "must be consistent with the overall mandate of providing modestly designed housing for low-income persons and cost-effectiveness in the management of such housing." (Federal Register v58 n2: 436)⁶²

A close examination of the 1993 NOFA shows that many innovations and actions proposed in the National Commission's *Final Report*, allegedly the "blueprint" for HOPE VI, did not take effect. Among them were the utilization of tax credits, mixed-income housing, and partnerships among public, private, and non-profit organizations.

In the National Action Plan, the Commission maintained that it was crucial to allow PHAs to be exempted from "impaction restrictions in neighborhoods" so that they could construct replacement housing on or near the site (1992a: 16). More importantly, the Commission called for tapping into diverse venues of funds in order to fulfill the mission of turning around the most distressed projects.

Special attention should be given to continuing to use the recently enacted Home Investment Partnership Act (HOME) program, low-income tax credits, and CDBG funds as part of a comprehensive plan for redeveloping a distressed site and

⁶¹ It was required in the Appropriations Act of 1993 that the Commission on National and Community Service define and administer the community social services component. Although many would argue that the degree of socioeconomic needs of families in projects demands a higher portion for supportive services and economic development initiatives, the actual funding for soft costs through HOPE VI gradually decreased in the following years.

⁶² Only in 1995, when another window opened in the political stream, was the long time reference to modesty dropped in favor of "bold and innovative communities." (NOFA 1995).

economically integrating the neighborhood. The Commission believes that PHAs need access to these funds to expand the choices and resources available for developing effective revitalization strategies that can provide maximum benefits to the residents and increase the likelihood of sustained improvements to the housing development.

NCSDPH Final Report, p16

After devoting an entire chapter to the burden of existing statutes and rules including rent regulations, operating subsidies, and total development costs, as well as operational barriers, the Commission highlighted the needs to conduct a follow-up study of regulatory and statutory barriers that had prevented PHAs from being creative as well as exploring possible venues to “promote private sector and other public support” for programs aimed at turning around severely distressed public housing.” (NCSDPH 1992:131)

The Commission even offered “nontraditional strategies” in its final chapter (See Appendix A). It stressed the tremendous needs to engage the support and involvement of non-profit and private organizations and other groups (such as RMCs) in the management, operation, and even the ownership of public housing, which essentially was a discussion of “partnerships.” The legal and institutional infrastructure of tax credits was also suggested by the National Commission as a way to leverage financing (NCSDPH 1992: 130-132).

Under the demonstration, a limited partnership would retain title and rehabilitate the property with CGP funds, HOME funds, and other Federal resources... . After the tax credit holding period, the limited partnership would sell the property to the residents or back to the PHA. This demonstration is one approach to involving other Federal resources, the community, and the private sector in widening the range of options for PHAs in treating severely distressed public housing.

These ideas, although they would eventually be picked up a few years later, were not at the forefront to for serious consideration while HUD was devising its first NOFA. At the chaotic time of the beginning of the Clinton Administration when political appointees were awaiting confirmation and there was only one staff person working on the design of the \$300 million

dollar demonstration program,⁶³ HUD did not want to look for challenges and thus took the safe road.

Furthermore, HUD staff members were not familiar with the Low-income Housing Tax Credits (LIHTC), which had been administered through the IRS since 1986, and were thus disinclined to adopt the unfamiliar. More importantly, LIHTC required the establishment of a Limited Partnership involving private entities, which was legislatively not possible within the realm of public housing. As Richard Baron rightly pointed out, “people in the traditional public housing wrote very traditional regulations. It was clear that they just did not have the concept at all about how to finance a HUD development creatively.”⁶⁴

Even though HUD’s own UDAG program had set up good examples for involving the private sector through innovative financing, the public housing shop at HUD did not appear to know enough about the UDAG approach. Richard Baron described the unfortunate yet common phenomenon in bureaucracy:

People that were involved with the public housing program at HUD had no relationship with the rest of the department; they existed unto themselves. Just like the isolation that public housing had in the cities across the United States, there were the same isolations in the Washington HUD building. So people who had worked on the UDAG program had very little to do with anybody on the public housing side. They didn’t talk to each other – a typical example of bureaucracy. So it doesn’t follow at all that the people that are writing the regulations for the public housing side of the Department would have any understanding of the UDAG program.⁶⁵

At this point in time, partnerships as solutions to problems of the severely distressed did not meet tests of political acceptability. In fact, the federal government was not the only factor limiting the degree of vision displayed in the earlier phase of HOPE VI. For groups used to defending affordable housing programs and their own agencies or organizational missions based on an understanding of public obligation – including public housing administrators, social workers, tenant groups, and professional associations – the idea of private sector

⁶³ It took HUD almost two years to get a half dozen employees working in the HOPE VI office (Interview with Wayne Sherwood (07/25/03)).

⁶⁴ Interview with Richard Baron (08/16/04).

⁶⁵ Interview with Richard Baron (08/16/04).

engagement was antithetical to survival. As a result, individual housing authorities, which had always followed a formula and received funding based on established criteria involving capital, operating, and modernization needs, were suddenly expected to compete for funding from HUD based on limited knowledge about how to interpret the intentions of Congress and HUD.

4.6. Summary

The trajectory of HOPE VI began as most other public housing redevelopment policies, through a convergence of “streams” and the efforts of entrepreneurs to identify problems and provide solutions in order to fashion a new direction for remedying the worst projects. While representative of the inertia commonly seen in the policy community, the 1993 NOFA allowed greater flexibility and encouraged PHAs to seek a broad spectrum of participation and assistance from all stakeholders.⁶⁶ Ideas, unlike changes in administrations, require time to germinate. In fact, the rough framework and ambiguous programmatic guidelines provided by the 1993 NOFA paved the way for significant policy change in the following years.⁶⁷

⁶⁶ Stakeholders include local and state governments, neighborhood organizations, businesses, non-profit corporations, social services, and residents of the developments (1993 NOFA).

⁶⁷ In 1993, all but one eligible PHAs (those in the 40 most populous cities or listed on HUD’s Troubled Housing Authority list) applied. Fifteen awardees were chosen to receive the \$300 million in FY93 – 2 planning grants, 13 implementation grants (6 with full funding and 7 with partial funding). Local housing authorities that did not win in FY 1993 – most prominently in cities like Chicago and Baltimore – lobbied forcefully for increased funding for FY 1994 (see 139 Cong Rec S 12179). In the FY 1994 appropriation, Congress required HUD’s HOPE VI office to simply go down the list of FY93 applicants to issue grants only to those not funded. The historic level of \$778.24 million appropriated thereby reached projects in some key cities that were home to principal congressional supporters of the HOPE VI program.

Chapter 5

TRANSFORMATION AND REINVENTION (1994-1996)

This is an unprecedented moment. Both the ideas and the money are there to do something for the first time in decades.

- Henry Cisneros¹

5.1. Introduction

The years 1994 through 1996 witnessed the most dramatic transformations over the course of HOPE VI policy development. Although there were no legislative changes presented in the FY 1995 Appropriation Act except for the removal of the 500 units per city limit,² before the 1995 NOFA was out, HUD issued two letters of invitation to PHAs dated January 9 and February 3.³ The letters called for housing authorities to aggressively correct the mistakes of the past and strongly encouraged authorities to leverage other private or governmental funds in order to “create additional affordable and/or market rate housing in which the HOPE VI units may be blended.”

Three weeks later, the 1995 NOFA came out and was a document not only much more elaborate in language, but more ambitious in intent. The purpose of HOPE VI drew a resounding distinction from that of the 1993 NOFA:

HUD intends for HOPE VI to be the laboratory for the reinvention of public housing. The program is expected to produce models for ending the isolation of the public housing agency, by encouraging partnerships with actors from the broader community, and the isolation of public housing developments and residents, by blending public housing units into more diverse and mixed-income communities.

¹ Quoted in Dean (1998).

² Congress required that \$500 million of new HOPE VI funding for FY 1995 be used to fund implementation grants for the eight PHAs that previously received planning grants.

³ Both the Letter of Invitation to Apply for Funding to Eight Planning Grantees (dated January 9, 1995) and Letter of Invitation to Apply for Funding To All HOPE VI-eligible PHAs (dated February 3, 1995) were later included in the 1995 NOFA.

A year later, the legislative language spelling out the mission of the program contained in the belated Appropriation Act of 1996 changed its tone, moving from “carry[ing] out an urban revitalization demonstration” in previous years (1993-1995) to “enabling the demolition of obsolete public housing projects.”⁴ In the FY 1996 NOFA entitled “HOPE VI Demolition and Revitalization,” however, HUD interpreted the congressional intention as a requirement for demolition, mandating housing authorities to demolish at least one obsolete building.

Besides expanding eligibility to all PHAs, the 1996 NOFA strongly encouraged PHAs to change the physical shape of public housing, establish positive incentives for tenants to move up and move out, enforce strict occupancy and eviction rules such as the “One Strike and You’re Out” policy,⁵ lessen poverty concentration through creating mixed-income communities, and forge partnerships. Demolition-only grants came into being, and planning grants faded away.

In short, between 1993 and 1996, the primary focus of the HOPE VI program was broadened from merely concerning the isolation of families (from social services and economic opportunities) to the isolation of housing authorities (from the real estate market), from a government housing program to a market-driven, mixed-income development, and from an inward-looking model of bricks-and-mortar plus social services to an outward-looking mechanism for neighborhood-wide transformation. Moreover, HOPE VI became HUD’s flagship program, one of the icons of its competence and *raison d’etre*.

This chapter describes the processes through which HOPE VI was transformed from an ordinary public housing program into a new model for affordable housing. It offers contextual explanations for the rapid shift in HOPE VI policy agenda in the mid-1990s resulting from a dramatic change in the political environment that opened up a policy window. HOPE VI was re-defined, and not just acknowledged, as part of a larger consideration of government reinvention and retrenchment in social welfare programs.

⁴ Public Law 104-134; approved April 26, 1996.

⁵ It was announced by President Clinton and enacted in the Housing Opportunity Program Extension Act of 1996 (Public Law 104-120; approved March 28, 1996).

5.2. Problem Stream

Boosted by an unprecedented level of redevelopment grants, the first few miles of the HOPE VI journey were full of excitement and confusion. As PHAs struggled to put together their grant applications and began implementing the new program on the ground, their triumphs and frustrations in turn fed back into the definition of the problem and the selection of alternatives as HUD reformulated policies for HOPE VI.

5.2.1. HUD's Bricks-and-Mortar and CNS's Social Services – Too Idealistic?

The idea of combining bricks-and-mortar with community and social services, however appropriate it sounds, hit bumpy ground as HUD and the Corporation for National Service (CNS) found themselves in an uneasy relationship.⁶ Although local housing authorities had been collaborating with local institutions to provide social services, HUD itself did not have experience with social work, nor did HUD have regulations specifically designed to address them.⁷ The PHAs had substantial difficulties in putting together a successful Community and Supportive Services (CSS) program, which was a requirement for the disbursement of HOPE VI implementation grants. Despite the efforts of HOPE VI staff and CNS staff, the different notions of community services and supportive services seemed too unclear on the part of PHAs, particularly, on the issue of what the community service component should include. According to Abt's Baseline study, by August 1995, most sites had not had their community service plans approved by CNS (then-CNCS).

Despite the sizable grants, the task of revitalizing the most deteriorated stock soon proved to be not insufficiently funded. While some PHAs pushed for legislative changes that would permit housing authorities to combine URD funds with modernization grants and Major Reconstruction of Obsolete Project (MROP) monies,⁸ some complained that the CSS

⁶ The Corporation for National Services (CNS) emerged from two predecessor agencies, ACTION and the Commission on National and Community Service (CNCS). The latter was an independent federal agency created by the National and Community Service Act of 1990, signed by President George H.W. Bush.

⁷ Interview with Wayne Sherwood (07/25/03) and Gordon Cavanaugh (08/19/03).

⁸ Richard Parker, Executive Director, Athens, Georgia Housing Authority, PHADA, March 17, 1994, testimony before House Banking/Housing and Community Development Section and Housing Issues.

component had diverted resources from hard costs, saying that HUD's duplicative role of social service provider was "questionable at best and wasteful at worst."⁹

In addition to the conventional supportive service model that approached residents as recipients of services provided by agencies and organizations, the key ingredient of CNS was to mobilize residents to provide services to their neighborhoods – a strong imprint of CNS's roots in volunteerism. However, the volunteerism-focused approach was not well received as a pragmatic approach to solving the real problems challenging the local authorities. Barbara Meskunas, a two-term commission President of the San Francisco Housing Authority, argued in her congressional testimony that AmeriCorps and other activities of the CNS were poorly coordinated in her HOPE VI development site. Instead of idealistically relying on volunteerism as encouraged by a foreign entity, Ms Meskunas advocated for building on the successful model of resident management to help tenants empower themselves.¹⁰ Plus, many PHAs complained that developing plans acceptable to CNS was challenging and that approval procedures delayed the implementation process. The problem of program coordination among federal programs and entities in the task of linking welfare assistance, supportive services and economic opportunities with low-income housing provision, in fact, was hardly news to anyone.¹¹

5.2.2. Distressed Projects and Distressed Authorities

In the first two rounds of HOPE VI, only the 40 most populous cities or those listed on HUD's Troubled Housing Authority list were eligible. Given the goal of transforming the most distressed public housing, HUD had little choice but to face the harsh reality: the most distressed projects, more often than not, were those administered by "the most historically

⁹ From 1993 to 1995, HOPE VI NOFAs contained a set-aside provision of up to 20 percent for community and support services. In practice, however, PHAs did not allocate that much money partly because the bricks-and-mortar needs were huge, and partly because 20% of a grant was too much for housing authority to spend well for community and social services. HUD's own study on their grantees from 1993 to 1996 indicated an average of about 12% of the total grant funding was budgeted for CSS.

¹⁰ Barbara Meskunas, October 17, 1995, testimony before House Economic Oversight and Investigations, National Service Oversight. A similar opinion by Barbara Meskunas was published in the *Washington Times* on June 16, 1995.

¹¹ Generally speaking, HUD has responsibility for housing programs with a focus on places (developments and neighborhoods). The responsibility to deliver supportive social services largely resides with the Department of Health and Human Services (HSS) and responsibility for job training and placement services resides with the Department of Labor.

mismanaged, politically-influenced and PHMAP troubled HAs in the country.”¹² According to Abt (1996), the HOPE VI grantees had much higher levels of management problems than non-HOPE VI housing authorities in the early years of HOPE VI. A handful of very large, high-profile, chronically troubled authorities failed to put together a qualified grant application. The Desire development, managed by Housing Authority of New Orleans, for example, was rejected in the competition for implementation grants in 1993.¹³ However, the poorly constructed proposal was required to be funded under the terms of the Appropriations Act of 1994 by Congress. Having a long history of poor performance, the Housing Authority of New Orleans had made little progress in demolition, replacement, or community and social services three years after the grant had been awarded (Office of Inspector General 1998). It took the Authority 33 months to select a contractor for its planning grant for the Fischer development. In 1997 Congress decided to prohibit funding of New Orleans on-site construction until an independent third party performed a feasibility study of the site. HUD’s Inspector General concluded that “the risks and uncertainties involved in the Desire implementation do not justify such a large investment of federal funds.” (Office of Inspector General 1998: 1)

Long constrained by limited means and capacities, it took more than courage and an idea in good currency to search for the way that public housing might “transform communities” in the nation’s most disadvantaged places. This unfortunate fact would later hinder the achievement of HOPE VI’s bolder objective and generate endless tension between Congress and HUD (and later, the White House) when it came to the pace of implementation.¹⁴

¹² Prepared Statement of John Hiscox, Executive Director Macon, Georgia Housing Authority, before The House Appropriations Committee Veterans’ Affairs, Housing and Urban Development and Independent Agencies Subcommittee, April 22, 1998.

¹³ Note that the National Commission on Severely Distressed Public Housing did a case study and site examination report on the Desire Neighborhood (1992b).

¹⁴ In many localities such as Chicago (Cabrini Green Extension) and Boston (Mission Main), HOPE VI projects were bogged down by entrenched local politics and a long history of distrust among all parties involved (See Smith 2002, Abt 1996, GAO 1997).

5.3. Political Stream

The 1994 mid-term election marked a profound shift in the political climate of America, which pushed open a wide window for policy change. The subsequent debates about welfare reforms, and the size, reach, and role of government in social policies also rendered a rapidly changing dynamics in which the HOPE VI transformation was embedded.

5.3.1. Government Reinvention by New Democrats and Conservatives

Responding to a thirty-year decline in public trust in the federal government¹⁵, President Clinton made a campaign promise to “radically change the way government operates—to shift from top down bureaucracy to entrepreneurial government.” (Clinton and Gore 1992) Vice President Gore, charged with the task of “creating a government that works better and costs less,” quickly assembled a team of career government executives and outside management consultants and embarked on the National Performance Review (NPR). By September 1993 they delivered the blueprint containing recommendations covering twenty-seven agencies and fourteen government management systems, which was to serve as the Clinton administration's reform agenda.

Reinventing public housing became the National Performance Review's number-one recommendation for HUD. The remedy was to “devolve greater authority over housing funds to sound local agencies, create demonstrations of mixed-income public housing with portable subsidies, and streamline public housing rules and improve public housing management” (NPR 1994).

“The American people deserve a government that works better and costs less,” Cisneros wrote in a Performance Agreement between President Clinton and Secretary Henry Cisneros dated March 16, 1994.¹⁶ It was evident what the Clinton-Cisneros credo of public housing redevelopment would be: “Reduce the number of distressed public housing units” was listed as

¹⁵ In 1961, 76 percent of Americans expressed confidence in the federal government. By 1994, that number had declined to only 21 percent. The survey was conducted by the University of Michigan's Institute for Social Research by asking "Do you trust the Federal Government to do the right things most of the time?"

¹⁶ <http://deming.ces.clemson.edu/pub/tqmbbs/rego/hud-perf.txt>.

the number two program priority, among six in total¹⁷, to be accomplished, with a measurable outcome of “35 projects (8 planning and 27 implementation) as part of the Urban Revitalization Demonstration to redevelop and replace severely distressed public housing projects” by the end of FY 1994.

5.3.2. Congressional Earthquake

Midway through Clinton’s first term, on November 8, 1994, the Republicans declared a political revolution by winning control of both the House and the Senate for the first time in forty years.¹⁸ Democrats’ long-held safe seats and seniority was wiped out. Suburban representatives increased from 45.7 to 69.7 percent of committee and subcommittee chairs, while central city representation fell from 30.5 percent to 10.1 percent of their leadership positions (Paget 1998). As for HOPE VI-related subcommittees, for instance, Senator Kit Bond (R-MO) became the chairman of the Senate Appropriations Subcommittee on VA/HUD-Independent Agencies, and although Senator Mikulski was still a ranking minority member of the subcommittee, her political influence was less effective.

The Republican House leadership, Speaker of the House Newt Gingrich and Majority Leader Bob Dole, used a ten-point “*Contract with America*,” as the party’s platform to instigate far more revolutionary reforms. A balanced budget, welfare reform, tax cuts, term limits, deregulation, devolution, and reinvention became preeminent terms of the new lexicon in Washington.

Washington DC was caught up in an historic debate over the role, scope, and shape of the federal government. The national mood at the time was Dickensian. “[A]nti-Washington and antigovernment sentiment was at fever pitch in political rhetoric.” (O’Connor 2004: 211) Gingrich could recommend orphanages as a solution for struggling single parent households with the support of constituents and without much concern for retribution from liberal counterparts in Congress.

¹⁷ The six priorities included (1) Assist homeless persons and families; (2) Reduce the number of distressed public housing units; (3) Develop affordable housing and make homeownership a reality for more Americans; (4) Reduce racial barriers; (5) Empower communities; and (6) Create an environment that supports teamwork and organizational excellence.

¹⁸ Their sweeping victory followed Clinton’s failed efforts to win a majority for his health care and economic development reforms.

When the GOP-dominated Congress convened in January 1995, at the top of the Republicans' agenda was the Fiscal Responsibility Act, a declaration to curb reckless government spending. Fearing that they had only two years to reverse the sixty-year construction of the welfare state, the GOP tactically attached many authorizing riders to appropriations bills. The strategy backfired however, as the riders to the VA-HUD spending bill and many other spending measures proved to be the "veto bait" that culminated in two federal government shutdowns, as well as a number of Continuing Resolutions that funded HUD and other programs until the FY 1996 Omnibus Appropriation bill was enacted in April 1996.¹⁹

In January 1996, President Clinton proudly declared that "the era of big government is over" in his State of the Union address. Once the easy pick for his campaign message, welfare reform became the compromise of choice as President Clinton signaled his willingness to work with an "upside-down" Congress (Weaver 2000). After a series of polemic debates, Clinton signed into law the republican-oriented the Personal Responsibility Act of 1996, with a promise to cut welfare spending and impose lifetime limits on receipt of aid, and to promote individual responsibility and self-sufficiency.

Despite overlapping agendas with the welfare reform, federal policy in the arena of housing and community and economic development was behind the political headlines (NLIHC and NCCED 1996). However, with budgetary trends casting huge shadow on social spending, devolution and privatization infused efforts to reform the nation's federally assisted housing system. Congress considered the dismantling of the Community Reinvestment Act, repealing the Low Income Housing Tax Credit, and an overhauling the public housing system. "Clearly, programs benefiting low- and moderate-income members of our communities are under wholesale assault." (Clinton 1996)

5.3.3. HUD in Jeopardy

At the beginning of the Clinton Administration, the future of HUD appeared rather promising. The President's commitment to domestic priorities and particularly to rebuilding communities was evident in his budget proposal for FY 1994. While inheriting large deficits from a decade

¹⁹ Public Law 104-134. It is also known as the Balanced Budget Downpayment Act II.

of tax cuts and increased military spending, HUD was one of the only seven federal departments that actually enjoyed an increased budget authority.

The fate of HUD was reversed in the wake of the congressional shift in the 1994. Even Vice President Al Gore's refrain "Reinvent Government" became much more in tune with that of the newly elected Republican majority in Congress. The new principles for reinvention involved termination, privatization, devolution, and consolidation, as well as downsizing the government work force. In practice, borrowing the best practice from the private sector to support a smaller but more efficient government became the dominant credo.

Groups in favor of reducing spending in social services and those interested in greater privatization of public services gained strength and cohesion from events in Congress and the self-imposed pressure to eliminate the \$200 billion plus deficit. As conservatives controlled the national dialogue about poverty, once again, HUD – politically "about as popular as smallpox" – was placed onto the political chopping block (Gugliotta 1995). In 1994, a commission was established by the House to explore options for reorganizing HUD out of existence and fifty-seven Representatives signed on to a bill to eliminate the department all together.

At the time when the administration considered abolishing HUD to balance the budget and co-opt the Republicans' agenda, transformation became the only hope for HUD. After assuming office in 1993, HUD Secretary Henry Cisneros²⁰ attended congressional hearings weekly to lobby for its survival. Realizing that at both ends of Pennsylvania Avenue – the White House and the new Congress – wanted change, Cisneros pledged to reinvent HUD. In his testimony before the Congress, he clearly demonstrated the sense of a historic mission on his shoulders: "It comes at a critical moment in HUD's history – a moment when a confluence of events is driving what promises to be the most far-reaching reform of federal housing and urban policy in 60 years."²¹

²⁰ Having roots in the Mexican-American community, Henry Cisneros became the first Hispanic to serve as mayor of a major U.S. city. During his four terms, Cisneros was a popular leader who helped revitalize downtown San Antonio.

²¹ Henry Cisneros, January 24, 1995, Testimony before House Appropriations VA, HHU and Independent Agencies: Downsizing Government.

Immediately after the elections and before the first session of the 104th congress, Cisneros released his *HUD Reinvention: From Blueprint to Action*,²² a proposal that in many respects was far more radical than the legislative proposals of the moderate Republicans (HUD 1995). The *Blueprint* would have repealed most of the federal housing legislation over the previous 60 years; it suggested consolidation of major sixty HUD programs into three block grants and the conversion of all-project based subsidies into vouchers.²³ The *Blueprint* promised to transform HUD from a lumbering bureaucracy to a streamlined partner with state and local governments.²⁴ Although many of the recommendations in the *Reinvention Blueprint* were not adopted, it set in motion an attempt to craft a bipartisan reform of the nation's public housing over three years.²⁵ It was still debatable whether this action was Cisneros' "preemptive strike" or "terms for surrender." Nonetheless, in the eyes of some housing advocates, Cisneros' strategy succeeded in building support for HUD among moderates in Congress and forestalling the OMB's plans to eliminate the agency at the expense of alienating traditional public housing constituencies (Austin 1997).

HUD faced major budget constraints. By the summer of 1995, Congress passed the FY95 Rescissions Bill,²⁶ which reduced the agency's overall funding by approximately 25 percent, from \$25.4 billion to \$20.1 billion.²⁷ According to Bratt (2003), the budget authority for HUD

²² The document was released on December 19, 1994. In January 1996, HUD updated its Reinvention Blueprint in a document entitled "Renewing America's Communities from the Ground Up – The Plan to Complete the Transformation of HUD." This phase II of the Blueprint revised HUD's Blueprint I proposal to voucher-out all public housing. It suggested improving existing public housing and tenant-based housing assistance delivery through program consolidations and streamlining. Other highlights included getting tough on crime and mismanagement in public and assisted housing, tearing down and replacing the worst public housing developments, and changing rules to promote self-sufficiency and responsibility (HUD 1996).

²³ According to the *Washington Post* (December 21, 1996), Cuomo suggested the department replace scores of inefficient programs with a few simple block grants in a brainstorming session with other HUD assistant secretaries. This radical proposal proved to be instrumental in defusing the GOP attempt to abolish HUD.

²⁴ Significant downsizing was also suggested, reducing HUD's employees from 12,000 to fewer than 7,500.

²⁵ Congress did not agree upon a full vouchering system. In fact, Republicans (including Bob Dole) repeatedly voted to reduce the funding for vouchers. This was in part because it was costs prohibitive and in part because of the NIMBY syndrome on the part of many Republicans' constituencies. They were afraid that the vouchers might lead poor and disproportionately black public-housing residents to seek housing in the mostly white suburbs (Nina Burleigh, *Time*. The Suburbs Won't Vouch for This, May 13, 1996).

²⁶ The rescission bill signed in July 1995 allowed the federal government to take back money that had been appropriated in the previous year.

²⁷ President Clinton approved a \$16.3 billion compromise package on the FY 1995 rescission on July 27, 1995. After several vetoes, the negotiated compromise centered on several of the Administration's pet initiatives,

as a percentage of the total federal budget authority was decreased from 1.7% in FY 1994 to 1.3% in FY 1995. As difficult as FY 1995 funding appeared, the FY96 Omnibus Appropriations bill passed in April 1996 reduced the HUD budget yet again to \$19.1 billion, a decrease of \$1 billion from FY95 after rescissions were made. With the deficit reduction fever emanating out of Washington, DC, “budget-saving measures” further dominated the Department’s activities. Thanks to lobbies from CLPHA and others, as well as support from congressmen such as Senator Patty Murray (D-WA) and Senator John Kerry (D-MA), the budget cuts to HOPE VI were reversed in FY 1996’s appropriation.²⁸

In the election year of 1996, public housing issues came for a brief moment to the forefront of the political agenda after the dust of the welfare reform battle began to settle. In one of a series of speeches designed to contrast his views with President Bill Clinton's, Senator Bob Dole (R-Kan) labeled public housing “one of the last bastions of socialism in the world,” during his presidential campaign,²⁹ which echoed the rhetoric of the opposition to public housing a half century earlier.

5.4. Policy Stream

In the early- to mid- 1990s, heated debate took place among academics, researchers, and practitioners diagnosing the problems of public housing and supplying possible directions for affordable housing policy.

5.4.1. The Need to Broaden the Constituency

In a lead article in *Housing Policy Debate*, "To Whom Should Limited Housing Resources Be Directed," Kathryn Nelson and Jill Khadduri at HUD (Nelson et al. 1992) questioned the federal preferences demonstrated in the 1990 National Affordable Housing Act that serve a less

including AmeriCorps, summer jobs, highway construction, and programs for persons with AIDS, at the expense of low-income housing programs.

²⁸ John Kerry (D-MA) stated his opposition to an attempt to cut the HOPE VI funding level from \$500 million to \$280 million in the FY96 appropriations bill: “The severely distressed housing program – HOPE VI – is providing funding for innovative approaches to remedying distressed public housing around the country-including efforts to revitalize Mission Main and Orchard Park developments in Boston. The conference agreement, unfortunately, cuts this program just as we are showing signs of making progress.” (141 Cong Record S 18639; Thursday, December 14, 1995).

²⁹ This address was to the annual National Association of Realtors conference on April 29, 1996.

marginalized population.³⁰ Based on their empirical analyses that the very poorest renters had experienced the most pervasive and serious problems, Nelson and Khadduri proposed that both rental and homeownership programs should be better targeting the "worst-case needs." In his response, Michael Stegman³¹, then Professor at the University of North Carolina at Chapel Hill, pointed out that Nelson and Khadduri misjudged the political setting in which the policy recommendations arose. In a similar vein, another respondent Gordon Cavanaugh posited that "spending levels for domestic programs are strongly influenced by the numbers and political significance of the beneficiaries." Citing many relatively successful programs such as Farmers Home, Section 202, and HOME, which are less strictly targeted, Cavanaugh argued that "programs that serve broader income levels as well as the poor fare better and serve more of both." More than anything else, the debate vividly revealed the pragmatic though politically realistic thoughts prevailing in policy circles in the early 1990s.

Indeed, the need to pursue stronger alliances and partnerships roles for housing policy emerged as a prominent theme among the housing industry and policy communities by the mid-1990s. In a special issue of the *Housing Policy Debate* based on a Tri-Country Conference, "Social Housing Policies through the Year 2000," Anne Shlay suggested a broader vision for housing that embraces the connection of housing to family life, community economic development, and social mobility. This enlarged context for contemporary housing policy, Shlay posited, would stimulate more coherent and integrated housing policies (1995).

In 1994, an international forum entitled *Future Visions of Urban Public Housing* synthesized key lessons learned from sixty years of public housing policy.³² Peter Marcuse promoted the reintegration of public housing into mainstream US housing policy. Although he deemed it "a task that is in any event far from the present political possibilities," his statement helped prepare

³⁰ The 1990 Housing Act reduced the proportion of public housing units to be set aside for "preference" families and introduced preferences for tenant-based assistance.

³¹ In 1993, Michael Stegman was appointed by President Clinton as Assistant Secretary for Policy Development and Research (PD&R) at HUD. He also served as Acting Chief of Staff at HUD from November 1996 through April 1997.

³² The proceedings of the conference were later turned into a book entitled *New Directions for Urban Public Housing*.

the public housing community to be more receptive to coherence in political strategies and collaboration among public housing and other low-income housing provisions (1994: 52).³³

5.4.2. Resident Empowerment and Self-Sufficiency (moving-up)

To address both the physical and human needs in severely distressed public housing, there were primarily two sets of policy solutions at HUD's disposal when devising the HOPE VI program. One was the resident empowerment and self-sufficiency ideas that deemed existing tenants to be part of the solution, aiming to produce positive change by providing residents with the supports they needed in order to become financially independent. Instead of dispersing the poor to working and middle class neighborhoods or infusing public housing with higher-income populations, this approach starts by raising the incomes of existing public-housing tenants. Policy solutions include a constellation of activities including job training, educational programs, health services, childcare services, and leadership development.

Resident empowerment was a popular notion across political camps. The conservatives attached to the term their belief in individual freedom through property rights (obtaining ownership); liberals emphasized the successful governance of public housing through resident participation (giving voice); progressives deemed empowerment, in the context of public housing, as community organizing and tenant control (gaining power). In the Clinton era, the empowerment idea took on the latter two meanings. In practice, the concept of resident management of public housing was not promoted in the Democratic administration, as the financial accountability and social goals of public housing pose massive challenges to a majority of the resident groups (Peterman 1994).

The idea that housing alone cannot do all the magic of lifting the poor out of poverty appeared as early as the 1930s. Despite repeated efforts via demonstration programs, through housing assistance to the poor in America had been generally provided through two channels with

³³ In stark contrast to the image of a "benevolent state," the federal government has rarely aimed at providing low-income housing and serving the poor (Bratt 1986, Marcuse 1995, Vale 2000). Moreover, public housing policies have often been too short-lived to adapt and learn from past errors before being eliminated by public housing's enemies. As a result, public housing only exists as "the tail of some other dog," with eight different dogs being "a reformer's program, a war program, a middle class and veteran's program, a redevelopment program, a poverty program, a null program, a decentralized program, and a privatization program" (Marcuse 1995, 1998).

different eligibility and housing standards. HUD generally delivered housing assistance without provision of social services and HHS provided shelter allowances largely through Aid to Families with Dependent Children (AFDC) without supervising housing quality and standards. Due to this fragmentation of bureaucracy, lack of funding, and the federal government's retreat from assisted housing, HUD and PHAs had been historically isolated from the social service networks. Not until the enactment of the 1990 Housing Act, did the link between housing assistance and comprehensive social services start to be established (Newman and Schnare 1992). The isolation of and inability on the part of housing administrators, however, demanded a steep learning curve and huge costs to meet the challenge of forging concerted efforts in the housing-based services (Newman and Schnare 1992).

In the 1990 Housing Act, under the banner of "Family Self-Sufficiency Strategies," the mission of housing assistance program for the poor was broadened to include achieving economic independence (Newman and Schnare 1992; Sard 2001). The Family Self-Sufficiency (FSS) program was enacted. In this program, families receive case-management services to identify employment goals and access supportive services in the community needed to meet the goals. PHAs deposits any increase in rent into an escrow account for the family members to help them develop savings.³⁴ Ideally, residents can earn enough to move up the economic ladder and ultimately be able to seek housing in the private market, thus freeing up public housing units for families on the waiting lists.

The work-centered self-sufficiency and empowerment approach, however laudable and strong in logic, faced a steep uphill battle and had yet to move to scale. Various preliminary evaluations and accounts of best practices indicated that, although the short-term results showed less than remarkable outcomes, there was long-range promise for fostering economic independence among poor households (Lane 1995; Shlay 1993). As with the make-work-pay strategies of welfare reform, advocates and policymakers would soon learn that these measures demanded substantial additional resources (Goldman 2001). However, in the context of welfare-to-work, it was evident that policy makers had strong faith in these ideas.

³⁴ However, FSS was considered as an "unfunded mandate." Fewer than half of all PHAs offer this program, and less than 5 percent of eligible families with children participate (Smith 2002).

5.4.3. Dispersal (moving-out) and Mixing-income (moving-in)

Compared to “moving-up,” the idea of dispersal (moving-out) and socioeconomic integration (moving-in) offered alternative policy instruments to the public housing community.

In the 1990s, Wilson’s work on the urban underclass powerfully expanded the debate on public housing policies by highlighting the spatial/geographical dimension of the entrenched societal problems. Numerous efforts emerged to operationalize Wilson’s theory, de-concentrating the poor to socio-economically diverse settings, where social services and amenities, particularly schools, and accessibility to jobs, and training opportunities would generate opportunities for advancement unavailable within poor communities. Furthermore, low-wage or non-working adults and youth would extend their social networks to include people with connections for employment possibilities, who would also serve as role models for the low-income groups. This work, along with Robert Putnam’s analysis of the role of social capital in varying economic outcomes suggested both a problem of concentrated poverty, and thus a solution of de-concentration for public housing (Putnam 1998; Putnam 1996; Putnam, Leonardi, and Nanetti 1993).

Despite the lack of empirical research, policy designers saw the potential to cultivate new social networks to generate “social capital” as a means for poverty alleviation.³⁵ As early as 1993, the former administrator of the Boston Housing Authority wrote an article published in *Housing Policy Debate* on the benefits of economic integration (Spence 1993).³⁶ Criticizing the National Commission’s recommendations of social services and economic development initiatives as “unrealistic optimism,” Spence proposed a new social role of public housing: to connect residents to social capital.

For the past decade, the nation’s public housing policy has systematically set about creating public housing neighborhoods that are utterly devoid of social capital. ...

³⁵ The ideas of social networks and “social capital” had been widely debated in the literature on inner-city neighborhoods and housing policy long before Robert Putnam’s popularization of the concept. For a comprehensive review and discussion, see *Housing Policy Debate* (Volume 9, Issue 1).

³⁶ Despite the adherents, there was also plenty of “evidence” from welfare debates indicating that what public housing residents needed was higher incomes and job opportunities.

Advocates of a meaningful social role for public housing need to speak forcefully and directly about the public housing experience of the past decade. They need to be clear that there is nothing inherent in public housing ownership that ensures the devastating outcome we are witnessing. They need to argue for a public housing program that provides meaningful access for the homeless and dispossessed to the critical resource of social capital.

Such a program would ensure that families of the nonworking poor are integrated with the working poor to foster sinews of connection and trust out of which hope and opportunity grow.

The wholehearted endorsement of the social capital concept by a well-respected leader in the public housing industry added substantial weight to the attacks on the tenant-selection policies. The so-called federal preferences had targeted the neediest since the Brooke Amendment, which achieved greater specificity and intentionality during the 1980s (Vale 2000).³⁷

In fact, by the time Wilson and Putnam became widely cited in academic journals, HUD and the PHAs had already pursued “dispersal strategies” and “mixed-income developments” to address poverty concentration through housing policy. Dispersal strategies (moving-out) aimed to help poor families relocate to lower poverty neighborhoods by means of vouchers and scattered-site developments. Creating mixed-income communities within existing housing developments (moving-in) entailed allowing and attracting tenants with higher incomes to reside in public housing developments. Grounded in both of these ideas, a handful of demonstration programs and local innovative experiments across the country were taking shape.

Among the most cited example of the “moving-out” strategy was the court-ordered racial desegregation effort – the Gautreaux Assisted Housing Program in Chicago launched in 1976.³⁸ The program moved low-income families, many of them black, into predominately white

³⁷ The Brooke Amendment has been seen by many as an initial contributor to concentrating the poor in public housing. Judy A. England-Joseph at GAO (1995) put forth an argument that is as follows: “This concentration occurred because as tenants’ income increased when they found employment or received pay raises, they faced corresponding rent increases from housing authorities charging the full 25 percent of income they were allowed. Over time, this caused working tenants to move out. This left behind greater concentrations of tenants who were unemployed or receiving other federal assistance.

³⁸ It was a result from a lawsuit against HUD brought by civil rights and fair housing organizations claiming discrimination in tenant- and site-selection practices of public housing during the 1970s and 1980s.

neighborhoods through the Chicago suburbs. Although not uncontested, the general opinion of the Gautreaux Program was that it succeeded in improving the lives of poor residents. The Moving to Opportunity for Fair Housing followed, a pilot program aimed at economic desegregation through helping the ghetto poor find apartments in better neighborhoods.³⁹

Although it was not a new concept, mixed-income housing had increasingly become a preferred model among academics, policymakers, and practitioners in the affordable housing circle. In fact, the Housing and Community Development Act of 1974 explicitly directed public housing authorities to “include families with a broad range of incomes.”⁴⁰ According to Epp (1996), mixed-income developments had been occasionally constructed around the country since the 1970s. By the 1980s, a troubled 400-unit public housing project America Park in Lynn, Massachusetts was reborn into a mixed-income development through an extended revitalization process involving active resident leadership with the assistance of The Greater Boston Community Development (predecessor of The Community Builders). In Boston, this was followed by Harbor Point – once Columbia Point – New England’s largest and “most notorious” public housing development (Vale 2000: 253). Using a combination of public and private funds and with its mixed-income strategies, Harbor Point was quickly held up as a model for “the transformation of abandoned, isolated public housing developments into diverse and multiracial communities.” (Epp 1996: 575) The St. Louis Housing Authority, under court order to replace the George L. Vaughn public housing project, realized that the limited public funds available from HUD would only lead to an unattractive, high-density building destined to follow the original project into rapid decline. Using tax credits, an FHA-insured private mortgage, and issuance of bonds by the Missouri State Housing Development Commission, the housing authority, with input from McCormack Baron, designed a low-density, townhouse apartment complex to contemporary standards that would not only serve public housing residents but also attract moderate-income families.

³⁹ Senator Barbara Mikulski (D-MD) withdrew her support for MTO to avoid a voter backlash from Baltimore's suburbs where even blue-collar residents feared the program would promote an influx of public housing tenants into their towns (Dreier and Moberg 1996).

⁴⁰ This provision was trumped by a 1981 law that limited Section 8 and public-housing tenancy almost exclusively to households with incomes below 50 percent of area media income.

In 1990, as part of the National Affordable Housing Act of 1990, Congress enacted a Mixed-Income New Communities Strategies (MINCS).⁴¹ Chicago's Lake Parc Place experiment was funded to test the effectiveness of using mixed-income housing to revitalize troubled projects.⁴² The implementers – Vincent Lane and Christine Olive believed that mixed-income housing holds the promise of bringing the poor back into the social mainstream and should be “the responsible policy of the future.”⁴³ While preliminary evidence lent support to the concept of mixed-income housing, as many scholars point out, the assumption behind this popular concept has been shockingly untested: to date, aside from some sparse literature and anecdotal exchanges among practitioners, little empirical evidence had proven the merit of establishing mixed-income communities. Especially evidence of exerting positive influences on behavior and enhancing quality of life and economic opportunities has yet to be fully developed (Brophy and Smith 1997).

Similarly, in the early 1990s, seeing decent and affordable housing as the foundation for building social capital in supporting individuals in their efforts to “get by” and “get ahead” in poor neighborhood was just beginning (e.g. Briggs 1998). As there was consensus about concentrated urban poverty among both the policy community and the public the enthusiasm toward various ideas of deconcentration was evident, despite the limited and contradictory empirical evidence. Even the affordable housing groups including the National Low-Income Housing Coalition were increasingly willing to accept mixed-income ideas as one way to address some of those problems in the poorest communities (Ceraso 1995).

5.4.4. Welfare Reform and Public Housing Legislative Overhaul

Research conducted across various policy domains, in particular welfare policy, greatly informed the policy alternatives available for policymaking within public housing.⁴⁴ In a

⁴¹ This demonstration program allowed between 25 and 50 percent of the units in a public housing development to be leased to families with income of up to 80 percent AMI.

⁴² Chicago Housing Authority Chairman Vince Lane has been an outspoken proponent of bringing working families back to public housing. Mr. Lane served as co-chairman of the National Commission.

⁴³ Remarks of Christine Oliver, President and CED of Chicago Dwellings Association (CDA), the non-profit partner of the Chicago Housing Authority in the Lake Parc experiment. Quoted in Ceraso (1995).

⁴⁴ The ideas that ultimately gained the most currency with policymakers were connected to deeply held societal values. For individuals these included self-sufficiency and responsibility, and for the government, a respect for

moment of bipartisan cooperation that fulfilled then-President Clinton's famous promise to "end welfare as we know it," The Personal Responsibility and Work Opportunity Act of 1996 (PRWORA) was enacted, which dramatically altered the landscape of public assistance and poverty policy.⁴⁵

Although key officials at HUD kept housing sanctions out of the welfare debate⁴⁶, since 1995, various congressional initiatives had been underway to seek significant changes to several fundamental aspects of public housing – whom it will house, how much resources were needed, the amount of the existing stock, and the rules under which it will operate. Seeing federal housing programs as being overly regulated and as leading to warehousing of the poor families living on public assistance, and even as disincentives to work (thus preventing self-sufficiency), Congress decided to substantially increase local control over those programs and to set the incentives right.

Although many of the radical reforms proposed in the *Reinvention Blueprint* were not adopted⁴⁷, a number of short-term statutory and regulatory changes did take place, including the following: repeal of the one-for-one replacement rule (commenced in the 1995 Rescission Act); repeal of the preference rules; reforms to the existing rent rules to help dependent families to make the transition to employment and retain working families in public housing; the permitting of the use of modernization funding for demolition, rehabilitation, and replacement; the allowing of innovative partnerships with the private sector; mandatory conversion of the most expensive and dilapidated stock to voucher assistance⁴⁸; and additional powers for HUD to assume control of troubled PHAs.⁴⁹

private property and enterprise, an entrepreneurial spirit, and a limited government role in public affairs (Judd and Swanstrom 2000).

⁴⁵ The new federal welfare law denies housing assistance (shelter allowances) to anyone accused of welfare related fraud.

⁴⁶ Memo to Members, NLIHC Weekly Housing Update, March 7, 1997.

⁴⁷ The bill passed the House, but died in the Senate in late 1994.

⁴⁸ Section 202 of OCRA.

⁴⁹ Meanwhile there were several administrative initiatives at the HUD accompanying the aforementioned legislative reforms. These included reforming the nation's most troubled public housing agencies; Operation Safe Home to crack down on gangs in public housing, and "campuses of learners" to forge new partnerships between authorities, residents, and local educational institutions. (Source: Henry Cisneros, March 27, 1996,

The HUD FY 1996 Appropriations Bill (part of the Omnibus Appropriations Act of 1996) further authorized a partial repeal of the Brooke Amendment⁵⁰; launched a Moving to Work Demonstration program, required PHAs to convert some public housing to vouchers⁵¹, and set up the goal of eliminating 100,000 units of distressed public housing. Meanwhile the Congressional debate was shifted to “the urgent need to accelerate the demolition of distressed public housing developments.” (Senate Rpt. 104-236)⁵²

In the 1996 election year, Vice President Al Gore delivered a speech at the "Public Housing Summit," signifying the White House's endorsement of the housing reform agenda developed over more than a year by HUD and the Republican Congress. In his remarks, Gore's remarks again promised to fulfill the mission of tearing down 100,000 public housing units in a second Clinton Administration. Secretary Henry Cisneros made the demolition of derelict public housing one of the department's priorities and supervised the implosion of numerous obsolete and troubled public housing structures in cities across the nation.

5.5. Couplings by Old and New Policy Entrepreneurs

HOPE VI was created and carried out over its first six years through annual appropriations rather than authorization. Many believed that the authors of the appropriations legislation sought to have HOPE VI treated by HUD as a unified program, free of the individual, obstructive program regulations that had hampered past efforts to reconstruct. Moreover, the language in appropriations bills was not specific or defined, leaving much room for HUD's own interpretation via subsequent rule-making or quasi-rule-making processes. In a spirit of flexibility and entrepreneurship, HUD did not develop HOPE VI-specific regulations. The yearly NOFA, program guidelines, legal opinions, and individual grant agreement all become

testimony before House Appropriations Veterans Affairs, Housing and Urban Development and Independent Agencies, FY 97 VA/HUD/Independent Agencies Appropriation.)

⁵⁰ The new provision required a minimum rent of \$25 per month and allowed PHAs to charge up to \$50 at their discretion.

⁵¹ HUD asked housing authorities to assess the viability of any public housing development of 300 units or more to determine if it would be cheaper to demolish the project than to rehabilitate it.

⁵² 104th Congress Senate Report 236, Making Omnibus Consolidated Rescissions and Appropriations for the Fiscal Year Ending September 30, 1996, And for Other Purposes, March 6, 1996.

the substituted for the formal legislative process. Therefore, HUD enjoyed more agency discretion in setting the parameters of the HOPE VI program. Chris Hornig, then Deputy Assistant Secretary for Public Housing Investments during the Cisneros era, characterized it candidly:

A lot of this happened behind the radar screen, because the only people who cared about public housing were people who did it. ... They were people who had a mission to try and fix it, from the industry's perspective. So, when you talk about consensus, it didn't take much. I mean, it wasn't a big [congressional] Committee. Whoever had the responsibility for something basically could do it.⁵³

At a time when the reform-minded Cisneros was leading HUD to a brave new world, the door of the HOPE VI shop, albeit far from the spotlight, began to open to entrepreneurs who had been well prepared to push through their visions and solutions, offering their advice about the new directions for the program, advocating specific changes in rules and standards, and presenting real-world examples to be emulated across the country.

5.5.1. Henry Cisneros – A Visionary Leader in Crisis

Confirmed as HUD secretary on January 21, 1993, the 46-year-old Cisneros came to HUD as “an advocate of cities, a skeptic of the status quo, and a believer in experimentation, federalism, and the need to provide people with hope.”⁵⁴ Calling for substituting a problem-solving spirit for a “gotcha” mentality driven by regulations, Cisneros envisioned a new role of HUD as enabler, partner and agent of change, by listening to the voices of all stakeholders at all levels and focusing energies on results.⁵⁵

Cisneros quickly introduced the Housing and Community Development Act of 1993 in which he listed “turning around public housing” as number two of his top five priorities. He specifically recommended that HOPE VI be merged into Section 24 and that Section 24 be

⁵³ Interview with Chris Hornig (08/09/04).

⁵⁴ It is interesting to see, from his inauguration testimony, that Henry Cisneros was not aware of the HOPE VI program and the severely distressed public housing when asked about his take on the “86,000 units, a small minority of the overall stock.” Cisneros responded with his ideas about the troubled authorities instead.

⁵⁵ January 12, 1993, Hearing of the Senate Banking, Housing and Urban Affairs Committee Subject: Confirmation of Henry G. Cisneros as Secretary of Housing and Urban Development.

amended in order to free HOPE VI from statutes and rules governing one-for-one replacement, rent calculations, and site and neighborhood standards (139 Cong Rec S 9698).⁵⁶ However, in part because Congress intended to maintain its power over this demonstration program through its yearly appropriation process, rather than setting forth legislative changes, this provision was not included in the final version of the bill (S. 1299) that was sent to the President.⁵⁷

A year later, but before the Republican takeover of the 105th Congress, Cisneros pledged to introduce a bold reform of American's public housing system through the Housing Choice and Community Investment Act of 1994.⁵⁸ In this bill, Cisneros framed the problem of public housing as the "concentration of very low-income families in dense, high-rise housing" due to federal regulatory restrictions and micromanagement. Highlighting the "original goal of public housing" – to create stable, healthy, mixed-income neighborhoods – Cisneros presented a solution of "demolishing and replacing" these high-rises with "economically integrated, well-designed, small-scale, affordable housing."⁵⁹ Passed in the House but blocked in the Senate, this bill proposed to overhaul the modernization program by enabling funds to be used for demolition and replacement housing. Moreover, PHAs would be for the first time given authority to collectively borrow against future modernization funds, and to leverage these borrowed resources with other public and private investments. Many of these reforms would see their final passage four years later in 1998.

Tellingly, the issue of whom the public housing is serving came up in the congressional debate, putting a spotlight on the fundamental dilemma facing HUD and its reformist Secretary. While needing higher income streams to overcome shrinking operating subsidies, the Secretary was

⁵⁶ The suggested changes in legislative languages in Section 24 included deleting the requirement that the Secretary designate as severely distressed projects, increase the planning grants dollar cap from \$200,000 to \$500,000 (to help some of the larger housing projects), and require grant applications to include community service activities in their proposals, such as job training, the opportunity complete high school requirements, and other programs for disadvantaged youth; delete the requirement for a national geographic diversity among applicants to allow HUD put the money where it is needed most; and make changes to demolition or replacement requirements in Section 8.

⁵⁷ It later became Public Law 103-233: Multifamily Housing Property Disposition Reform Act of 1994.

⁵⁸ Note that this was contrary to the conventional wisdom and that Cisneros' reform agenda was merely responding to the hostility of congressional conservatives.

⁵⁹ Henry Cisneros, April 28, 1994, testimony before Senate Banking, Housing, and Urban Affairs Committee, Housing and Urban Affairs Subcommittee: HUD Housing Program Reauthorization.

still reluctant to bring higher-income groups into public housing. Instead, he emphasized working with the residents in public housing and raising their income from within.

SEN. SARBANES: Now I'm being told that ... an approach that ... focused less on the ones that were suffering the most might, in fact, be a better approach.

SEC. CISNEROS: Sir, let me say this is a difficult call. But my -- and it'll be difficult to do. But my belief is that we change income mix not by bringing people of higher incomes to public housing, but by creating opportunities for people who are now in public housing, Section 3 work, jobs in the authorities, jobs with the modernization funds, job training opportunities with which we expect to collaborate with the Labor Department. But this is a harder thing to do than simply, you know, changing income by bringing other people of higher income. But that doesn't solve the problems of the people who are poor who are there now. I think we need to change the dynamic incentive structure for work in public housing as it exists and raise incomes that way.

Henry Cisneros, Testimony April 28, 1994

The moral issue deeply attached to the rhetoric of serving the poorest of the poor or protecting the safety net for the poor became much easier to sweep aside after the mid-term election in 1994. A few months later, facing the Gingrich-led attack on HUD, The Clinton-Cisneros reinvention proposal envisaged “an orderly and prudent transition to prepare agencies and residents for the shift to a market environment.”⁶⁰ Hoping to most effectively change the poor public perception of HUD, Cisneros believed it was time to “end public housing as we know it.” Secretary Cisneros immediately turned to each of the ten HUD regional administrators, asking for their input on redesigning the public housing program.

With substantial budget resources and regulatory flexibilities, HOPE VI became the “first genuine vehicle” for realizing the new vision for public housing. Cisneros’ commitment to a dramatic experiment through HOPE VI was evident in his overview at the HOPE VI conference entitled “Moving HOPE VI Forward in Changing Times,” March 27-29, 1995, which follows:

⁶⁰ Henry G. Cisneros, September 28 2004, testimony before the Senate Committee on Banking, Housing and Urban Affairs: Public Housing Reform and Empowerment Act.

Without making drastic improvements, public housing could die a slow death by strangulation, as the American people may gradually cut off its life support systems through Congressional reductions in Federal assistance.

...

To realize the vision of HOPE VI, HUD must change. We must change our rules and regulations that block innovation, the preference rules and location standards and the many other practices that keep public housing from becoming a platform for economic lift of individuals, families, and communities.

I will give HUD's new Office of Distressed and Troubled Housing Recovery⁶¹ broad discretion to authorize a wide range of local initiatives and innovations. We will above all else experiment with new concepts and techniques, freeing the grantees from cumbersome restrictions that stifle creativity and imaginative thinking.

Cisneros actively reached out to seek plausible and effective solutions. He brought the best people from in the industry together in work groups; he conducted site visits; and he asked a simple question: If you could start public housing all over again, what would you like to see?⁶²

Kevin Marchman, then Deputy Assistant Secretary of the Office of Distressed and Troubled Housing Recovery (ODTHR), vividly remembered Cisneros' bold vision and tremendous input into the development of the HOPE VI program:

He found in [HOPE VI] then a promise to transform public housing and he spent, I imagine, probably a third of his time on public housing, and most of that time was on HOPE VI. I remember, we were giving out 40, 50 million dollars [for each project], that was unheard of prior to that time.

We all thought that we were doing something very special; something historic even. No doubt about it. But it took someone like Henry Cisneros, because he really did have vision beyond just the bureaucratic, budgetary, housing, planning, and all that. He really pushed and asked mayors, senators, and congressmen to look beyond what we typically were doing that at that time, to really stretch yourself in the thinking of public housing.⁶³

⁶¹ The office was later renamed the Office of Public Housing Investment.

⁶² Interview with Milan Ozdinec (03/25/04). Milan Ozdinec, currently the Deputy Assistant Secretary for Public Housing Investments, is a career staffer who has worked on HOPE VI since day one. He served as the Division Director of the Office of Urban Revitalization in the early years of HOPE VI.

⁶³ Interview with Kevin Marchman (08/04/04).

According to Bruce Katz, then Chief of Staff of HUD, their site visit to Newark spoke to Henry Cisneros loud and clear that “through rehabilitation per se, without changing the income composition of the residents, HOPE VI’s new development might as well go down the same path as what it has just replaced.”⁶⁴ This visit decisively marked the end of the “Plain Jane” era of HOPE VI.

If the *Reinvention Blueprint* provided the compass, the *Final Report of the National Commission of Severely Distressed Public Housing* was the atlas for impending policy changes. Policy entrepreneurs inside and outside of government acted to remove the roadblocks along the way. The section below is an account of how the public housing industry, developers, and others had skillfully put through their preferred solutions.

5.5.2. PHAs and Housing Trade Organizations – Lobbying for Deregulation

When the first NOFA was out, it did not take long after the program’s inception for local housing authorities to conclude that HOPE VI was nothing new but still very much constrained by existing regulatory and administrative rules.⁶⁵ The Council of Large Public Housing Authorities (CLPHA) went to Congress and worked with HUD to press for getting freedom from “Byzantine style” regulation for HOPE VI.⁶⁶

⁶⁴ Interview with Bruce Katz (03/29/04).

⁶⁵ Professor Lawrence Vale, a keen observer and an ardent defender of public housing, also pointed out that the first year’s Urban Revitalization Demonstration missed an important window of opportunity for desirable changes in policy, such as occupancy restructuring, to seek a broader clientele for public housing. Familiar with the common strategies espoused in the CIAP program in addressing the issue of “problem people,” Vale suggested that URD should have taken advantage of the reconstruction period to carefully screen new tenants, introduce higher percentages of working families, and to “evict those who are causing problems.” (1993:170). Eleven years later, “with such safeguards,” Vale argued, “it would then be possible to re-house a larger percentage of very-low-income households in the redeveloped public housing.”

⁶⁶ Interviews with Wayne Sherwood (11/2002, 07/25/2003).

Andrea Duncan, President of CLPHA testified before Congress, supporting HUD's proposal (the Housing Act of 1993) to streamline Section 24 thus ensuring broader reforms and deregulations that would help to expedite "this potentially wonderful program."⁶⁷

At present, the HOPE VI efforts are impeded by excessive reliance on the old dictates of the Housing Act of 1937, especially section 18, and of site and neighborhood rules that have little bearing in replacing units demolished as part of reconstruction and revitalization.

PHADA, representing smaller PHAs, which typically were not associated with the troubled housing authority list, supported HUD's proposal to eliminate the requirements that PHAs be classified as "troubled" in order to obtain HOPE VI/URD funds, stressing that PHAs must be well prepared to implement their revitalization strategies.

The conversation about HOPE VI, however, was only a current amidst waves of a broader debate about public housing reforms. As Gordon Cavanaugh stated in his testimony, "the deficiencies of bad developments have a Congressional origin" thus they demanded congressional solutions, which could in turn position American public housing "in a better light" as well as "produce real, systemic, responsible budget reduction." Long stymied by overly rigid federal statutory policies (such as the one-for-one requirement⁶⁸ and site and

⁶⁷ Testimony, March 17, 1994, before House Banking, Finance and Urban Affairs Committee. Housing and Community Development Subcommittee.

⁶⁸ The one-for-one requirement was in place as HUD's regulation from 1979 through 1986, which stated that PHAs must replace every housing unit demolished or sold with another unit of public housing. The Congress turned it into law in the Housing and Community Development Act of 1987 (Public Law 100-242), which also stipulated that tenants cannot be forced to vacate their existing housing until HUD approves the replacement plan.

neighborhood standards⁶⁹), large housing authorities and CLPHA actively lobbied for de-regulation and the repeal of several key provisions of the Housing Act of 1937.⁷⁰

David Cortiella, Housing Administrator, Boston Housing Authority, openly expressed his frustration, which was shared by many similar PHAs, in his testimony before Congress:

We have placed on our nation's housing authorities an unbelievable challenge (and opportunity). We ask authorities to house only the poorest of the poor (via federal occupancy policies that give preferential acceptance to homeless individuals); we ask those in the northeast to manage very old and often dilapidated physical plants; we expect authorities to manage with insufficient operating and capital resources (most experts would agree that the PFS formula provides far less than is needed to properly maintain the buildings); we burden authorities with endless reporting requirements and constant scrutiny via frequent on-site reviews (anecdotally, we have been under someone's review non-stop for the past 39 weeks) and the Public Housing Management Assessment Program (PHMAP); and throw in obstacles in their effort to turn around troubled properties (i.e., site and neighborhood standards one-for-one replacement requirements). Let's face it-this is an extremely hard job to do.

...

The distinct problems of public housing modernization, affordable housing production, and fair housing policy should each be addressed in their own right. Linking them together through the current "one-for-one" replacement housing policy and site and neighborhood standards solves none of them. Rather, it wastes federal resources on inefficient repairs, while condemning PHA's to management failure and residents to unlivable conditions.⁷¹

⁶⁹ Site and neighborhood standards, as contained in HUD regulations, require that, newly constructed or rehabilitated assisted housing must meet certain criteria for adequacy and suitability. In addition, when a site for this housing is chosen, care must be taken to avoid an undue concentration of persons receiving housing assistance in an area that already contains a high proportion of low-income persons. Further, newly constructed public housing can be built in a area of minority concentration only if (1) sufficient, comparable opportunities exist for housing for minority families, in the income range to be served by the proposed project, outside areas of minority concentration; or (2) The project is necessary to meet overriding housing needs that cannot be met in that housing market area.

⁷⁰ In 1994, the House Committee on Banking, Finance and Urban Affairs attempted to give housing authorities more flexibility to trim from their inventories buildings that were no longer viable for providing cost-effective and decent low-income housing. The Committee included in its housing reauthorization bill a provision to allow the Secretary of Housing and Urban Development (HUD) to waive the one-for-one replacement law. This bill was not enacted during the 103rd Congress.

⁷¹ David Cortiella, Administrator, Boston Housing Authority, March 22, 1994, testimony before House Committee on Government Operations, Subcommittees on Employment, Housing and Aviation and General Oversight, Investigations, and the Resolution of Failed Financial Institutions.

These efforts were supported by HUD' Inspector General, Susan Gaffney. In her congressional testimony, Gaffney summarized various studies conducted by housing groups and commissions, academics, public housing officials, and consultants. She listed a set of innovative changes needed in the public housing program – specifically, regulations related to rent, funding, admissions, and replacement housing – to accommodate the problems facing large troubled PHAs.⁷²

Outside the congressional floor, in the meeting rooms at HUD, CLPHA's staff and counsel worked with HUD to examine old rules line by line, seeking ways to reduce red tape and streamline the business.⁷³ While HUD was confronted with the daunting challenges of making more with less, and local housing administrators were trying to meet HUD's tedious requirements, few noticed that there were other forces at work at the same time. Affordable housing developers, with experience and expertise in large-scale neighborhood revitalization projects and alternative housing finance, stepped in with their solutions.

⁷² Susan Gaffney, Inspector General Department of HUD, March 22, 1994, testimony before the Joint Meeting of The Subcommittees on Employment, Housing and Aviation, and General Oversight, Investigations, and The Resolution of Failed Financial Institutions. Gaffney listed the reasons for repealing one-for-one as follows:

Removal of obsolete or non-viable units from the public housing stock has potential benefits which could:
Increase a PHA's cash flow through sale of public housing developments, particularly those on property which has appreciated land value;

Reduce PHA operating expenses;

Reduce the need for operating subsidy and modernization funds. Reduce the Federal Government's debt service obligation incurred when the development was constructed, if the land is not retained for future building.

However, oftentimes PHAs do not move forward with replacement efforts because several factors adversely affect the PHAs, efforts to meet the replacement housing requirements, including:

Limited availability of public housing development funds or Section 8 assistance;

Lack of acceptable sites for new replacement housing developments. Local opposition to the construction of new public housing units.

⁷³ Interview with Wayne Sherwood (07/25/2003).

5.5.3. Richard Baron and the Diaz Opinions⁷⁴

In contrast to HUD and PHA staff, a good number of affordable housing developers were not only familiar with local market conditions but with the nuts and bolts of both federal housing regulations and private sector development. Their knowledge and connections gave them a further opportunity to capitalize on the reform-minded in government.

A handful of developers including Richard Baron; Egbert Perry, Chairman and Chief Executive Officer of the Integral Group LLC; Patrick Clancy, President and CEO of the Community Builders, Inc.⁷⁵; and Donald Turner, President and CEO of BRIDGE Housing Corporation⁷⁶ went to HUD to engage policymakers with the perspectives born out of their direct experience inside and outside the URD program.

At that point, URD was essentially \$50 million dollars to go fix the worst developments in the country.⁷⁷ You can't spend the money on anything except the public housing sites, and you had to use all the other procurement regulations that HUD has. You couldn't mix public housing dollars with private finance dollars on a public housing site.... Secondly, it didn't acknowledge the relationship between public housing site and the adjacent community. How long you think it would take a public housing site to fail again? Not very long!

– Willie Jones⁷⁸

One important part of the lobbying effort was to push HOPE VI beyond the boundary of old institutional relationships. With their practical experience of about three decades in tax-benefit

⁷⁴ Memorandum from Nelson A. Diaz, HUD General Counsel to Joseph Shuldiner, Assistant Secretary for Public and Indian Housing, dated March 7, 1994 regarding the relationship of the Urban Revitalization Demonstration to the U.S. Housing Act of 1937.

Memorandum from Nelson A. Diaz, HUD General Counsel to Joseph Shuldiner, Assistant Secretary for Public and Indian Housing, dated April 13, 1994 regarding Use of Public Housing Funds to Leverage Private Financing.

Memorandum from Michael Reardon, HUD Assistant General Counsel, to Raymond Hamilton Development Division Director regarding Fairfax Tax Credit Proposal dated July 29, 1994.

⁷⁵ Currently, Community Builders is one of the most active developers working in the HOPE VI program, with engagements in Louisville (KY), Boston (MA), Cincinnati (OH), Durham (NC), Pittsburgh (PA), Allegheny County (PA), Wheeling (WV), Norfolk (VA), Coatesville (PA), New Brunswick (NJ), and Chicago (IL). Source: http://www.communitybuilders.org/what_we_do/hopevi_general.htm.

⁷⁶ Don Turner was an Associate Dean at the University of California at Berkeley. He served as California's Director of Housing and Community Development under Governor Jerry Brown during 1978 -1982.

⁷⁷ Interview with Willie Jones (10/30/03).

⁷⁸ Interview with Willie Jones (10/30/03).

syndication for the non-profit community builders, they suggested the notion of leveraging private capital into neighborhood development initiatives to fulfill the innovation HUD promised in HOPE VI.

In 1994, Richard Baron⁷⁹, (on behalf of the St. Louis Housing Authority), and the Fairfax County PHA requested an opinion from the HUD Office of General Counsel (OGC) about whether they could use funds allocated to them under the public housing program in conjunction with the Low Income Housing Tax Credit Program. The question required HUD OGC to consider: (1) whether the Act, as it read at the time, permitted public housing to be owned and operated by entities other than PHAs, such as limited partnerships receiving tax credits and (2) whether the Act allowed PHAs to provide operating subsidies or capital funds to such entities.

In his Memorandum dated April 8, 1994, Nelson Diaz, then General Counsel of HUD, concluded that the Act permitted public housing to be owned by an entity other than a PHA and that private entities could receive operating subsidies and certain capital dollars (Diaz 1994). This was further confirmed by a Memorandum dated July 29, 1994 from Michael Reardon, Assistant General Counsel, on the condition of rule-making (rather than granting waivers).

With a depressed real estate market in the early 1990s, coupled with the availability of the new construction dollars, a discussion about the value of government subsidized housing, which could not have happened two years before, began to seem plausible.⁸⁰ On the other hand, those at HUD were blinded by a real estate downturn and the miserable situation in troubled public housing developments, and so even though the HUD General Counsel stressed that such an alteration was fundamental and “so far-reaching,” few at HUD would have expected how influential the idea of engaging private industry in the public housing delivery system would turn out to be.

⁷⁹ Richard Baron holds a Bachelors Degree in Political Science from Oberlin College, a Masters degree in Political Science from the University of California at Berkeley, and a Jurisprudence Doctorate from the University of Michigan Law School. He authored/co-authored several books including *Case Studies of Public Housing Management: General Design Report* (1981); and *Tenant Management: A Rationale for a National Demonstration of Management Innovation* (1976).

⁸⁰ Interview with Deborah Goddard (04/04/02).

The “Diaz Opinions,” combined with the availability of capital funds under the HOPE VI program, led to significant interests in this method of development and paved the way for public-private partnership and waves of public housing privatization throughout the nation for the years to come (FitzPatrick 2000; Glasheen and McGovern 2001).

Another part of the lobbying efforts by the residential development industry, which proved to be similarly far-reaching, was to get HUD to see the program beyond the confines of the footprint of the public housing and thus treat it as an integral and vital part of the larger neighborhood. As a result, the site-and-neighborhood exception policy enabled a “ring-around” development within which PHAs could build replacement housing both on-site and off-site, a profound change in the way public housing and PHAs related to the outside world.

5.5.4. HOPE VI Office – Reforming below the Radar Screen

After the first round of grantees was selected in August, 1993, the New Administration began to establish an Office of Distressed and Troubled Housing Recovery (ODTHR) and to recruit new people to chart the HOPE VI program. In January 1994, Kevin Marchman was appointed as Acting Assistant Secretary at the ODTHR. Under the guidance of Secretary Cisneros, Chief of Staff, Bruce Katz, congressional staff (particularly Senator Mikulski’s), HUD senior staff, and the housing industry, Marchman set out to “sell [HOPE VI] as if we were starting from the beginning.”⁸¹

Christopher Hornig took the position of special assistant in charge of drafting and overseeing the NOFAs and individual grant agreements.⁸² His narrative conveyed the rather “accidental” nature of how the program was being shaped at the juncture.

In the initial days of the HOPE VI program, the mission wasn’t that clear to me; it wasn’t to anybody. I’d say if there was a policymaking theme when I came in and others came in, it was initially just that – to get HUD out of the business and let the authorities start moving.

⁸¹ Interview with Kevin Marchman (08/04/04).

⁸² Chris Hornig later became Deputy Assistant Secretary for Public Housing Investments, an office combining the Investment division and the other divisions of ODTHR. Hornig previously was a partner of the law firm of Reno, Cavanaugh and Hornig, representing CLPHA.

In 1994, HUD was directed to fund all the people who lost in 1993. So that class as a whole was a much worse group of grantees. Initially, we were just trying to get things started and figure out how to let them go, but not to let them go and do something stupid. My perspective was heavily involved in that because clearly we needed some sort of mechanisms for quality control, but HUD didn't have the expertise itself. So we were looking for ways to utilize CLPHA and other experts to help the authorities.

Eventually, I would say, I and others in public housing became aware of this emerging push particularly from McCormack Baron, the push to involve private developers in HOPE VI. That push was originally exerted at a higher level, in conversations between the Secretary, Bruce Katz, and others. In a sense it filtered down to us rather accidentally, which is not a tribute to the management of the department.

But at some point, McCormack Baron came to us to start to talk about how they implemented the program in Atlanta, Techwood, and St. Louis Murphy Parks. Then people from Pittsburgh started to come to us...

That was the story, until we started drifting into HOPE VI Plus. ... There was a period where these threads were coming together. Then it was a revolution.

Supplying new blood from "upstairs" and the old UDAG

The inventor of the term "URD Plus," Mindy Turbov, was crucial to the HOPE VI story. In early 1994, Turbov, Special Assistant to Nicolas Retsinas (then Assistant Secretary for Housing/Federal Housing Commissioner), was transferred to the burgeoning office with a mission from "upstairs" where HUD leadership resided.⁸³ This mission launched the most important transition in the HOPE VI program – the transition to public-private partnerships.

Having work experience both in the private sector (as vice-president and partner in McCormack, Baron and Associates, Inc.) and in the public sector (as Deputy Commissioner for Development for the Chicago Department of Housing), Turbov brought to a spirit of entrepreneurship to the HOPE VI shop at HUD. In particular, she promoted a new vision of HOPE VI modeled on UDAG, which involved engaging private developers in the business.⁸⁴ Keeping the tradition of claiming programmatic turf in government, Turbov fashioned this new direction "URD Plus."

⁸³ Nicolas Retsinas oversaw the Federal Housing Administration (FHA). He is currently the Director of Harvard University's Joint Center for Housing Studies, as well as a Lecturer in Housing Studies at the Harvard Design School and the Kennedy School of Government.

⁸⁴ Note the connection between Richard Baron's pledges to introduce UDAG approach into public housing described in Chapter 4.

Meanwhile, Chris Hornig became the Deputy Assistant Secretary for Public Housing Investments and recruited a new group of staff who had previously worked for the UDAG program.

The theme of engaging private developers in HOPE VI through public-private partnership soon found its way into an official document. In February 1995, Kevin Marchman issued a memorandum to all URD grantees that described “URD Plus: A Tool for Neighborhood Revitalization.” In this document, PHAs were encouraged to take advantage of the flexibility in the URD program to leverage other funds, including CDBG, HOME, state, and private financing, as well as other subsidies and loan funds. The letter also encouraged broader neighborhood revitalization via replacing units in surrounding neighborhoods and the creation of mixed-income development. This URD/HOPE VI Plus initiative became the foundation for what people think of as HOPE VI now.⁸⁵

Selling HOPE VI Plus

At a time when the leadership at HUD was calling for fundamental change in the institutional and physical environments of severely distressed public housing, and practitioners were pushing for rationalization of public housing practices, the bold idea of involving the private sector met with some resistance from other parts of HUD, from the industry, as well as advocates. The housing authorities opposed the HOPE VI Plus idea strongly. “It was saying the old guard didn’t know how to do things in new ways.”⁸⁶ The “Bunker mentality” of the housing authority kept them from getting into the rest of the real estate world.⁸⁷ Not until the Republican landslide, did everybody understand that things had to change, making the revolution of HOPE VI much easier.⁸⁸

⁸⁵ It is striking to observe how short the institutional memory is at HUD. Few staff members at the HOPE VI office noticed the history and story of HOPE VI Plus. According to Chris Hornig, many other initiatives and innovations in HOPE VI got lost once there was administrative turnover, which was partly due to the lack of formal guidebooks and regulations.

⁸⁶ Interview with Chris Hornig (08/09/04).

⁸⁷ Interview with Jim Stockard (04/14/04).

⁸⁸ The Office of Distressed and Troubled Housing Recovery was re-organized as the Office of Public Housing Investments in 1995.

Nowhere did the sense of a different political circumstance manifest itself so well as in the 1995 NOFA:

Public housing is at a critical juncture. ...

[HOPE VI] is a high visibility demonstration program funded with ample Federal (\$1.6 billion in three years) that is being watched very closely by the Congress, the Administration, and the public. ...

HUD and the public housing community have been given the opportunity and mandate to revitalize some of the most distressed public housing developments in the Nation and transform them into models of affordable housing for the 21st century. ...

The Secretary's REINVENTION BLUEPRINT places even greater importance on the HOPE VI program. With the prospect that in a few years PHAs will have to rely solely on rental income for their operating revenue, it is even more urgent that they convert their most distressed properties into attractive communities that households with and without rental assistance will want to live in. Developments with units that are too small, poorly designed, badly maintained or crime-infested will find it difficult to attract certificate holders or market rate renters.⁸⁹

Soon after the 1995 NOFA was published, HUD hosted a conference entitled "Moving HOPE VI forward in Changing Times" on March 27-29, 1995. At a time when the House proposed to substantially rescind FY95 low-income housing funding, including HOPE VI, modernization funds, and operation subsidies, and even deeper budget cuts in FY96 and beyond, a wide range of participants including Congress, HUD, PHAs, HOPE VI residents,

⁸⁹ Each development has assets and liabilities, and the greatest challenge facing housing authorities is to take a dispassionate and realistic look at each HOPE VI property to determine the following:

- whether it can be made marketable to people who have other choices of housing assistance;
- what it would cost and how long it would take to bring the property to a marketable condition;
- whether the HOPE VI funding will be adequate to make the repairs or revitalization needed;
- exactly how much rent the units are worth in their current condition and after revitalization;
- whether the rents the existing vs. revitalized units can command will cover realistic operating costs plus a deposit to a replacement reserve; and
- finally, whether the rents that can reasonably be expected are so low that the only real alternative is demolition and, possibly, disposition of the site.

the Corporation for National Service (CNS), and community and supportive services providers were invited to “reconsider” and “reformulate” HOPE VI policies. From that point on, PHAs were encouraged to “think outside the box” and even “go back and substantially revise” their HOPE VI plan in light of these “new realities.”⁹⁰

Redefining HOPE VI through exemptions and examples

In the spirit of innovation and reinvention defined by the 1995 NOFA and a series of conferences and executive programs⁹¹, HUD’s HOPE VI shop worked their way through the ambiguity of the HOPE VI statute, and tried to find every weapon they could to give housing authorities additional tools to redevelop distressed public housing. After always being on the receiving end of policy process in the past, public housing authorities were empowered and were expected to be active participants in defining the policy alternatives. Therefore, the policy direction of HOPE VI was brainstormed and bargained for almost daily through negotiations between HUD officials and PHAs. Through these processes, more and more local housing authorities began assuming new roles as policy entrepreneurs, interacting to define interests, and compromising in order to secure federal funding. The HOPE VI shop, occupied by a group of crusaders for change, actively negotiated within HUD many of the program exceptions and waivers that have eventually come to define the HOPE VI program.⁹²

It was not merely the waivers or exemptions themselves but what the local housing authorities had done and were doing with their flexibility that ultimately created the crucial precedents for what HOPE VI would be on the ground. Indeed, HOPE VI staff members at HUD were equally energized by the ideas and efforts springing up from localities across the

⁹⁰ Interview with Bruce Katz,, 03/29/2004.

⁹¹ A conference was held in March 1996, entitled “Partnerships to Maximize Resources: Privatizing Today’s Public Housing – Tools and Opportunities for Housing Authorities and the Private Sector – that Increase and Improve the Affordable Housing Stock.” (emphasis original)

In November 1996, HUD sponsored the “Finance for Public Housing Professionals” Executive program, aimed at training HUD staff and public housing authorities about real estate fundamentals, principles for lending in the public sector, and how to work with lenders, etc.

⁹² The 1995 NOFA says “If the Congress should enact legislation that affects HOPE VI, the program may be conformed further to other authorizing legislation. In such event, the PHA may have the opportunity to pursue avenues not currently available under applicable laws. HUD will notify the Field Office and the PHA in writing of any such legislation and will accord the PHA full opportunity (consistent with the progress already made) to amend its HOPE VI Revitalization Plan to take advantage of such opportunities.”

country. In an effort to assess Turbov's session on "Introduction to HOPE VI Plus" at the 1995 HOPE VI Conference in which the Housing Authority of Louisville (HAL) presented its Park DuValle Revitalization Plan, Robert Prescott, Deputy Director of the HOPE VI division, wrote the following in an email dated April 6, 1995:

I was impressed with vision, scope, and magnitude of the Louisville redevelopment plan⁹³. . . . I doubt that there are more than 10 or 15 PHAs in the country that are thinking in these terms... There are the real 'movers and shakers," and they need all the reinforcement they can get. IT IS A SMALL NUMBER BUT THEY REPRESENT THE FUTURE. WE ARE TRYING TO NUTURE BUT FRANKLY THE BEST THING WE CAN DO IS GET ONE OF THESE PROJECTS TO CONSTRUCTION SO WE HAVE A REAL MODEL. (Emphasis original)

One of the "movers and shakers" was the Atlanta Housing Authority (AHA) which worked closely with its developers and HUD to craft a proposal for a mixed-finance development that built upon the newly loosened regulatory climate for HOPE VI.⁹⁴ The new Executive Director of AHA Renée Glover, previously a corporate lawyer, partnered with a joint venture consisting of the Integral Group, L.L.C. and McCormack Baron & Associates, Inc. With the maximum tax credits available from the Georgia Housing and Finance Agency, they pioneered the utilization of the LIHTC in the undertaking of transforming the Techwood into Centennial Place. Although its original plan focused on renovation, AHA chose to demolish the structures instead. Centennial Place was turned into a mixed-income community that replaced the original 1,195 units with 900 units (40% percent market rent units, 40% public housing, and 20% tax credits units). Demonstrating the availability and feasibility of alternative funding sources for public housing redevelopment, AHA went the furthest in its implementation and soon became the poster-child of this demonstration program. Renée

⁹³ HAL began planning for the rehabilitation of Cotter Homes through its Comprehensive Grant program in 1993. Taking advantage of the loosened legislative and regulatory environment, HAL conducted market analysis and envisioned the Park DuValle revitalization plan (with input from the public housing residents and the adjacent neighborhoods). The project was financed by a combination of CGP, Tax Credits, and CDBG funds. In 1996, the Community Builders, Inc. was selected by HAL as the developer for the Park DuValle HOPE VI project.

⁹⁴ When interviewed, Rod Solomon lamented that the earlier mixed-finance and mixed-income developments such as Harbor Point did not benefit from the repeal of one-for-one and other waivers of federal regulations (08/09/03).

Glover was then frequently invited to present and promote her approach at the annual HOPE VI new grantees' orientation conference.⁹⁵

Along with other local examples of mixed-finance approaches, this innovation generated interest from other private market developers accustomed to using a combination of subsidies for affordable housing development. Local housing authorities began to partner with others – particularly affordable housing developers – to identify viable strategies, stressing these alliances to inform their negotiations with HUD. The HOPE VI shop actively disseminated local innovations and lessons learned via the Housing Research Foundation and encouraged authorities to “see one, do one, and teach one.”⁹⁶

By 1995, HOPE VI was clearly leading the way toward reform:

[I]t is important for all of us to keep in mind that what we do in HOPE VI will not only affect the 34 developments currently funded, but may offer all housing authorities possible creative solutions to solving similar problems in their own communities. This office has worked from day one under the hope that what we do in HOPE VI will have a profound impact for the rest of the public housing industry.

– Milan Ozdinec⁹⁷

Jumping on the bandwagon?

By the end of 1996, the trend toward a new way of doing business was crystal clear to people in the public housing circles, both inside and outside the Beltway. The section below takes a closer look at one policy preference chosen of HUD – mixed-financing/ public-private partnerships to give a detailed account of how the politics-driven window affected the characteristic of policy choice.

As discussed in the previous chapter, even though it was suggested in the National Commission, the idea of incorporating tax credits into public housing as a way to leverage

⁹⁵ According to Keating (2000) and Abt (1996), residents suspected that they would become victims to the powerful corporate interests through the redevelopment process. The city-wide resident organization called for Renée Glover's resignation in 1994.

⁹⁶ Interview with Milan Ozdinec (03/25/04)

⁹⁷ Housing Research Foundation, “Ozdinec on the Impact of HOPE VI,” HOPE VI Developments, Issue 3, October 1995.

other funds was not included in the first two years of HOPE VI. In a matter of two years, leveraging private funds and public-private partnerships became a primary goal of the HOPE VI program (see 1995 NOFA). HUD promulgated an Interim Mixed-finance Rule (Subpart F to 24 C.F.R. pt. 941) in May 1996 to allow PHAs to form partnerships with private developers.

All of a sudden, housing administrators and local developers were confronted with the daunting task of integrating two systems that were almost completely independent over the fifty-eight-year history of public housing, and they were facing the most distressed projects in the country.

Clearly, the dramatic shift in financial out-sourcing demanded both a breadth and a depth of knowledge, drastic change in skill sets and mindset, and substantial staff capacity on the part of HUD and PHAs. In practice, PHAs took the responsibility for an overwhelming amount of work, including a competitive and fluctuating grant application process, local negotiations with the city and with residents, and complex financing and management operations with private investors and developers, all of which required a steep learning curve for the public sector. Even for the private sector, getting their foot in the door of complex financial structures and challenging inner-city sites also deterred most developers from participating (Smirniotopoulos 2002; ULI 2002).

As experienced developers of subsidized housing in several major cities brought to the table their knowledge of local market conditions and the nuts and bolts of both federal housing regulations and private sector development, HUD and PHA staff members were struggling to grapple with real estate 101 while trying to fulfill their social responsibilities.

Despite the huge disparity of knowledge bases and organizational cultures between the two parties, despite the daunting task of negotiating complex and unfamiliar real estate transactions, the door to a “brave new world” of leveraging and partnership was forced to be wide open. In fact, the National Commission and the 1993 NOFA had both recognized the limited capacity of local housing authorities as a barrier to innovation. Nearly every policy analysis between 1989 and 1995 noted that public housing authority management and operating systems were often as distressed as the properties they represented (e.g. Nutt-

Powell 1995; Spence 1993).⁹⁸ The inability of PHAs to put together a good implementation plan in a timely manner in the first two years cast huge doubt on the feasibility of forging new institutional partnerships. HOPE VI's financial component became "a source of confusion and indecision" in the first year of leveraging (HRF 1996). To many PHAs – especially those on the "troubled" list – this policy choice seemed unexpected and somewhat utopian.

With all the aforementioned obstacles, HUD wholeheartedly promoted the idea of mixed-financing, and speedily provided a series of workshops and training sessions to Headquarter staff and PHAs, hoping to equip them with adequate knowledge to be an equal partner in the federally "arranged marriage." (Smirniotopoulos 2002: 1)

The answer perhaps lies in the political streams. In fact, the political impetus for attaching a universal solution to any problem at hand defeated a more problem-driven decision-making process. At a time when the public sector was perceived as synonymous with incompetence and as part of the problem, not the solution, the politically popular choice turned out to be, not surprisingly, the private sector.

In fact, the outline of what would distinctively break HOPE VI away from conventional public housing was foreshadowed in the public dialogue of the early 1990s. In his acceptance speech in 1993, incoming HUD secretary Henry Cisneros emphasized entrepreneurship and the administration's interest in promoting public-private partnerships. Vice President Gore proclaimed that government could not succeed without support from the private sector. Gore actively backed the Empowerment Zone/Enterprise Communities program by HUD, in which public-private partnerships serve as one of the pillars for community-capacity building. Revisions to the HOPE VI program also capitalized on the spirit of entrepreneurship praised by Congress as the antidote to welfare dependency.

Desperate to prove HUD's worth to Congress, Cisneros claimed a new day for the agency in the *Reinvention Blueprint*. More than any other element of reform, HUD emphasized the devolution of control over public housing from the federal government to local housing authorities. Abandoning the conventional claim that it was the poor management that was

⁹⁸ Also see Quercia and Galster (1997)

wrong, Cisneros reframed the problem of the severely distressed public housing as the isolation of public housing authorities from the market place. Therefore, the solutions offered were for PHAs to go into partnership with developers and embrace the brave new world of the real estate market as well as the broader community (1995 NOFA).

At the local level, in a period when Congress was calling for deep cuts in social programs, interests in support of affordable housing (from the public housing community to the US Conference of Mayors) were eager to support any policy that would bring resources to the inner-city (Lemann 1994). Trying to jump onto the bandwagon of government entrepreneurship, the politically popular model of public-private partnership – however technically adventurous – was advanced by HUD as a key element of reintegrating isolated public housing authorities into the rest of the real estate market.

5.6. Summary

Between 1993 and 1995 the problems plaguing the most severely distressed public housing remained the same. However, as a result of tremendous ferment in the policy stream in the past decades, academic research about cities, ghettos, poverty, and poor people provided rationales for the adoption of specific programmatic goals such as de-concentration through creating mixed-income communities and vouchering out. The dramatic development in the political stream – the Republican landslide victory in 1994 – and the subsequent spillover effect of welfare reforms propelled open a window of opportunity for policy change. Therefore, as part of the larger consideration of government reinvention and devolution in social welfare programs, public housing problems were re-defined, and not just acknowledged in the midst of the mood of discrediting Washington-driven government. As visionary Secretary Henry Cisneros pushed for “doing it over again” in HOPE VI, affordable housing developers like Richard Baron, along with some entrepreneur PHAs, quickly utilized their effective linkages to key officials to overcome institutional roadblocks to innovation. Encouraged to think outside the box, local housing authorities emerged as new policy entrepreneurs, supplying their own solutions which in turn drove HOPE VI policy in a new direction.

Chapter 6

CODIFICATION (1997-2000)

HOPE VI is about building quality and proving competence

– Andrew Cuomo¹

6.1. Introduction

Following its rapid shift in policy agenda in the mid-1990s, HOPE VI continued the path of transforming public housing communities through de-concentrating poverty and creating mixed-income neighborhoods. Putting the decision about demolition back in the hands of localities, Congress ended HUD's love affair with demolition in the FY 1997 Appropriation Act.² Widening HOPE VI's coverage to a broader group of developments, the FY 1997 NOFA placed a greater emphasis on "quality and promptness" in design, program management, and performance. HUD also asked PHAs to "make public housing disciplined to perform with similar efficiency as the private sector." (1997 NOFA)

The enduring debate leading toward the passage of QHWRA in 1998 strengthened and codified many innovations in the HOPE VI program through the implementation of the Section 24 of QHWRA. Program refinement and adaptation characterized the development of HOPE VI policy during the period between 1997 and 2000.³ Since 1998, HUD has included leveraging as

¹ Interview with Andrew Cuomo on 08/17/2004.

² Titled "Public Housing Demolition, Site Revitalization, and Replacement Housing Grants," FY 1996 Appropriation Act (Public Law 104-134) was aimed at "enabling the demolition of obsolete public housing projects." Titled "Revitalization of Severely Distressed Public Housing," the FY 1997 Appropriation Act (Public Law 104-204) was aimed at "assisting in the demolition of obsolete public housing projects." In the 1997 NOFA, HUD removes the demolition requirement in the 1996 NOFA and created the demolition-only grants for localities to apply.

³ To address the specific housing and service needs of elderly public housing residents, HUD set aside elderly housing demonstration grants under HOPE VI FY 1999 funds. Similarly, to respond to the needs of disabled people, HUD worked with the Disability Rights Action Coalition for Housing (DRACH) and Concrete Change to support housing authorities in their efforts to include accessible and visitable units in HOPE VI developments.

part of the ranking criteria for scoring applications, shifting more weights onto leveraging and partnerships.

Although the locus of decision-making seemed to remain in their own hands, PHAs and their HOPE VI partners started to face an increasingly rigid environment as HUD put out more directives to guide this program.

6.2. Problem Stream

6.2.1. “Thousands of Blossoms” or Potential Bombs?

By 1998, the HOPE VI program had had five years of “creativity, expansiveness, and experimentation.” (Bacon 1998) HUD took an individualized and customized approach to each development, each community, and each public housing authority. While allowing creativity in experimentation and flexibility in implementation, HUD soon discovered that things had “gone wild.”⁴ Development fees, total development costs, profits gained by PHAs, and delays in development milestones and deadlines varied significantly across the country, as they were settled on a case-by-case basis, contributing to confusions in the field as well as administrative difficulties at HUD Headquarters. For example, there were no standards for acceptable developer fees and HUD wasn’t consistent on the issue of whether a PHA could take a development fee when acting as the developer or co-developer. Some PHAs used HOPE VI funds for homeownership units sold to persons with incomes greater than 80 percent of the area median income (HFR 1999).

In its audit report regarding HUD’s FY 1996 HOPE VI grant award process, the Office of Inspector General concluded that, \$381 million out of \$480 million HOPE VI funds appropriated in FY 1996, approximately 80% of the total amount, was awarded to thirty-seven applicants who were ineligible by HUD’s own criteria (Office of Inspector General 1996). In 1998, OIG performed another nationwide audit of the effectiveness, efficiency, and economy of the program. Acknowledging that HUD and PHAs “[had] generally carried out HOPE VI activities in a satisfactory manner,” the audit raised critical concerns regarding the monitoring on the part of HUD. The audit recommended that HUD to identify severely distressed units, better address resident needs, sustain community and supportive services, obtain cities’

⁴ Interview with Elinor Bacon, 07/31/ 2003.

financial commitment, develop meaningful and realistic cost guidelines, ensure adequate oversight⁵, provide clear guidelines for resident involvement, and re-evaluate policy regarding non-competitive sub-grantee agreements. These audit reports increased the awareness of the pitfalls and problems in HOPE VI that HUD itself had to grapple with. According to Kevin Marchman, Henry Cisneros was very concerned about the “thousands of blossoms” when he was about to depart from his Secretaryship in 1996. The hands-off approach to this demonstration program became considered as potential bombs (scandals) for the succeeding secretary, Andrew Cuomo, a rising political star who was widely believed to have an ambitious plan for his political career.

6.2.2. Achilles' Heel - Slow Implementation

While a reinvigorated public housing industry presented a dazzling array of innovative approaches on the ground, the lack of velocity of the planning and redevelopment process of HOPE VI kept haunting HUD and remained a headache in congressional debates.⁶

Few HOPE VI revitalization processes started on time and finished within realistically defined time frames. According to CLPHA, in the first two years of the program (1993-1994), it took grantees an average of 8 month to hire staff prior to grant execution, and approximately 14 months to complete and submit a revitalization plan.⁷ By June 1998, five years into the program, only 11 of the sites had new units available for residents to move into. It was common that after grants were awarded, PHAs changed their original redevelopment plans to become a “HOPE VI Plus,” resulting in even more prolonged (and costly) redevelopment process (ULI 2002).⁸ For instance, in the case of Pico Aliso, in Los Angeles, CA, the revision

⁵ This drawback should not be a surprise to anyone familiar with HUD. In her testimony before the House Banking and Financial Services Committee, Housing and Community Opportunity Subcommittee on March 6 1997, Sunia Zaterman, Executive Director CLPHA, stated that “HUD has failed to provide adequate oversight of the public housing program throughout HUD's thirty-one years of existence.”

⁶ Some attributed the slow pace to capacity shortfalls on the part of HUD, PHAs, and their local partners and the sheer complexity of the redevelopment efforts.

⁷ The former figure dropped to 4 months during 1999-2000; the latter dropped to less than 5 month during 1999-2000.

⁸ Even ten years after the inception of the HOPE VI Program, new units were still slow to materialize. A GAO report released in 2003 concluded that, as of December 31, 2002, only 15 of the 165 HOPE VI sites completed their construction and the majority of grantees had missed at least one of the deadlines and were well behind the schedule established in their grant agreements with HUD. Of the 165 sites, 101 completed relocation; 87 sites finished demolition; and 99 started building at least some units. Approximately \$2.5 billion of HOPE VI grants

due to the suspension of the one-for-one replacement rule in 1995 added 15 months to the planning process – twelve months to revise the physical design with the community and three months to respond to obtain HUD’s approval (GAO 1997). The table below illustrates the average timeframe for the grantees from 1993 to 1999 for their HOPE VI endeavors (Table 2).

Table 2: Average Number of Days to Complete Key Program Activities

Fiscal Year awarded	Average number of days from grant execution to revitalization plan submission	Average number of days from grant execution to submission of mixed-finance proposal
1993	137	2,047
1994	790	2,255
1995	287	1,276
1996	400	1,421
1997	290	983
1998	317	1,005
1999	259	912
2000	185	508
2001	93	296

Source: (GAO 2003)

Rising Community Opposition

While many HOPE VI sites celebrated the completion of new units and generated extensive media coverage for the remarkable physical transformation of once decrepit public housing neighborhoods, the shift to building mixed-income communities stirred residents fears about displacement. Referring to the infamous urban renewal, some tenants and advocacy groups, such as those in Chicago were suspicious of a benevolent government and dissatisfied with the level of services and relocation support offered by PHAs.

In sharp contrast to the positive outcome of welfare reform – the most employable members on welfare found work in an abundant job market – the red-hot economy in the late 1990s did little

was spent (49%), leaving more than half of the HOPE VI funds still in the pipeline. Through September 2003, \$5.47 billion in funds from all sources was spent, which was about 35 percent of the planned total.

to relieve the housing burden of low-income families. In fact, the nation's affordable housing was in crisis – not only for the very poor, but for the working families who received no rent subsidies (JCHS 2000). Therefore, the issue of displacement and the lack of hard-units for replacement became more urgent and visible than that in the early 1990s when the economy was in recession. The overall backdrop of the affordable housing shortage undoubtedly put the most vulnerable families affected by HOPE VI at significant risk (Buron and Comey 2002).

6.3. Political Stream

6.3.1. New Secretary and Old Challenges

“Welfare reform was only the important first step in reversing a growing government-created permanent underclass,” said then House Majority leader Richard Arme y.⁹ After Republican kept their majority in the House in the 1996 election, Congress vowed to pass reforms that would “eliminate the legacy of failed government social policy” and “replace dependency with opportunity through enterprise zones, public housing reforms, and opportunity scholarships.”

After Henry Cisneros left to deal with an independent counsel's investigation,¹⁰ his Assistant Secretary, 39-year-old Andrew Cuomo enjoyed bipartisan support in nomination and became the second youngest cabinet member in history as HUD Secretary.¹¹ Cuomo brought to HUD his unique experiences in public-private partnerships, which gave him broader perspectives on

⁹ Representative Richard Arme y, “Superfund, Term Limits, Crime & Entitlements Just Some of the Issues on GOP Agenda in 105th Congress,” *Roll Call*. December 5, 1996.

¹⁰ Cisneros pleaded guilty in 1999 to a misdemeanor count of lying to the FBI. In his 1993 background check for his cabinet position, he lied about payments he had made to a former mistress. President Clinton pardoned him in January 2001.

¹¹ Andrew Cuomo, son of former New York governor Mario M. Cuomo (D), was married to Kerry Kennedy, a daughter of Robert F. Kennedy until 2003. Many believed that Cuomo had strong political ambitions. He was a potential New York Democratic gubernatorial candidate and a presumed contender in a race for the Senate seat to be vacated by Senator Patrick Moynihan (D-NY). Cuomo had a close relationship with Al Gore, whom he advised before the 1996 vice presidential debates. Cuomo had served as founder and president of H.E.L.P., the largest provider of homeless services in the nation, which made him as the first HUD Secretary who had ever built housing.

what federal programs can or cannot do and how the government should be improved – an important expertise needed to “guide HUD in this era of smaller government.”¹²

“Starting like a relay runner already going full speed when he takes the baton,” Cuomo did not shy away from the fact that HUD Secretary is one of the toughest jobs in government. During his confirmation hearing, several critical topics arose that set the stage for the 1997 legislative and budgetary discussions: solving the renewal crisis of the three million Section 8 subsidies, salvaging distressed public housing and preserving affordable housing stock in fiscal stringency, steering management reforms and strengthening capacity in a scaled down agency, and charting the future of public housing.¹³ While believing in activist government, Secretary Cuomo brought an approach of new pragmatism to HUD. He was determined to continue the transformation of HUD through targeted reductions and a private sector approach to the conduct of business at HUD. At the very outset of his tenure as HUD secretary, Cuomo realized that if HUD was to succeed in its mission it must be reformed to “[meet] its mandate in a creative, competent, commonsense way.”¹⁴

After three years’ debate about the public housing reform bill, Cuomo was set to deliver the Public Housing Reform bill during his tenure.¹⁵ It was in this spirit that the HOPE VI program moved forward.

The commitment by both the President and Congress to balancing the federal budget by the year 2002 remained a strong political current during the second term of the Clinton Administration. Hard choices had to be made by all federal agencies regarding discretionary spending priorities. HUD faced a fiscal crisis. Section 8 multifamily assistance contracts, for example, threatened to consume the HUD budget if serious cost reduction measures did not

¹² Senator Alfonse D’Amato’s remarks during the nomination hearing of Andrew Cuomo, to be Secretary of the Department of Housing and Urban Development, The Senate Banking, Housing and Urban Affairs Committee, January 22, 1997.

¹³ Memo to Members, NLIHC Weekly Housing Update, Vol 2, No. 2, January 24, 1997. (<http://www.nlihc.org/mtm/update02.htm>)

¹⁴ Confirmation of Henry G. Cisneros as Secretary of Housing and Urban Development, January 12, 1993. Hearing of the Senate Banking, Housing and Urban Affairs Committee.

¹⁵ The House Subcommittee on Human Services of the Committee on Governmental Oversight and Reform held on February 27, 1997.

take place. In this context, HUD's modernization backlog of \$30 billion seemed far out of reach when Cuomo took office. Quite contrary to Secretary Cisneros' nomination and confirmation hearings back in 1993, the word "modernization" did not even appear in the discussion. Rather, reducing the inventory of federally assisted housing meant a step toward the goal of "reducing the waste." To prevent PHAs and HUD from disgrace, a quick solution would be, obviously, to reduce the number of obsolete public housing units which were no longer assets, but liabilities.¹⁶ To people in the affordable housing industry, it was evident the non-entitlement programs, such as public housing, among other HUD's programs and services, remained at risk.¹⁷

Table 3: Clinton Administration Requests, Budget Authority and Outlays for HUD*

Year	Clinton Admin request	Budget Authority (BA)	BA +/- from last year	BA +/- Clinton request	% Total federal BA	BA in constant 2002 dollars	Outlays	% total federal outlays	Outlays in constant 2002 dollars
1993	24323 (Bush)	26,468	1,502	2,145	1.8	31,808	25,181	1.8	30,261
1994	26,086	26,347	-121	261	1.7	31,109	25,845	1.7	30,427
1995	27,465	19,800	-6,547	-7,665	1.3	22,769	29,044	1.9	33,399
1996	26,298	21,004	1,204	-5,924	1.3	23,598	25,236	1.6	28,353
1997	21,910	16,091	-4,913	-5,819	1.0	17,712	27,527	1.7	30,299
1998	23,003	21,022	4,931	1,981	1.2	22,850	30,227	1.8	32,856
1999	21,391	26,344	5,322	4,953	1.5	28,185	32,734	1.9	35,022
2000	29,256	24,324	-2,020	4,932	1.3	25,355	30,828	1.7	32,135
2001	34,249	32,370	8,046	1,824	1.7	33,088	33,994	1.8	34,689

*in millions of dollars;
Source: Bratt (2002)

The good news was that as the 1990s progressed, the federal budget deficit steadily shrank as the economy turned in an increasingly healthy performance and tax revenues increased. In 1998, the budget was balanced for the first time since 1969, and the Clinton Administration went on

¹⁶ Interview with Andrew Cuomo (08/17/04).

¹⁷ Memo to Members, NLIHC Weekly Housing Update, Vol 2, No. 2, January 24, 1997. (<http://www.nlihc.org/mtm/update02.htm>)

to achieve a record surplus of \$237 billion in 2001. The promise of federal budget surpluses finally made the nation's debate shift to how much of the surplus should be directed to new spending. Although many observed that new production of rental housing for the lowest-income families appeared to surface on the agenda,¹⁸ HUD's budget authority lingered between 1.0 percent and 1.5 percent of the total federal budget.¹⁹ Similarly, HUD's outlays remained modest – less than 2% of all federal outlays. Meanwhile, tax expenditures on mortgage interest rate deduction kept growing at an accelerated rate (Dolbeare 1996).

6.3.2. HUD Management Reform

Determined to prove HUD's competence and restore the public trust in the agency's housing programs, Secretary Andrew Cuomo undertook a major management reform at HUD – the only cabinet-level agency ever designated as a high risk area by GAO – through the President's vision for community empowerment.²⁰

With input from many from the “reinvention” camp, including: Vice President Al Gore, David Osborne, and James Champy, Cuomo spearheaded a Management Reform Plan, “HUD 2020,” that promised to transform HUD from “the poster child for inept government” into “a new HUD, a HUD that works.” (HUD Press release June 26, 1997)²¹

Touted by Vice President Al Gore as “[doing] more than any other management reform plan not only in the history of HUD but in the recent history of the federal government,” the plan called for major reorganizing and downsizing at headquarters in the field, consolidation of HUD's programs and activities, and a more customer-focused, performance-oriented way of conducting business (HUD 1997). Among the most controversial change was the dramatic downsizing of the HUD staff from 9,000 in 1997 to 7,500 by 2002, as Congress, GAO, HUD

¹⁸ See Crowley, Shelterforce, Issue 121, Jan/Feb 2002.

¹⁹ The figure ranged between 5 percent and 8 percent of total budget from 1976 to 1981 (NLIHC 2001).

²⁰ May 13, 1997, Tuesday, Committee: Senate Appropriations Subcommittee on VA, HUD and Independent Agencies, Secretary Cuomo on HUD.

²¹ David Osborne is the co-author of *Reinventing Government* (1992), a *New York Times* best-seller. It describes how public sector institutions across America were transforming the bureaucratic models they had inherited from the past by making government more flexible, creative, and entrepreneurial. James Champy is the co-author of *Re-engineering the Corporation*. Other outside experts such as Ernst & Young also provided input to the management reform.

OIG, and public housing trade organizations raised their concerns about how limited staff resources could manage to meet program needs.

The HOPE VI office did not escape the staffing reductions, and this cast huge doubt on HUD's capacity to effectively manage the HOPE VI program. The number of grant managers and mixed-finance experts at HUD headquarters was reduced by two-thirds: from 11 in March 1995 to 4 in March 1998, whereas the number of grants more than tripled and financial leveraging became the bread and butter for HOPE VI sites.²² A 1998 Audit Report by the Inspector General revealed that the HOPE VI Director was once left with only one grant manager, managing 82 implementation grants totaling almost \$2.5 billion, in addition to other responsibilities.²³ The good news was, however, that the FY 99 Budget of HUD gave full support to HOPE VI – a 13% increase to \$625 million.²⁴ New staff members were later hired to fill the gap.

6.3.3. Comeback Cities and the Resurgent Anti-poverty Campaign

Since the mid-1990s, the US economy had been enjoying a combination of rapid growth and low inflation. The vibrant economy ushered in the rebounding of cities after two decades of decline. Spurred in part by the success of the Clinton Administration's targeted first-term urban agenda and the innovation of “a new breed of mayors,” many cities became fiscally and economically stronger. The majority of cities were gaining in population and the others were losing population at a much slower rate. Revitalization efforts of governments and non-profit organizations in specific central city neighborhoods, coupled with a growing inner-city market, brought about the retail revitalization of New York City's Harlem, San Francisco's Mission District, and South Central Los Angeles, among many other areas. Public policies meant to

²² Pushed by Elinor Bacon, eleven positions were restored to the HOPE VI program by April 1998.

²³ Only two positions at the HOPE VI shop were eliminated directly through HUD's 2020 initiative. However, three other grant managers left for other job opportunities or requested reassignment (IG 1997:47). In its comment on HUD's FY 1999 Budget request, GAO (1998) warned that HUD may not have the capacity to properly manage \$550 million HOPE VI grants. Although HUD had taken measures to offset its limited staffing, including (1) hiring outside contractors to help develop management systems for overseeing the program; (2) hiring private “expeditors” to help PHAs understand and complete the HOPE VI process; and (3) assigning some site oversight responsibilities to the remaining HUD field offices, HUD's capacity to manage and oversee the day-to-day operations of the complex program remained questionable to both GAO and OIG.

²⁴ The FY99 HUD Budget represented a nearly \$3 billion increase from FY 98. Highlights include 50,000 new Section 8 vouchers, a \$450 million increase in the public housing capital fund, \$152 million more for homeless assistance, and \$75 million more for CDBG.

attract middle- and higher-income residents into distressed communities produced a promising turnaround but also spurred policy concern over gentrification (Kennedy and Leonard 2001).²⁵

However, the rising tide did not lift all boats. Those at the bottom of the income ladder benefited least from the economic boom (NACAA 2001). For millions of low-income Americans, access to decent, safe, and affordable housing was an illusory dream at best. At the end of 1996, the housing crisis faced by poor people received attention from a number of national publications. From October 6th to October 11th, a six-part series of front-page articles entitled “Barely Four Walls: Housing’s Hidden Crisis” appeared in the *New York Times*. The articles provided a serious examination of the miserable state of low-income housing in New York City, skillfully blaming economic realities and the lack of political will.²⁶ Picking up the same themes, on October 20th, the Sunday *New York Times Magazine* published a cover story “The Year that Housing Died: Slamming the Door” by Jason DeParle. Referring to the FY 1996 Omnibus Appropriations Bill, DeParle portrayed the complexities of housing policy on a nationwide basis and thoroughly lamented the demise of “a hope that has transfixed reformers for a century: that all Americans can find safe, decent and affordable housing” (DeParle 1996: 52).

Adding to the list was a *US News and World Report* piece entitled “The Unsheltered Life: the factors behind the US’ acute shortage of affordable housing.” It maintained that market forces and federal budget pressures and a history of government mismanagement had combined to “form an unparalleled and growing shortage of affordable housing.”

In 1999, picking up the renewed media attention on affordable housing issues and echoing President Clinton and Vice President Gore’s people-left-behind themes, Secretary Cuomo launched a nation-wide anti-poverty campaign. With a HUD report titled “Waiting in Vain: An Update on America’s Housing Crisis,” Cuomo drew attention to the fact that despite a booming economy, 5.3 million households were spending more than half their income on rent or living in severely substandard housing. Moreover, “the rising economic tide is raising many boats, but

²⁵ In addition, some city governments deliberately utilized a range of policy levers to spark neighborhoods revitalization with the expressed intention of attracting middle- and high-income families to move into distressed communities (e.g. Washington DC, Cleveland, and Atlanta).

²⁶ Authors are Deborah Sontag, Frank Bruni, Lizette Alvarez, Dan Barry, and Alan Finder.

it is also drowning some" Cuomo said in releasing the study. The acute shortage of affordable housing hit the hardest the people at the bottom of the economic ladder. With rents outpacing income, a shrinking pool of affordable units, federal support for affordable housing being cut, and the project-based subsidies expiring, the time families spent on waiting lists for HUD housing assistance had grown dramatically from 1996 to 1998. For the largest public housing authorities, a family's average time on a waiting list rose by 50% (from 22 months to 33). In many large metropolitan markets, the waiting period for public housing was 8 years in New York City, 6 years in Oakland, California, and 5 years in Cleveland and Washington, D.C. (HUD 1999b).

6.4. Policy Stream:

6.4.1. Quiet Revolution in Housing Policy – the Enactment of QHWRA

Without much attention from either the Clinton administration or Congressional leaders, housing policy in the 105th Congress continued to undergo revolutionary changes. Proposals to overhaul the public housing program floating around in the policy stream started to take firm shape. As Deborah Austin (Austin 1997) observes, deep cuts in housing assistance and a pronounced movement to devolve and deregulate the public and assisted housing programs dominated the national housing agenda.

After Congress failed to enact changes in any authorizing legislation in the first Clinton Administration, the House, the Senate, and HUD each put forward their own bills for public housing reform in 1997. Representative Rick Lazio (R-NY)²⁷ introduced H.R. 2, the Housing Opportunity and Responsibility Act of 1997, and attached it to the VA, HUD and Independent Agencies appropriations bill for FY 1999.²⁸ Later, Senator Mack (R-FL) introduced S.462, The Public Housing Reform and Responsibility Act of 1997. HUD also submitted its Public Housing Management Reform Act to articulate its legislative position.

²⁷ Representative Lazio was Chairman of the House and Financial Services Subcommittee on Housing and Community Opportunity.

²⁸ It was considered as a "placeholder" to ensure dialogue about the public housing reforms during the conference, as the appropriation bill was a mandate.

Notwithstanding many differences, each bill contained a provision prohibiting the concentration of extremely low-income families in particular buildings or developments. A key point of contention, however, was how to achieve it.²⁹ Stressing that poverty deconcentration and income mixing efforts should be pursued evenhandedly, Secretary Cuomo was persistent in including basic safeguards to ensure that public housing and vouchers would continue to fulfill their historic mission of providing affordable housing and that they were reserved largely for those in great need. Although many believed that these reform measures were designed to move PHAs toward the economic integration and were integral to the public housing program's survival, housing advocates and tenants were concerned that there would be a significant loss of public housing units available to very poor families.

Unanimity gradually emerged on many remedies needed to reform the nation's public housing system. In October 1998, President Clinton signed into law the Quality Housing and Work Responsibility Act of 1998 (QHWRA). This bill, attached to HUD's FY 1999 appropriations act (Public Law 105-276), marked a major shift in the goals and target populations for the public housing and Section 8 programs.³⁰ It also provided new tools for mixed-finance and other forms of development.³¹ QHWRA rewrote Section 24 of the United States Housing Act of 1937, which governed the HOPE VI program since 1993.³²

²⁹ The Lazio-led House bill required PHAs to reserve at least 35 percent of public housing units that become available during a given year for extremely low-income families – those with incomes at 30 percent of Area Median Income (AMI) and below, and the remaining units open to families earning up to 80% of AMI. HUD, on the other hand, wanted to reserve 40% of the units for families with income below 30% of AMI, with 50% for those with incomes between 30 and 60% of AMI, and 10% for families earning between 60 and 80% of AMI. The Senate bill proposed a tier of targets. For public housing units that become available each year, 40 percent must serve extremely low-income families. Seventy percent of the units were to house families with incomes at 60 percent of median and below. (Austin and Bernstine 1997).

³⁰ Previous law limited public housing to households whose income is less than 80% of AMI. About three-fourths of all public housing tenants had income levels that are between 0 and 30% of AMI.

³¹ According to HUD, the landmark legislation QHWRA would reform public housing by:

- Reducing the concentration of poverty in public housing
- Protecting access to housing assistance for the poorest families
- Supporting families making the transition from welfare to work
- Raising performance standards for public housing agencies, and rewarding high performance
- Transforming the public housing stock through new policies and procedures for demolition and replacement and mixed-finance projects, and through authorizing the HOPE VI revitalization program

The Section 24 of QHWRA authorized the HOPE VI program through September 30, 2002. The language in Section 24 provided a definition of severely distressed public housing that brought some notable changes to the HOPE VI program. As defined in the act, severely distressed public housing (1) requires major redesign, reconstruction, or redevelopment or partial or total demolition; (2) is a significant contributing factor to the physical decline of and disinvestments by public and private entities; (3) is occupied predominantly by families that are very low-income, whose members are unemployed and dependent on various forms of public assistance or who engage in high rates of vandalism and criminal activity; and (4) cannot be revitalized through assistance under other programs. Compared to the National Commission's definition of severely distressed public housing six years ago, it was clear that the new emphasis was on the devastating impact of troubled projects on their surrounding communities and the concentration of the extremely poor.

According to Gordon Cavanaugh, the regulation flexibility that was at the core of the HOPE VI program was lost, in particular, the provisions giving HUD the liberty to waive and revise rules "governing rents, income eligibility, and other areas of public housing management" and authorizing a system of local preferences.

In addition, the new Section 24 allowed the use of HOPE VI funds for Section 8 tenant-based subsidies for relocation and replacements, which would divert between \$50 to \$90 million dollars annually from HOPE VI revitalization monies (Cavanaugh 1998).

6.4.2. The Rise of New Design Ideals for Affordable Housing

Paralleling the quiet revolution in the world of social policy, the field of urban and architectural design also underwent a gradual transformation. Since the 1960s, when the hope placed on Modernist design in the early years of public housing was shattered, the use of physical planning and design to solve social problems had often been discredited as environmental determinism.

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- Merging and reforming the Section 8 certificate and voucher programs, and allowing public housing agencies to implement a Section 8 homeownership program
 - Supporting HUD management reform efficiencies through deregulation and streamlining and program consolidation

³² Public Law 102-550 [H.R. 5334], approved on October 28, 1992.

In the 1980s, in response to the sprawling, automobile-centered suburbs that have dominated the American landscape over the past decades, New Urbanism³³ emerged as the most influential movement in architecture and planning in the US and helped regain optimism for physical interventions (Bohl 2000; Krieger 2000; Vale 2000). Based on the belief that a return to traditional neighborhood patterns is essential to restoring functional, sustainable communities, New Urbanists advocate “organizing development into neighborhoods that are diverse, compact, mixed use, pedestrian oriented, and transit friendly.” (Bohl 2000)³⁴

Responding to the criticism that their earlier works centered on suburban greenfield projects and middle-class neighborhoods, some New Urbanists began to seek opportunities to apply their design techniques to inner-city revitalization efforts. The New Urbanists’ engagement in central cities was not a coincidence, as place-promotion has become pivotal in motivating city investment and social organization as localities compete for increasingly mobile capital (Castells 1989; Fainstein 2001; Sassen 1991).

Architects or urban designers have long been critical and cynical about the dismal failure of high-rise public housing³⁵ and the loss of connection to traditional forms of American urbanism. They have come to believe that affordable housing should be seamlessly blended into its communities. This indistinguishability was widely appreciated and practiced within many grass-roots efforts and public-private collaborations to revive American cities. Perhaps more politically savvy and organizationally structured, New Urbanists entered into the policy scene to right the wrongs done by their predecessors with equally fervent enthusiasm, which soon

³³ New Urbanism is an umbrella term, encompassing a wide variety of views, ranging from Andres Duany and Elizabeth Palter-Zyberk’s neo-traditional town planning, to Peter Calthorpe (1993), Douglas Kelbaugh and Bill Liebermann’s pedestrian pocket and transit-oriented design, to the “quartiers” approach articulated by Leon Krier (1998).

³⁴ New Urbanism’s orientation resembles that of the early planning theorists – Ebenezer Howard, Frederick Law Olmsted – in their aim of using spatial relations to create a close-knit social community. In practice, they subscribe to Kevin Lynch, Oscar Newman, and Jane Jacobs’ ideas and combine elements of traditional American small towns with the design features of the Garden City and the City Beautiful movements (Fainstein 2000). The same is true for Clarence Perry’s concept of the neighborhood unit in which the neighborhood is proposed as an essential building block of healthy cities and has a well-defined edge, a focused center, and is limited in physical size: all neighborhood activities are within convenient 5- to 10- minutes walking distance. New Urbanists’ design principles operate on a full range of scales, from buildings, lots, and blocks to neighborhoods, districts, and corridors, and ultimately to entire cities and regions (Katz et al 1994).

³⁵ One critic even asserted that Pruitt-Igoe’s destruction signaled the end of the modern style of architecture. For a well written piece about the Preitt-Igoe myth, see Bristol (1991).

came at the forefront when setting up the new and redeveloped public housing under HUD's HOPE VI program.

6.5. Couplings

By the late 1990s, the renewed federal presence in the housing scene brought by HOPE VI, coupled with waves of reinvestment in cities produced a number of impressive examples across the country. Following the movers and shakers in the seasoned affordable housing industry, a HOPE VI-focused industry began to emerge in the landscape of public housing redevelopment: developers, investors, mayors, lawyers, property managers, services providers, and New Urbanist planners and designers.

6.5.1. Cuomo: HOPE VI is a Beautiful Story of Possibility

When Cuomo inherited the HOPE VI program from Cisneros, he had a clear vision for moving the high profile program forward. Responding to the Clinton-Gore community empowerment paradigm, Secretary Cuomo advanced the Empowerment Zones/Enterprise Communities and the HOPE VI program as the Administration's two major urban initiatives.³⁶

However, the tension between people-based empowerment strategies and place-based development approaches was revealing, even though Cuomo did not answer it during his testimony before the Senate Appropriations Subcommittee on VA, HUD and Independent Agencies regarding HUD's Fiscal Year 1998 budget, on March 13, 1997:

SEN. MIKULSKI: ... If I could just ask Mr. Cuomo one last question. How do you want to deal with the reforms of Hope 6? ... You know, I'm kind of the founding mother of Hope 6. It was meant to be an empowerment tool. It's worked in many communities, changing both the housing but also self-sufficiency and community service, but do you want to reform it?

SECRETARY CUOMO: We have suggestions to it, Senator, because we have now been able to see how it works in operation. We have the grants out there, and as in any program, you have some outstanding successes.

SEN. MIKULSKI: What are the top three reforms?

³⁶ Interview with Andrew Cuomo (08/17/04). Also, see Grunwald (1999).

SECRETARY CUOMO: I think we have to look at the cost of the units that we're developing. The law allowed Hope 6 units to be higher than what's called Total Development Cost, TDC. It allows Hope 6 to exceed those costs. What did the Congress have in mind when it said you can exceed those costs, how much do we want to pay for a unit? How about those Hope 6 grantees who are not spending the money? At what point do we say enough is enough, we're getting squeezed for money across the board; we don't have enough money for renewals and take it back. Those would be the top two on Hope 6. When is the money committed, how long will you allow it to stay out there?

SEN. MIKULSKI: Well, and I would add one other. What is the outcome we seek? Is it just to move people from one zip code to another? Is it just to give money out so we can tear down public housing but not build up community? And, ultimately, are the residents better off? Have they greater tools of self-sufficiency, and then is the community in which they live doing that, or are we just building new federal resubsidized empires, or are we building community in which residents have these tools and connected to empowerment or enterprise zones?

Championing HOPE VI as “a beautiful story of possibility,” Cuomo passionately put HOPE VI front and center to illustrate the Department’s “new concept of public housing for the new century.”³⁷ Cuomo traveled across the country to hand-deliver HOPE VI grant checks to housing authorities. His appearance attracted further attention to this program.

Prove Capacity and Build Quality

“HOPE VI is the lesson learned,” Cuomo showed his courage to speak the truth, even at the risk of annoying his own political party. “All HOPE VI says is we made a mistake. And rather than reinvesting in that failure, build anew – and this time do it right.” Cuomo decisively put the quality of HOPE VI projects and their speedy implementation as the top priority of his administration. Reflecting upon his policy vision for HOPE VI during the turbulent and fervent debate about the Public Housing Reform Act, Cuomo passionately said the following:

The best argument against any progressive government is “you can’t do it!” – Not that they can argue against the goals, they argue against the means – I know you have all

³⁷ Quoted in Al Gore’s press release on 1997-10-03 (<http://clinton6.nara.gov/1997/10/1997-10-03-vice-president-announces-grants-for-housing-in-florida.html>).

these nice ideas; they sound nice; but by the way, you are incompetent, you are incapable! Therefore, the *whole* discussion is moved. That is a killer! And that's where they had us.

You want to build low-income housing, because you don't like to have the homeless on the street? What a nice idea! By the way, you can't do it. What do you mean I can't do it? Well, I have been giving you money in HUD for 40 years. You build these projects that were a disaster. Then you said you were going to take down these projects through HOPE VI? We gave you money; you never spend it. When you did spend it, you were way over budget. And it took you twice as long as it should have taken anyway. So you are incompetent, you have no capacity to do what you say you want to do.

And by the way, if it is true, it should be a killer! You know, if it is true, you want to help the poor people? But guess what, you *can't*! You have no proof that anything else is possible. And that is what has to be defeated. You have to be competent! Just having the right intention does not carry the day. You have to have the merit, good intention, with good results. And that was the HUD Management 2020; that was the Total Development Cost; that was the speed of construction; that was what it is all about.³⁸

HOPE VI is a about Urban and Community Development

As the nation's Housing and Urban Development Secretary, Cuomo had a broader view of HOPE VI – “to use the housing program to get back to urban and community development” and integrate HOPE VI activities into overall community revitalization efforts. Public housing can be turned into a bridge to a better future and to “breathe new life into cities by building safe neighborhoods that will attract more businesses, more jobs and more residents.” (HUD 1999a)

Several years later, Cuomo elaborated on these reformist hopes and pushed for HOPE VI's application for a prestigious government innovations awards in 2000, as part of the overall strategy for restoring public confidence in HUD.³⁹ After weighing the controversy through intensive study and listening to diverse sources, David Gergen, Chairman of the National Selection Committee gave his stamps of approval to HOPE VI: “despite all the controversy, this is a gutsy, courageous effort that is helping an awful lot of people and we ought to

³⁸ Interview with Andrew Cuomo (08/17/04)

³⁹ It is worth noting that two programs led by Andrew Cuomo – “Consolidated Planning/Community Connections” and “Continuum of Care” also won the Government Innovations Award in 1996 and 1999, respectively.

support it." ⁴⁰ "HOPE VI Mixed-Finance Public Housing" was among 10 winners chosen from more than 1,700 nominees for one of the nation's most prestigious public service honors, the Innovations in American Government Award. ⁴¹

6.5.2. Elinor Bacon: Bringing People together

Politically well-connected, ⁴² Elinor Bacon joined the HOPE VI team in 1997 as Deputy Assistant Secretary for Public Housing Investments and brought in her significant hands-on experience. Before Cuomo offered her the position, Bacon had been actively involved in developing affordable housing primarily in Baltimore for several years, including one of Baltimore's first HOPE VI projects. ⁴³ Well-known for her superb capability of bringing people from all sides to the same table, Elinor Bacon opened the door to the widest possible participation in the HOPE VI program.

Partly in response to the confusion rising from the field (see the Problem Stream section of this Chapter) and partly to prevent potential scandals, the very first task that Cuomo assigned to Bacon was to "get our arms around" the program: to bring some structure and clarity, to strengthen oversight, and to set up the right expectations. Bacon worked closely with the housing industry, housing authorities, the private sector, and the residents to develop policy guidelines, notices, institute management reports, and most importantly, to retool yearly NOFAs to steer and shape HOPE VI policies.

To speed up the prolonged implementation process, HUD provided each new grantee with an expediter—a private-sector expert in finance, real estate development, and community revitalization—to assist with the implementation of its HOPE VI grant. Moreover, HUD

⁴⁰ "HOPE VI has dramatically changed the nation's approach to public housing." (1) HOPE VI/Mixed Finance represents a creative solution to an important public issue, (2) there is clear evidence that HOPE VI works, and (3) other jurisdictions could benefit from adopting the HOPE VI model.

⁴¹ The Award was funded by the Ford Foundation and administered by the John F. Kennedy School of Government at Harvard University, and the Council for Excellence in Government.

⁴² Elinor Bacon was a friend of Senators Barbara Mikulski and Paul Sarbanes, the two most important Democrats on housing issues. She was also connected with Kathleen Kennedy Townsend, then Lieutenant governor of Maryland, the eldest child of the late Robert F. Kennedy (and Andrew Cuomo's sister-in-law).

⁴³ Prior to opening her own development company, Bacon worked in Baltimore for John Hopkins Hospital, the City of Baltimore, and at HUD under Assistant Secretary Embry redesigning the Section 312 program.

disqualified troubled housing authorities for HOPE VI grants. To smooth the sometimes bumpy communication among different parties, in particular between PHAs and residents, from FY 1999 on, HUD began to require applicants to conduct at least one training session for residents and at least three public meetings with residents and community members rather than just one public meeting to notify residents as in earlier years. HUD also began to hold meetings with residents and developed guidance that involved residents in decision-making about supportive services and selection of the developers. To bring more partners into the business of revitalizing the most distressed public housing communities, HUD also encouraged PHAs to partner with local universities and other institutions to conduct locally designed evaluations of their HOPE VI projects.

A New CSS Shop – Focusing on Work

After four years of an “oil and water” relationship with the Corporation for National Service, Elinor Bacon decided that HOPE VI shop should run HUD’s own community and social services program. A new office was set up and Ronald Ashford began to re-focus the social services components from volunteerism-centered community services to job-centered self-sufficiency activities – a timely response to the increasing concern about the impact of welfare reform on public housing.⁴⁴

Ronald Ashford started by reaching out to the state level Human and Social Services (HSS) offices to link PHAs with TANF officials to better serve those who were affected by the new welfare policies. A central focus of HOPE VI projects was to help residents overcome obstacles to work and to place residents in employment.

With Art Naparstek diligently leading the technical assistance to housing authorities, a series of workshops was held in 1997-1998 to help grantees make service adjustments where necessary, and to identify new ways to increase resident opportunities pursuant to local welfare reform policy.

⁴⁴ By the time the Work Reconciliation Act was passed in 1996, more than 50% of households receiving housing assistance were also receiving some form of income assistance. Nearly half of all families with children living in public housing were affected by welfare reform.

Although changes in the soft side of the HOPE VI program were less tangible, many PHAs collaborated with a broad array of community institutions and key players in the city and gradually established themselves as change agents in the community. Locally grown innovations on social service provision began to emerge. Some PHAs, especially those well connected through previous work relationship with HUD and Congress, took their opportunity to influence HOPE VI policy choices. Borrowing from the endowment trusts idea practiced in community development circles, four HOPE VI grantees (Kansas City, Louisville, Seattle, and Washington, DC) lobbied for the establishment of an endowment to enable housing authorities to sustain supportive services beyond the HOPE VI grant period.⁴⁵ While OMB's initial ruling prohibited HOPE VI grantees from retaining grants and generating income through federal dollars, the Seattle Housing Authority, serving as its own developer for the Holly Park development, creatively used 10% of its own developers fee for endowing the Campus of Learners Foundation, which then effectively raised private capital to fund ongoing services including child care, youth programs, and homebuyer counseling.

The regulatory hurdle was later cleared when the Quality Housing and Work Responsibility Act (QHWRA) was passed. It allowed grantees (from FY 2000 on) to deposit up to 15 percent of their HOPE VI grant in an endowment through which PHAs can invest HOPE VI funds to promote self-sufficiency for public housing residents.

TDC – Leading the way for new standard for Public Housing

Much in tune with the overall political tones of assuring fiscal responsibility, in early 1997, Secretary Cuomo requested that the Office of Public Housing Investment establish an adequate Total Development Cost (TDC) which would better measure and control the construction costs and related soft costs of public housing programs. Elinor Bacon soon set up a “Working Group” to work on revising TDC Guidelines. Besides calculating Grant limitations, the new TDC guideline was aimed at ensuring the creation of a successful mix-income HOPE VI community, which would mark another crucial change in HOPE VI, and public housing as a whole.

⁴⁵ According to HRF (1999), the idea was first suggested by a group of community residents at the Park duValle neighborhood Advisory Council.

The public housing community had long thought that PHAs needed a degree of flexibility to exceed the too stringent cost guidelines for new construction or rehabilitation.⁴⁶ The National Commission also expressed concerns pertaining to the adequacy of TDC limits and called upon HUD to develop new guidelines for severely distressed public housing. Drawing on the housing development turnaround sites studied, the Commission pointed out that “the cost of successfully rehabilitating and replacing certain severely distressed public housing units have been higher than the cost of constructing modest replacement housing, on which the TDCs are based.” (NCSDPH 1992:86)

Many HOPE VI projects had needed waivers from the TDC limits. However, as recent as the 1996 NOFA, the effort to prevent “elaborate or extravagant” design or materials was not unfamiliar to the veterans of public housing.

A central purpose of the revitalization program was to tear down public housing eyesores and replace them with more attractive and marketable alternatives. Still in keeping with previous public housing policy, the replacement units were not intended to compete with market rate housing. The replacement housing should meet “contemporary standards of modest comfort and livability” that would serve the needs of public housing residents in a cost-effective manner.

After the drafts of new TDC policy circulated to the public,⁴⁷ concerns were raised by CLPHA that HUD’s reformulated TDC would “threaten the success of HOPE VI and long term viability of redevelopment neighborhoods.” The US Conference of Mayors called on HUD to re-examine its proposal and urged Congress to give additional statutory support for HUD to develop a more equitable total development cost system.⁴⁸ The mayors of Louisville, KY and

⁴⁶ Cost containment of public housing was widely considered as the cardinal reason for the design failure of public housing (von Hoffman 1993). As a result of strongly organized lobbies from home building, finance, and real estate groups, Congress placed severe restrictions on public housing construction costs, forcing the elimination of facilities and architectural amenities, such as porches and recreation centers, designed to build community identity among residents (Friedman 1968). In her powerful article “The Dreary Deadlock of Public Housing” (1957), Catherine Bauer also asserted that “the bleak symbols of productive efficiency and ‘minimum standards’ are hardly an adequate or satisfactory expression of the values associated with American home life.”

⁴⁷ Including Congress, public interest groups and Mayors, the U.S. Conference of Mayors, the Enterprise Foundation, LISC, CLPHA, NAHRO and others.

⁴⁸ Source: 1998 Annual Conference: Summary of Proposed Policy Resolutions. The new TDC guidelines proposed the use of a new index, R.S. Means (Average) and raised the Marshall & Swift index from fair to good. Moreover, “soft costs” such as those for community and supportive services, management improvements,

Atlanta, GA argued that “PHAs will be forced to recreate the mistakes of the past by building low-quality housing that is a challenge to maintain, detracts from the quality of the neighborhood, and undermines public support for the program.” Facing voices from the frontlines, Secretary Cuomo informed all parties that he would consider modifications of the proposed policy if so instructed by Congress.⁴⁹

Working with Congressional and OMB staffers who were suspicious and critical about the cost-effectiveness of public housing, Bacon spent long hours discussing the comprehensive nature of the HOPE VI program, which had significant costs related to demolition, site remediation, supportive services, and other community revitalization components. Insisting on the importance of quality design, Bacon convinced Congress and OMB and hence crafted a policy that would strike a balance between controlling costs and providing leeway for PHAs to construct well-designed, well-built units and rebuild the community.⁵⁰

In May 1998, Senate and House Appropriations leadership, namely Senators Bond and Mikulski, and Representatives Lewis and Stokes issued a letter to HUD, saying, “We recognize that controlling costs and at the same time creating mixed income communities is extremely difficult to balance, but we are concerned that your proposed policy is too restrictive to achieve our mutual goals in redeveloping public and mixed income housing.” As a result, HUD revised its proposed TDC rule which ensured PHAs’ liberty to achieve their desired physical transformation, in particular, to form a mixed-income community.⁵¹

extraordinary demolition/infrastructure, relocation and operating reserves were not considered as costs subject to TDC.

⁴⁹ Letter from Jerry Abramson, Mayor of Louisville, KY and Bill Campbell, Mayor of Atlanta, GA. The letter was based on the briefing paper prepared by CLPHA in January 1998.

⁵⁰ The center of the debate was to assure that TDC funds are applied to the hard costs of construction rather than the soft costs such as fees for developers, attorneys, consultants, and PHA administration.

⁵¹ The TDC rule was later adopted by QHWRA which states that HUD shall consider only capital provided by HUD for the development of public housing and shall exclude all other amounts, including HOME and CDBG funds. In addition, QHWRA amends the definition of "development costs" in Section 3(c)(1) to exclude the costs associated with the demolition of or remediation of environmental hazards associated with public housing units that will not be replaced on the project site, or other extraordinary site costs as determined by HUD.

The new TDC rule was also in line with the New Urbanist design approach promoted by HUD, which sought to de-stigmatizing public housing through blending the development into surrounding neighborhoods in a seamless way.

Congress of the New Urbanism: bringing design to the forefront

Mark Weiss⁵², then professor of urban planning at Columbia University, introduced the New Urbanism literature to Henry Cisneros and persuaded him to visit the New Urbanist town of Kentlands, MD Secretary Cisneros became New Urbanism's first champion at HUD (Dean 1998). Seeing HOPE VI as an excellent opportunity for CNU to apply New Urbanist theories, Peter Calthorpe and Andres Duany met with Secretary Cisneros to advance their planning and design solutions to the problem projects. The Congress for New Urbanism set up an "Inner-City Task Force" and actively approached and advised HUD on a range of design and planning issues in inner-city revitalization. In 1996 Secretary Cisneros signed the Charter for the New Urbanism in Charleston, South Carolina. The endorsement of HUD attracted national attention to the budding movement. Soon after, New Urbanist principles were adopted within the Homeownership Zones Program, to be followed by the HOPE VI Program.⁵³

As directed by Cisneros, Chris Hornig quickly put together the conference on "Rebuilding Communities: New Urbanism in Public Housing" that was held at Harvard University in 1996. Over 250 public housing professionals from around the country were introduced to the concept and principles of New Urbanism and were encouraged to apply New Urbanism to their HOPE VI sites. To learn how the theory of New Urbanism translated into reality, participants were invited to take a bus tour of Boston's neighborhoods and affordable housing developments. One of the stops was Harbor Point, the lavishly praised transformation from a last resort for residents and the single most stigmatized place in Boston into a vibrant mixed-income

⁵² Marc Weiss was brought into HUD to serve as special assistant to Secretary Cisneros and was a key urban policy adviser in the 1992 Clinton campaign.

⁵³The charter then contained 27 principles, under three headings (region; neighborhood, district and corridor; and block, street and building) to guide public policy, development practice, and urban planning and design. Conceptually, they may be summarized in three categories: density, civic space and codes.

community.⁵⁴ Cisneros stated, “there was no better example in the country of what was possible. Harbor Point was the pioneer, the trailblazer.”

Reckoning the importance of well-designed neighborhoods in the effort to rebuild and re-knit public housing communities, Cisneros called for flexible local zoning laws and codes that would facilitate the creation of New Urbanist neighborhoods.⁵⁵ Warning that architects should “be healers, not heroes,” Cisneros stressed that the ultimate goal in the effort to remake public housing and a primary goal of HOPE VI was to enable public housing residents to “become the architects of their own lives.”

The commitment to New Urbanism was sustained under Secretary Cuomo, who stated,

All of us at the department are committed...to the goal of livable, mixed-use neighborhoods built to a human scale. This is consistent with the principles of the New Urbanism – and yes, we strongly support this approach because we’ve seen that it works.⁵⁶

Andrew Cuomo was no stranger to the renaissance of inner cities during the late 1990s. To demonstrate his support for good design, Cuomo attended the 1997 conference of the Mayors Institute on City Design “Housing and the City: Investing in Urban Design” at the Harvard University Graduate School of Design.

The renewed and increased focus on the positive contribution of physical design interventions in urban revitalization was shared by Cuomo and his HOPE VI chief, Elinor Bacon. As the daughter of Edmund Bacon, the author of the influential text *Design of Cities* and Philadelphia’s city planner from 1949 to 1970, Elinor Bacon decisively made the quality of design a top priority of HOPE VI. She worked with the CNU to shape the design criteria by which PHAs received HOPE VI funds. She recognized that to compete in the marketplace,

⁵⁴ Conference participants were offered the opportunity to stay an extra day to take a supplemental bus tour of Cambridge Housing Authority public housing developments as well as Tent City, an innovative mixed-income development in Boston.

⁵⁵ Housing Research Foundation, “Designing Neighborhoods That Work,” *HOPE VI Developments*. Issue 4, November 1995.

⁵⁶ HUD, 1997, HUD Awards \$90.8 Million In Grants And Loan Guarantees To Create Homeownership Zones In Baltimore, Buffalo, Cleveland, Louisville, Philadelphia And Sacramento. HUD Press Release (HUD No. 97-43); April 8, 1997. Washington, DC: United States Government Printing Office.

HOPE VI developments must go beyond merely meeting functional standards of habitability and must instead provide amenities that families with choice typically demand. Explicitly targeting a mixed-income clientele, the New Urbanists' design language blended new developments into surrounding neighborhoods and to de-stigmatize projects, and it therefore became the obvious policy choice.

Coupled with the favorable TDC policy for better physical standards for redeveloped housing, a fundamental transformation of design parameters came to fruition. Echoing a dramatic change in attitude on the part of the affordable housing industry in the nation, HUD demanded that HOPE VI projects should give nothing away in design quality and “nothing in this show would take a back seat to housing in the private market.”⁵⁷ Continuing its tradition of stimulating and disseminating innovations through conferences and workshops, HUD invited the Congress for the New Urbanism to address issues of design and community, an addition to the typical topics such as mixed finance, economic development, homeownership, and community and supportive services. Stemming from the conference “Creating Communities of Opportunity” in 1998, CNU worked with HUD to develop “Principles for Inner City Neighborhood Design” to further exemplify how New Urbanist principles could be utilized to rebuild derelict public housing projects into “integral parts of their broader community, indistinguishable from (or possibly better than) private development.”

The American Institute of Architects (AIA) later also joined the team and co-organized a series of design training sessions for housing authority staff on how architecture and urban design shape the safety, functionality and marketability of HOPE VI developments.⁵⁸

6.6. Summary

After a few years of exciting rapids, the riders on the HOPE VI boat found themselves in relatively calmer, slower stretches of water, as the policy current of public housing reform became increasingly steady. Seeing the profound change in urban landscape brought by HOPE VI, more and more people joined the journey of transforming distressed public housing

⁵⁷ Interview with a HUD official (07/15/04).

⁵⁸ Housing Research Foundation, *HOPE VI Developments*, Issue 43, September/October 2000.

communities. Recognizing the sea change in the nation's social policy and political climate, Secretary Andrew Cuomo led HUD toward further transformation through building competence and proving capacity.

Taking advantage of the elevated entrepreneurial spirit, coupled with a strong economy and a re-bounding inner-city market, the navigator of HUD moved HOPE VI into high gear, moving toward higher leveraging and greater income mix. The Congress for the New Urbanism also seized the opportunity with their ready solutions for designing the new face of America's public housing. Facing the waves caused by welfare reform, HOPE VI adjusted its people-based solutions toward enhancing job-focused supportive services.

As HOPE VI development got into full swing with impressive transformation and ribbon-cutting opportunities, the program enjoyed bipartisan support and gained national recognition. Meanwhile, at a time when rental market low-rent housing stock became an endangered species, HOPE VI was increasingly scrutinized by all parties. However, the gap between the high hopes of the program in solving complicated chronic problems and the scarcity of bureaucratic and operational expertise in both HUD and PHAs put HUD in an ultimate dilemma: Being unable to achieve policy goals in a timely manner and facing opposition from housing and community activists, HUD was under constant pressure from Congress to refine strategies and improve performance. Reflecting upon "what works and what doesn't" on the ground, HUD fine-tuned the yearly NOFAs and developed more sophisticated handbooks and guidelines, leading to less flexibility and more rigidity.

By 2000, the enterprise of HOPE VI seemed strong and prosperous. The elevated spirit generated among the industry was evident at the annual HOPE VI conference entitled "HOPE VI and Beyond: Creating Communities for the New Millennium" sponsored jointly by HUD, The Congress for the New Urbanism, the American Institute of Architects, and the Urban Land Institute. The three day conference, held in Atlanta, Georgia, drew over 1500 attendees. Organized around five tracks consisting of more than thirty workshops, ranging from the 'classic' big-draw topic of mixed finance 101 to issue of accessibility and visitability, the conference attracted a dazzling array of participants including politicians, HUD and PHA staff,

residents, developers, investors, lawyers, consultants, and social workers. Few on this HOPE VI boat would have never predicted the next turn in the political wind that was soon to come.

Chapter 7

CONTRACTION (2001 ONWARDS)

The HOPE VI has not been completed, nor has it been started. I do not think we should continue to fund the program that does not work.

*Alphonso Jackson¹
May 20, 2004*

7.1. Yet another Sharp Turn: 2001 onward

7.1.1. Problems, Policies, and Politics

The tale of yet another sharp turn in the hectic history of HOPE VI started with the familiar scene of political neglect of housing for the poor. George W. Bush set a low bar on housing issues for his new Administration during his presidential campaign. Neither did Al Gore give special attention to this policy area. Andrew Cuomo, as an adviser to Gore, did not push the vice president to talk about the issue of affordable housing on the campaign trail. “You don't hear about it in the focus groups.” (Grunwald 2000) *The Wall Street Journal* was vocal in its piece during the election year, “Despite Sky-High Rents and Prices, Housing is the Forgotten Issue in Race.” Even former President Jimmy Carter reckoned that “[p]eople don't expect the federal government to have a role anymore.”²

Despite the intense controversy surrounding his election, George Bush was sworn in as President on January 20, 2001 after the U.S. Supreme Court decided the electoral legal issue in his favor. Melquiades (Mel) Martinez, a Cuban-American, took his oath of office and became the nation's 12th Secretary of HUD. Martinez was the chief elected official of Orange County, FL, a former commissioner and chair of the Orlando Housing Authority, and active in the Florida Republican Party. To be consistent with Bush's campaign rhetoric, the local government-official-turned leader of federal housing policy set HUD's priority to “expand

¹Testimony on May 20, 2004 before the House Committee on Financial Services on Oversight of the Department of Housing and Urban Development

² Quoted in Retsinas Nicolas, Be Pragmatic and Persistent, *Shleterforce*, March/April 2001. (<http://www.nhi.org/online/issues/116/CmmtryRetsinas.html>)

homeownership opportunities to more Americans, particularly minority and low-income families, partnerships with community-based housing providers and faith-based organizations.”

As low-income housing and community advocacy groups prepared their political tactics to work with the new Republican administration, the tragic events of September 11 drastically shifted the national policy agenda. The War on Terror and the subsequent war in Iraq dwarfed almost every other policy issues on the agenda, except for tax cuts. While Americans found themselves in a world of uncertainty, the right-wing domination of both the Congress and the White House sent a definite hostile signal regarding social policies. Competing with the largest deficit in US history and the “immediate threat of the terrorism,” housing for the poor was relegated to the sidelines. Even the blue-ribbon Millennial Housing Commission (NHC) gained no footing in the political or popular discourse.

Created a year before September 11, 2001, the Millennial Housing Commission was charged with a congressional mandate to “develop legislative and regulatory recommendations for Congress to improve the delivery of housing services to our neediest Americans and expand affordable housing opportunities.”³ After an extensive seventeen-month-long study that included public hearings, the bipartisan Commission delivered its final report in May 2002. It opened with “Why Housing Matters,” a succinct and powerful statement of the multifaceted critical dimensions of the housing issue. The report then acknowledged that housing has been, to a large extent, a great American success story. However, it warned that “[t]he inadequacy of supply increases dramatically as one moves down the ladder of family earnings. The challenge is most acute for rental housing in high cost areas and the most egregious problem is for the very poor.”

Being fully aware of the political and fiscal environment of the day, the report did not lay out any numerical goals or specific funding levels. Rather than producing a tangible blueprint for action, the MHC took a realistic approach and presented a new vision for the nation’s housing:

³ Representative James Walsh (R-NY) and Representative Alan Mollohan (D-WV) authorized the Commission in the Fiscal Year 2000 VA HUD Appropriations bill. The Commission consists of twenty two members selected by the Chairman and Ranking Members of the House and Senate Appropriations Committee, the House and Senate Banking Committee, and the relevant subcommittees of those panels with jurisdiction over housing. They were drawn from across the country and from across the spectrum of housing ideologies and experience.

“to produce and preserve more sustainable, affordable housing in healthy communities to help American families progress up the ladder of economic opportunity.”⁴ The Commission delineated four principles as the foundation for policy recommendations to the Congress: (1) strengthening communities; (2) devolving decision-making; (3) involving the private sector; and (4) ensuring sustainability.

In its limited discussion on the subject of public housing, the Commission further recommended privatization as a means of escaping the grip of convoluted HUD bureaucracy.⁵ It suggested that the public housing industry pursue the model of private real estate market practices and proposed either to follow the HOPE VI model in strong markets or to convert public housing to Section 8 project-based housing in weak markets (MHC 2002).

In stark contrast with the fanfare at its inception, the Millennial Housing Commission report “landed in Washington with a thud,” as one commission staffer put it. HUD Secretary Mel Martinez did not even issue a statement. The Millennial Housing Commission’s May 30 press conference and the release of its report “Meeting Our Nation’s Housing Challenges” received little media coverage and public attention.⁶

The scheduled sunset of HOPE VI in 2002 opened a predictable window for policy change in this program. Various parties involved had been poised to pose serious questions, seek substantial revision, and prepare arguments to protect and sustain the program. Piles of evaluation research came out, as did bits and pieces in the media. The mainstream media, such as the *New York Times* and the *Washington Post*, was largely dominated by the praise of supporters of the program – liberals and conservatives alike, with few exceptions (e.g. Howard Husock). A quick search on the Internet, however, would also find deliberately

⁴ Without setting numerical goals, the report stresses the need for substantial increases in funding, particularly in the areas of vouchers, HOME program, tax relief and support of preservation entities, a sufficient level of supportive housing to end chronic homelessness within 10 years, and expansion of funding for rural and Native American housing programs.

⁵ For a powerful critique of MHC’s recommendation for public housing, see Cavanaugh and Glassman (2002).

⁶ Similarly, hardly any media attended to The Fannie Mae Foundation’s annual housing conference “Raising Housing on the Nation’s Agenda” on October 9, 2002, which was designated to celebrate the achievement of the MHC report.

strong opposing views, and just like their proponents, spanning across the political spectrum. While pointing HOPE VI in diverse directions, few expected the abolition of the program.

Yet, as President Bush led the country into the war in Iraq, the political stream took a sharp departure from its usual course, presenting a totally different dynamic. As the war quickly dried up the federal revenue, the national economy remained sluggish. The budget crisis set up the essential parameters for both legislators and bureaucrats. HOPE VI's big pot of money became among the first to make up for high priority items in an era of record deficit, however popular and appealing the program had been. Attributing delays in HOPE VI to the program's design flaws and HUD's lack of capacity in executing the program, plus its questionable cost-effectiveness, the Bush Administration abruptly declared mission accomplished and zeroed out this program in its FY03 budget.

HUD, GAO, and Think Tanks: Evaluation Research Supportive of HOPE VI

Although there has not been a single, full-blown nation-wide evaluation of the program,⁷ as the debate surrounding HOPE VI's reauthorization in 2002 intensified, a number of established think tanks released a series of large-scale studies, the majority of which rendered a positive picture of HOPE VI.⁸

HUD's Office of Policy Development and Research (PD&R) has been conducting a longitudinal study that examined fifteen of the original HOPE VI developments over a period of ten years.⁹ Through a combination of field observations, interviews, and social economic

⁷ Unfortunately, not until 1996, did HUD require PHAs to hire local evaluators. HUD has always urged PHAs to sponsor formal, outside evaluations of their HOPE VI initiatives. In the 1999 NOFA, HUD made that encouragement concrete for the first time, awarding up to 2 points for applications that proposed an evaluation. However, PHAs have been given liberty to define what they would like to evaluate and there have not been clear and consistent instructions as to what types of indicators are needed to measure performance. As a result, no consistent data can be generated across sites and time. The efforts on gathering information about the original residents and tracking resident outcomes were late in the program development process. HUD staff and grantees often share this information with interested parties through presentations, summary sheets, reports to congress and interviews. There is no formal mechanism for sharing this information with the public.

⁸ HOPE VI has been arguably the most heavily studied federal housing program (Bruce Katz's remarks at the press release for *A Decade of HOPE VI* in 2004). Besides much HUD funded research, numerous local housing authorities have partnered with local institutions to conduct evaluations of their HOPE VI endeavor. According to HRF's survey of 1993-98 HOPE VI grantees, PHAs' evaluation often focused most on community and supportive services activities (67%) and focused least on evaluating property management (24%).

⁹ These sites include the following: Techwood/Clark Howell (Atlanta); Lafayette Courts (Baltimore); Mission Main (Boston); Earle Village (Charlotte); King Kennedy Estate and Outhwaite Homes (Cleveland); Hillside

indicators, these assessments provided (and will provide) a snapshot of HOPE VI sites' development progress and conditions in surrounding neighborhoods over time.

Incomplete data notwithstanding, GAO and HUD's Inspector General (IG) were requested to answer questions pertinent to program legislators and administrators: To what extent has HOPE VI effectively, efficiently, and economically addressed the needs of severely distressed public housing?¹⁰ Has HUD assured a fair and competitive awardees-selection process?¹¹ Has HOPE VI succeeded in its financial leveraging? How have the original residents fared? What impact has HOPE VI had on the sites, the surrounding neighborhoods, cities and metropolitan areas? The GAO has tracked the progress of HOPE VI and comprehensively reviewed various aspects of the program via a series of reports. The report, "HOPE VI Leveraging Has Increased, but HUD Has Not Met Annual Reporting Requirement" (GAO 2002), addressed the financing of HOPE VI sites. The second report, "HUD's Oversight of HOPE VI Sites Need to Be More Consistent" (GAO 2003a), discusses HUD's management of the HOPE VI program. The final report, "HOPE VI Resident Issues and Changes in Neighborhoods Surrounding Grant Sites" (GAO 2003b), focuses on the effect that the HOPE VI program has had on residents and the neighborhoods surrounding HOPE VI sites.

Under contract with HUD, Abt Associates launched an incremental evaluation "An Historical and Baseline Assessment of HOPE VI," representing early assessment of HOPE VI communities.¹² The Urban Institute focused on the human side of the HOPE VI story. Art Naparstek examined the community-building aspect of HOPE VI (Naparstek and Freis 2000)

Terrace (Milwaukee); Elm Haven (New Haven); Lockwood Gardens (Oakland); Spring View (San Antonio); Ellen Wilson Homes (Washington, DC); McGuire Gardens (Camden); Cabrini North (Chicago); Jeffries Homes (Detroit); Desire (New Orleans); and Yerba Buena Plaza / Bernal Dwellings (San Francisco). Not representative of all HOPE VI sites, these developments are older grantees and have larger proportions of rehabilitated units.

¹⁰ Status of the HOPE VI Demonstration Program (GAO 1997), Progress and Problems in Revitalizing Distressed Public Housing (GAO 1998), HUD Office of Inspector General Audit Report (1998).

¹¹ HUD Office of Inspector General, 1996, Audit Report.

¹² The first volume, "Baseline Assessment" (1996) synthesizes study findings and discusses their national implications. The second volume, "Interim Assessment" (Abt 2001- 2003), offers detailed case studies of the fifteen sites and includes an overview of the housing authority, a description of the developments and the surrounding neighborhoods, a review of the local HOPE VI planning process, and a summary of implementation progress. The third volume presents the study methodology and baseline data.

and stressed the importance of going beyond the bricks-and-mortar through demonstrating best practices in social and supportive services. To answer the increasing concern about the well-being of the original residents, the Urban Institute put together a series of large-scale studies in 2002, including “The HOPE VI Program – What About the Residents?” (Popkin 2002), “HOPE VI Panel Study” (Popkin and Woodley 2002), “HOPE VI Baseline Report” (Popkin and Woodley 2002), and “Housing Choice for HOPE VI Relocateses”(Smith and Naparstek 2002). These reports found that many former residents had benefited from the redevelopment. However, they also highlighted the need for effective social supportive services, meaningful resident participation, and called for more resources to serve those “hard to house.”

Along similar lines, in 2003 the Housing Research Foundation also released one of the first studies to systematically examine economic change in neighborhoods surrounding HOPE VI projects. The study analyzed changes around eight sampled HOPE VI sites since 1990 and compared them with changes in other high-poverty communities as well as with overall trends in their respective cities. Its author, Sean Zielenbach, a seasoned scholar of neighborhood revitalization, utilized a variety of quantitative and qualitative indicators and took into consideration the limitation of the research due to the degree of completion and non-HOPE VI contributing factors. The study found that, owing to a number of inter-related factors, including the federal HOPE VI initiative, private market activity, and support from city governments, the HOPE VI neighborhoods had demonstrated “noticeable positive change.” However, they are yet to be viewed as genuinely healthy and economically vibrant communities (Zielenbach 2003).

In March 2004, before HUD’s FY 2005 budget submissions, the Urban Institute and Brookings Institution jointly released “A Decade of HOPE VI: Research Findings and Policy Challenges,” which comprehensively reviewed HOPE VI’s evolution and assessed the achievements and challenges of the program. This report offered evidence supporting the continuation of the program as well as lessons learned and substantial suggestions for reforms. A subsequent press release by the Urban Institute strongly supported HOPE VI’s continuation,

or a similar flexible investment initiative, which should take into account lessons learned from HOPE VI to date.¹³

Housing Activists: Calling for a return to HOPE VI's original goals

HOPE VI has also had its strong opponents. In 2002, the National Housing Law Project, together with the Poverty & Race Research Action Council, Sherwood Research Associates, and Everywhere and Now Public Housing Residents Organizing Nationally Together (ENPHRONT) released a report “False HOPE: A Critical Assessment of the HOPE VI Public Housing Redevelopment Program.” This commentary focused on six major issues: a) the open-ended definition of severe distress used by HUD to select public housing developments for HOPE VI revitalizations; b) the loss of public housing units as a result of HOPE VI revitalizations; c) the lack of resident participation throughout the program; d) the exclusion of public housing families from HOPE VI opportunities; e) the lack of public data on HOPE VI outcomes; and f) the similarity of HOPE VI to urban renewal programs of the 1950s, 60s, and 70s.

The report suggested that HOPE VI failed to achieve the goals set out by the National Commission on Severely Distressed Public Housing (NCSDPH) in 1992. Instead, HUD “plays upon inaccurate stereotypes about public housing to justify a drastic model of large-scale family displacement and housing redevelopment that increasingly appears to do more harm than good.” Housing advocates outlined their criticisms of the HOPE VI program and made numerous policy suggestions as conditions for its reauthorization. The report was distributed widely and continues to receive considerable media attention in both the local and national press.

Following the *False HOPE* report, the Center for Community Change and ENPHRONT released a companion report entitled “HOPE VI Unseen: A HOPE Unseen: Voices from the Other Side of HOPE VI” to voice the not-so-often covered negative experiences of its members from seven HOPE VI sites.¹⁴ Despite the lack of scientific sampling of sites and

¹³ Local evaluators have carried out research focusing on a wide range of aspects of HOPE VI. There have also been smaller-scale studies relevant to HOPE VI, such as in the areas of mobility and scattered-site housing.

¹⁴ The seven sites and the ten residents on each site were selected according to ENPHRONT suggestion. While recognizing that limited resources did not allow for a scientific sampling of residents or “fact checking,” the

residents, the report brought to light considerable anecdotal evidence suggesting that many people who have suffered the deplorable conditions of these distressed development did not benefit from the rebuilt community. Major problems identified include the shortage of replacement housing, obstacles to meaningful resident participation, the troublesome practice during demolition of projects and relocation of families, and poor access to community and supportive services. Although CCC and ENPHRONT supported the reauthorization of HOPE VI, they stressed that comprehensive reforms had to be made and that “a reformed HOPE VI program will only work” if public housing Capital and Operating Funds are adequately provided to prevent further deterioration of the public housing stock.

False HOPE contended that HOPE VI had failed to benefit the original public housing families it intended to serve since only 11.4% of all original residents had returned to the completed HOPE VI developments and the majority of residents were not receiving the new services and living opportunities provided by the program.¹⁵ Instead, the poor were being shuffled around, even to other high poverty neighborhoods. The authors maintained that contact with many residents was lost during the relocation process as a result of inadequate relocation guidance and poor tracking.¹⁶ In the press and the cyberspace, many single case or anecdotal accounts of the harsh realities that some HOPE VI projects have brought to residents have also rendered a dreary picture of this program (McGhee; Sensenig 2004).

Another frequent criticism is that HOPE VI led to the net loss of affordable housing stock. HOPE VI set aside \$293 million in demolition-only grants, with which 90 housing authorities have demolished, without replacement, more than 44,000 severely distressed public housing units. Demolition was strongly encouraged and required from 1996 until the enactment of Public Housing Reform Act of 1998. *A HOPE Unseen* (CCC 2003) calculated that the net loss of public housing rental units available for low-income families would be 44,406 units,

report states that the “unfiltered voices” are representative of the majority of public housing residents impacted by HOPE VI. The sites studied are Herman Gardens, Detroit; Arthur Capper/Carrollburg, District of Columbia; Curries Woods, Jersey City, NJ; Scott/Carver, Miami; Monterey Place (formerly Elm Haven, renamed), New Haven, CT; Blackwell, Richmond, VA; and Guinotte Manor, Kansas City, MO.

¹⁵ The distortion in return rate was later corrected in a new study complementary to *False HOPE* recently released by the Center for Community Change.

¹⁶ Not until 2000 did HUD require HOPE VI grantees to report the location of original residents; many PHAs had lost track of some original residents.

exacerbating the affordability problem facing low-income renters in the country. This number refers to the conventional public housing units and excludes the 29,000 non-public housing units with shallower subsidies from a variety of resources such as Low Income Housing Tax Credits (LIHTC). These units are not truly available and affordable to most public housing residents and households with extremely low-income households whose average median income for public housing residents was 18.5 percent of the national median income in 2002.¹⁷

It is worth noticing, however, that the data used in *False HOPE* was the actual number of people who returned when only sixteen of the total 158 grantees HOPE VI developments are completed.¹⁸ Considering that the majority of the planned units have yet to be constructed or rehabilitated, HUD suggested that the planned reoccupancy rate is more appropriate and accurate in reflecting the true picture of the program. In fact, according to the HOPE VI Quarterly Report, up to September 30, 2002, “the aggregate planned reoccupancy rate is 49% among all HOPE VI grantees.¹⁹ A majority of HOPE VI sites (62%) have planned reoccupancy rates of 33% or higher, and a large number (42%) have planned reoccupancy rates between 50%-100%, including 17 (11%) that have reoccupancy rates that are 90% or higher.” On the other hand, HUD does admit the short-term drain on affordable housing inventory during the time between demolition and construction of the HOPE VI site (HUD 2003b). The slow pace of implementation has made the situation worse in many tight housing markets.

Academia

¹⁷ Many housing advocates stress that LIHTC units, while a great resource for expanding the affordable housing inventory, cannot serve as substitutes for scarce and uniquely operated public housing units. The average tax credit-financed apartment resident earns less than 40 percent of AMI, more than that of the average household in public housing. In addition, unlike the public housing program’s rent structure (which includes a calculation based on the percentage of a household’s income), tax-credit units operate under “flat rents” or fixed rents that do not change as the income of the household changes.

¹⁸ HUD’s response to *False HOPE* (HUD 2003a).

¹⁹ Ratios and frequencies were calculated from planned reoccupancy rates among 158 grantees, excluding seven grantees with 100% return rates.

Amongst the steady stream of accolades from established think tanks, trade and professional organizations, and mainstream media, cautious concerns have been raised from academics, mostly in the fields of architecture, city planning, and law.

From the out set of the URD program Professor Lawrence Vale at the Massachusetts Institute of Technology has been outspoken about the ill-defined program goal. In his insightful article “Beyond the Problem Projects Paradigm: Defining and Revitalizing ‘Severely Distressed’ Public Housing,” Vale (1993) contended that limited federal funds should target those “sinking” instead of the “sunk,” and system-wide reforms were needed to address ill-understood socioeconomic aspects of public housing. Moreover, Vale has been advocating alternatives to the predominant HOPE VI approach to replacing public housing. “It is not enough,” he writes, “to ask whether public housing projects can be salvaged; the more pressing public policy question is whether they should be reclaimed for continued occupancy by extremely low-income households.” (2002) The Boston Housing Authority’s Commonwealth redevelopment effort carefully examined by Vale reveals the possibility of revitalizing public housing by working with public housing residents through adequate security provisions, careful maintenance, and strict rule enforcement, rather than wholesale demolition or total occupancy restructuring (Vale 1996; Vale 2002).²⁰ Unfortunately, rarely have policy-makers heard about this success story; Cinderella simply pushed Plain Jane into obscurity.²¹

Echoing the feelings of many residents who claimed that they witnessed a new round of urban renewal, Professor Larry Keating at the Georgia Institute of Technology conducted a case study of the Techwood/Clark Howell public housing redevelopment in Atlanta GA (2000), a place that has been widely cited as one of the “best practices” because of its creative financial strategies, potential for attracting higher-income residents, retention of residents with rising incomes, successful urban design, attractiveness to private investors, and

²⁰ Moreover, what makes it sustainable are the high expectations cultivated and agreed upon among housing authority officials, tenants, private management companies, as well as the tenant-monitored, transparent public and private development and management process.

²¹ During my interview with policymakers involved in the HOPE VI program, nobody knew of this redevelopment effort, even though it had been highlighted as a success story by the National Commission as early as 1992 (NCSDPH 1992b; Vale 2000).

entrepreneurial leadership of the Executive Director. Nonetheless, Keating argues that this HOPE VI project demolished historical places in the name of downtown redevelopment, displaced residents (especially minorities), and reduced the low-income housing stock. He warned that HOPE VI resembled many aspects of urban renewal in the 50s and 60s in that it favored demolition and displacement, lacked a clear requirement for asset preservation, and was malleable for priority change at the local level.

Along a similar line, Janet Smith has written scholarly articles based on her thorough case studies on HOPE VI projects in Chicago, as well as her observations of housing policy trend in the nation. She also raised cautious opposition to HOPE VI's net loss of affordable housing units and the utility of mixed-income strategies, especially on the ground of social equity (Smith 1999).

HOPE VI's challengers also came from the other end of the political spectrum. Howard Husock, a Harvard-based, long-time critic of the wisdom of governmental housing programs, asserted that HOPE VI was doomed to be just another failure to be added to "America's Trillion-Dollar Housing Mistake." (Husock 2002) To Husock, HOPE VI was just another type of social engineering with superficially attractive buildings and unwarranted middle-class role model ideals. Moreover, he maintained that HOPE VI continued to produce perverse incentives for the poor to stay on public welfare, in contrast to his advocacy of compassionate conservative housing policy.

7.1.2. Coupling and Policy Entrepreneurs

The word about "HOPE dashed" took almost everybody by surprise, perhaps including HUD itself.²² HUD's own position regarding HOPE VI had to take a 180 degree turn. On April 24, 2002, during his congressional hearing about the Housing Affordability for America Act of 2002, Assistant Secretary of Public and Indian Housing Michael Liu expressed solid support for a two-year reauthorization of HOPE VI and broader program participation in terms of size and

²² It was said that Vice President Cheney told Mel Martinez that the Administration was determined to see HOPE VI ended.

location.²³ A year later, Liu's testimony before the same subcommittee changed tune entirely. Stating that HOPE VI had fulfilled its congressional mandate, and was entrapped by many problems such as slow implementation and large unspent funds, HUD's spokesman now made it clear that HOPE VI was not an effective program, let alone the poster-child it used to be.

In the interest of the program's survival, HUD adjusted the 2002 NOFAs to encourage "project readiness," by requiring PHAs to have private funding in place prior to receiving a grant award. What was used to be "the first money in" for the worst projects, HOPE VI funds now became the last thing to come in the door. As Sharon Wilson-Geno, senior legal counsel and lobbyist for CLPHA vividly described it:

The way the program is now changing is like the federal government was not saying, "we take the risk; we are the catalyst." They are saying "we want to be protected. We want to take the credit for it, but we are not driving it." That's a fundamental change.²⁴

What's more, the 2002 NOFA placed a \$20 million cap on award amounts. This change significantly dampened the attractiveness of HOPE VI money. With mixed-financing tools coming of age, a number of housing authorities chose not to bother to compete for HOPE VI. Developers, with plenty of opportunities at a time when the real estate market was hot, found HOPE VI less attractive, particularly in the face of increasingly cumbersome strings attached to the program. While they had come to the table and helped lobby for additional funds for HOPE VI in the past, in the critical year of 2003, CLPHA had a very difficult time getting developers and investors to rally behind them in fighting for HOPE VI's survival.²⁵

Riding the waves of efforts to maintain the life support for HOPE VI, Representative Jim Leach (R-Iowa) introduced H.R. 1614, H.R. 1614, the HOPE VI Program Reauthorization and Small Community Main Street Rejuvenation and Housing Act of 2003. The bill expanded the scope of HOPE VI's beneficiaries to PHAs in smaller cities, as certain Congressmen's

²³ Statement of Michael Liu, Assistant Secretary for Public and Indian Housing, before the U.S. House of Representatives Committee on Financial Services, Subcommittee on Housing and Community Opportunity

²⁴ Interview with Sharon Wilson-Geno (08/19/03).

²⁵ Interview with Sharon Wilson-Geno (08/19/03).

constituents were unhappy due to the lack of similar redevelopment resources that had gone to large urban PHAs, which was not a surprise given the electoral base of the Republican party.

Meanwhile, members of Congress such as Senators Barbara Mikulski and Christopher Bond (Ranking Member and Chair respectively of the Senate VA-HUD Appropriations Subcommittee), asked HUD Secretary Mel Martinez to assess the future of HOPE VI by consulting with interest groups. An invitation-only meeting was held on May 28, 2003. Many housing industry leaders and advocates learned of the meeting from an Associated Press article the day after. Reportedly the twenty-one invitees were for-profit developers; most did not have direct experience with public housing. Included on the short list was Howard Husock, who had long opposed HOPE VI or any government assisted housing (including CDC-built housing). Despite their request, no residents or advocates of fair housing were invited.²⁶

Joining CLPHA's tireless efforts, such as lobbying day, and arranging for congressmen to visit HOPE VI sites, the National Housing Conference, led by Conrad Egan, President and CEO of the National Housing Conference (NHC), also took a series of measures to save HOPE VI from the cutting board. Former HUD Secretary Henry Cisneros and his former Chief of Staff Bruce Katz also lent their support. In an op-ed column in the Atlanta Journal-Constitution, Cisneros and Katz (Katz and Cisneros 2004) urged Congress to "keep HOPE VI alive and well," referring to new Brookings and Urban Institute report and extolling HOPE VI's many successes in cities like Atlanta.

The issuing of the 2004 NOFA of HOPE VI did not spur too much excitement among the HOPE VI fans. Despite its broadened constituency and their efforts to save HOPE VI, the affordable housing industry was thrown into one crisis after another. In fact, cuts in HOPE VI proved to be only the beginning, and perhaps the easiest to stomach, as housing advocacy next faced the task of halting the cutbacks in the Section 8 program – just another example of widespread reductions in housing assistance to low-income families. Inside HUD, to many, knowing that the funds still in the pipeline will keep the HOPE VI shop at HUD in operation for another five years, the fate of the program depends on the result of the 2004 presidential election.

²⁶ NLIHC Memo to Members, 5/30/03.

7.2. Summary

With the opening of the window of opportunity due to the scheduled sunset of HOPE VI in 2002, policy activists and resident groups actively circulated their studies to mobilize support for their perspectives and advocate for continuing or reforming the popular program. While taking a safe ride through shallow currents of fluctuation of policies and practices in HOPE VI during the late 1990s, few foresaw the abrupt and profound shift in the political climate ahead.

In 2001, the terrorist attacks opened a window of opportunity for the White House to pursue the war in Iraq while retreating from its social responsibilities. Despite fierce opposition from a burgeoning industry developed around HOPE VI over the past decade, upset by the slow pace of implementation, the White House launched a “poison arrow” at HOPE VI. Tellingly, some political leaders wasted no time taking advantage of the unfortunate fate of Achilles and refocused HOPE VI on the republican electoral base of small communities and rural areas. After Mel Martinez left HUD to run for a senate seat in Florida, Alphonso Jackson became the first HUD secretary with direct experience in public housing, who also served on the National Commission of Distressed Public Housing and helped write the HOPE VI legislation. As the position of the junior Bush Administration on HOPE VI remains unchanged, this latest saga of the HOPE VI policy and politics is still a work in progress.

Chapter 8

CONCLUSION

8.1. Summary of Findings

From a policymaking perspective, HOPE VI's policy evolution is reflective of the converging forces of political climates (macro and micro), the range of available policy proposals, and the problems defined at particular junctures when opportunities for change occurred.

In the late 1980s and early 1990s, the highly publicized and tarnished situations in many of the public housing developments in most of the nation's largest cities sparked congressional attention to the brewing problems of public housing. The confluence of the HUD scandals gave rise to legislative possibilities for setting up a blue-ribbon National Commission designated to provide actionable solutions. Taking advantage of a transitional year in national politics, Senator Barbara Mikulski adeptly advocated a new program that drew from the community empowerment/community-building ideal and the recommendations of the National Commission. When the brief language in the 1993 Appropriations Act was translated into the Urban Revitalization Demonstration/HOPE VI program, however, the inertia of traditional approaches to public housing at HUD proved to be too strong to overcome. Despite the claims of Congress and the high expectations of advocates, HOPE VI primarily took a "business as usual" approach – fixing the "problem projects" via large-scale comprehensive redevelopment (i.e. do it all within the physical and institutional boundary) in its early years of operation.

Soon after the demonstration program was put into practice, the veteran affordable housing developer Richard Baron seized the opportunity brought by the new administration led by a Third Way President and pushed for the use of tax credits and private sector engagement in public housing. Baron's effort converged with the public housing industry's (primarily CLPHA's) extensive lobbying for several legislative and regulatory reforms including the repeal of one-for-one replacement rules and an end to federal preferences for the least advantaged tenants. Innovations in HOPE VI were greatly accelerated following the widely unanticipated 1994 Republican victory in Congress, which opened a window for a sharply more

conservative policy discourse. The national agenda after the rightward shift in Congress was dominated by the imperative to rein in an explosive national debt and to balance the budget. In the renewed national mood of “getting the government off our backs,” the debate surrounding welfare reform reinforced the shifting public opinion about the government’s support to the poor. Already championing profound reforms in public housing, visionary leader Secretary Henry Cisneros undertook a preemptive strike in response to the proposal to the proposal to dismantle HUD by the Gingrich-led GOP. Experimental in nature, HOPE VI soon embarked on a decisive departure from the conventional ways of doing business as conceived in the 1937 Housing Act. Riding the tide of government reinvention and the “devolution revolution,” HUD opened the door to all interested parties to test out various strategies that were circulating around at that time for transforming public housing. Reframing the issue of “problem projects” into the notion of “concentration of poverty” cultivated by urban poverty research in the past decade, HOPE VI promoted de-concentration strategies through mixed-income, financial leveraging, and public-private partnerships. PHAs, with their local partners, emerged as the new policy entrepreneurs driving many of the policy innovations. The Congress for the New Urbanism, poised to turn HOPE VI’s ambitious goal into the production of attractive neighborhoods, ardently joined the transformation undertaking. By 1996, HOPE VI unleashed an unprecedented surge of energy, creativity, and entrepreneurial spirit within the public housing arena.

After the Pandora’s Box of changes was opened for HOPE VI, the late 1990s witnessed a period of program refinement. Following the landmark Welfare Reform legislation of 1996, HUD secretary Andrew Cuomo worked with Congress and finally brought lengthy debate over public housing reform into fruition in 1998. HOPE VI became the showpiece of a new HUD with better performance and proven competence. On the other hand, Cuomo’s push for standardized set of rules and guidelines for HOPE VI, coupled with the passage of QHWRA, reined in some flexibility that PHAs had had. The new HOPE VI chief, Elinor Bacon, proactively brought an even wider range of actors into the HOPE VI policy landscape and pragmatically shifted the focus of social services to job-focused self-sufficiency programs. In general, HOPE VI reinforced its direction toward higher leveraging, greater income-mix, and quality design. At a time when the nation was tackling an affordable housing crisis in the midst of a prosperous economy, HOPE VI enjoyed rising publicity yet faced mounting controversy

from low-income housing advocates. Nonetheless, the chronic problems of inadequate bureaucratic skills and lack of accountability at HUD and PHAs made it difficult to meet the challenging demand of making complicated real estate deals as well as to solve one of the society's hardest problems.

Since 2001, George W. Bush has decisively led the country to the right. Retreat from social policies prevailed at a time when tax cuts coupled with war expenses led to enormous national deficits. Despite its popularity and increasing support from a growing constituency, the Administration hastily declared mission accomplished and HOPE VI was "out of fashion."

8.2. Reflections on Research for Theory, Policy Research, and Advocacy

HOPE VI appeals to me deeply. It is not because HOPE VI is a hot topic in early 21st -century housing policy circles, though it is arguably so. As I described in previous chapters, few would disagree that politicians and practitioners like it—its appeal cuts across Democrats and Republicans, feds and locals, leaders and ordinary people. On the other hand, there has never been a shortage of criticism and controversy surrounding this program. Some suggest that HOPE VI is the federal government's latest step in a retreat from serving the poorest of the poor. Many have even drawn the comparisons with the most notorious aspects of urban renewal, pointing to land grabs, local elites exploiting policy loopholes at the expenses of the most disadvantaged, and the new theories of social engineering. Tellingly, notwithstanding the polemic debate about its success and failure, when the Bush Administration took the action to phase out HOPE VI, even the long-time critics favored mending the program – not ending it.

While scores of stories in the media, and reports and studies by high-profile think-tanks, policy experts, and activists offered contradictory accounts of HOPE VI, an important question was left unanswered with respect to the changing nature of the program. Using Langley Keyes' metaphor – HOPE VI moved from being the public housing tail (fixing up the worst stuff at the margins) to being the tail that was going to wag the dog (models of affordable housing for the 21st century). This was never the case in the earlier programs with earlier programs in the assisted housing world. This study has brought in a policymaking perspective to gain new understanding of this much neglected aspect of HOPE VI.

To tell the tale of “the tail of the public housing dog,” one needs a framework to explain the trajectory of policy change in its own context, showing how different groups obtained their diverse views and visions about public housing and how these frames of reference shaped the course of governmental actions regarding HOPE VI. Various leads pointed to the world of politics – a vital and creative process through which we as a society attempt to achieve aspirations and address often intractable problems among groups with divergent ends. It is within this general construct that my research on HOPE VI policymaking has been carried out and this forms the basis for my further reflections regarding the theory of policy process, policy research, and advocacy.

8.2.1. Theory

A Recap

In terms of theory, the task of this dissertation has been simple and humble. I have taken one plausible lens – John Kingdon’s Multiple Stream model – and used it to think about change in the policy process of HOPE VI, namely, the underlying currents driving the “sea change” in 1995 and the constant adjustments in policy throughout the program’ course and discourse over the past decade. I have endeavored to discover what Multiple Stream theory can teach us about HOPE VI and low-income housing policy.

In the real world of policymaking for HOPE VI (or low-income housing in general), though few would argue with the need to “solve the problems in the most distressed public housing” (or to ensure “a decent home and a suitable living environment for every American”) as a society, the operational goals and means have been highly contested in day-to-day political decision-making. Kingdon’s multiple streams construct recognizes that policymaking is not serving “one mind, one will, and one theory” from which one can derive one *rational* analysis of the best policy. Instead, it is a collective and democratic decision-making process that produces changes when multiple threads – articulation of problems, availability of policies, and development of politics – converge at the right moment.

Adding to these essential “streams” of the policymaking world, the theory also introduces the concepts of policy entrepreneurs and windows of opportunity, which pulls both deliberate actions (made by diverse parties with different problem definitions thus solutions suggested)

and chances (opened by focusing event with pathways to change) into the working of the policy world where long-standing battles and fortuitous breakthroughs coexist in the messy political process.

Through this lens, policies chosen in the decade-long history of HOPE VI were a function of what *mix* of problems, solutions, and politics the “garbage can” contains and *how* they are processed by policy entrepreneurs and *when*. Therefore, ideas, interests, and institutions (the organization of ideas and interests) all matter tremendously.

In other words, politics per se is not sufficient to explain the policy change. One might hypothesize that the rightward swing in political climate predicted the path HOPE VI policy would take – privatization, deregulation, and devolution. However, a closer look at the introduction of the “HOPE VI Plus” ten months before the congressional power shift suggests that the development in the political stream only accounted for one of the myriad processes that set the pattern of changes. In fact, Secretary Cisneros started bold reforms of public housing during the first year of the Clinton Administration, long before the Republican’s attack on HUD in 1995. Jeff Lines, along with other seasoned practitioners, also maintained: “I believe that a lot of the perspectives that were facilitated through [HOPE VI] and through subsequent events were on the way already. [The ideas] were coming anyway, because people were ready for change.” The 1994 ideological shift did, more precisely, produce a “bandwagon” effect, accelerating the privatization and devolution process in HOPE VI, low-income housing policy in general across policy domains.

Similarly, innovative ideas by themselves are not enough to facilitate policy change. The utilization of tax credits, involvement of the private sector, and the economic and institutional investment and collaboration had already demonstrated substantial potential to deal with distressed communities in the realm of the non-profit housing sector before HOPE VI championed creative financing and institutional partnerships. However, the long history of public housing and its institutional structure resisted a leap forward to a new way of doing business that entailed accepting new values and new technical challenges.

It is no surprise that HOPE VI has numerous “mothers” or “grandmothers” when it comes to who “invented” the ideas of mixed-financing and mixed-income communities that significantly

reshaped the program. However, the existence of ideas does not automatically translate to policies. In the absence of a ripe political environment and action by policy entrepreneurs to link proposals to programs and politics, the mere existence of ideas could not give birth to and set forth the growth pattern for HOPE VI.

Likewise, although distressed conditions worsened during the 1980s, the fundamental characteristics of the “problem projects” had not changed much over the previous decades. Nor was the recognition of the negative impact of concentration of poverty new to the world of housing policy.¹ However, not until the mid-1990s did the window of opportunity open wide for policy entrepreneurs to seize the ripe political climate and reap the fruit of using ready solutions to solve old problems. Recognizing the popular choice of ending welfare dependency as the core of social policy and later the drastic right-shift in the political discourse, policy entrepreneurs like Henry Cisneros, rearticulated the problem of the worst projects as issues of the concentration of poverty and the isolation of the public sector, and hence championed the solutions of engaging the private sector and creating mixed-income communities.

Clearly, there was no single answer to all the ebbs and flows presented in HOPE VI policymaking. The beauty of Kingdon’s framework is that it nicely brings together participants and processes in a coherent and manageable manner. The metaphor of multiple streams demonstrates stronger descriptive power during Phase II (1995-1996) and Phase IV (2001 onward) of HOPE VI than during the “codification” phase of HOPE VI (1997-2000). This aspect confirms Zahariadis’ contention that Kingdon’s conceptualization of separate processes works better under the circumstances of unstable environments in which information is either too little or too much, goals are ambiguous and the search for the best solution is uncertain and problematic (1998). Here the explanation becomes more context-dependent and more interactive, thus appearing less linear or “rational” in a traditional sense. On the other hand, when the context was stable, general preferences and goals of various actors were well defined, the specific choices appeared to be straightforwardly responsive to what worked and what did not in the field. In this scenario, the practice of matching solutions to specific problems was the

¹ Deconcentration measures were encouraged in the 1974 Housing Act.

norm and the problem and solution streams seemed to be well-connected, instead of independent as described in Kingdon's frame (See Appendix B).

Extending Kingdon's Multiple Stream Frame to Agency Rule-making

As the highs and lows in HOPE VI policymaking took place largely within the regulatory process at HUD, rather than through the legislative process in Congressional chambers, this dissertation has extended the Multiple Stream framework to the analysis of rule-making – both a political process and an administrative process – at the executive branch level. Rule-making became important in the social policy landscape in the 1990s, in large part because the fact that Democrats lost their edge in the legislative process in Congress but realized that they could continue to exercise influence by manipulating the regulatory arena. Therefore, agencies were able to utilize various levers to protect or extend subsidies by maneuvering rules, frequently under the political radar screen, outside the purview of Congress, and undetected by the media. Considering the leading role of the executive branch in the social policy arena (not only in the subject of housing), this study shows the need for more efforts to address the scarcity of research on this subject within political science, urban planning, and other relevant scholarly communities.²

It is noteworthy that Kingdon's influential theory was set out to study agenda-setting, alternative specification, and policy formation in the legislative process. For example, the analysis of the policy process of QHWRA is a natural and straightforward application of Kingdon's model, while the rule-making (or quasi-rule-making) process needs further scrutiny as to the legitimacy of this theory's application. According to Cornelius Kerwin's classification (2004), rules can (1) implement, (2) interpret, and (3) prescribe laws and policies, with their influences varying depending on the level of specificity of laws. As the case of HOPE VI shows, when Congress establishes the goals of law or policy in legislation but spells out few details as to how they are to be put into practice, an agency will make rules to "prescribe" and fill the vacuum. In this scenario, rule-making is open to participation by outside interests in rough proportion to the openness of the legislative process. In the cases of rules

² According to Xavier Briggs, by using the regulatory lever, Briggs (then Acting Assistant Secretary of PD&R at HUD under Secretary Cuomo), and HUD made existing vouchers more useful in a tight market such as San Francisco.

“implementing” fully established legislation or “interpreting” well developed law that is confronting unanticipated circumstances, treating rule-making as the same family of the legislative process is perhaps problematic; hence the application of Kingdon’s framework is not encouraged.

Moreover, there is extensive literature on regulatory and bureaucratic behavior and decision-making to answer the central question of what determine how bureaucrats in agencies reach decisions on the contents of the regulations and rules they write. Future research can certainly benefit from this set of literature.³

Lastly, it is worth noting again that the application of this theoretical lens to this analysis per se cannot prove or disprove the efficacy of this theory in explaining policy change in HOPE VI. Considerable knowledge can be gained when different theoretical frameworks of how HOPE VI policies are made are compared with one another. Further research such as using other plausible alternative theoretical constructs (i.e. Advocacy Coalition Framework, Punctuated Equilibrium model, etc.) to explicate the policy dynamics of HOPE VI will certainly help in this regard.

An Un-answered Question

One of the factors that has made HOPE VI controversial has been its many implementation snafus (see FitzPatrik 2000; CCC 2003). It is worthwhile to note that Kingdon’s Multiple Streams does not set out to understand the patterns of implementation and/or the *differential* policy outcomes or performances – successes, pathologies, and fiascos – that particular policy choice might make on the ground. The classic literature on implementation, which has undergone three generations of research since the 1970s, can provide plenty of analytical lenses to address the important yet unanswered question about HOPE VI policies. Such an effort, however, would entail another dissertation.⁴

³ The majority of this body of literature focuses on “who controls” – bureaucrats, Congress, Interest groups, or policy networks? The Principle-Agent model has emerged from multiple disciplines and become widely discussed as a promising framework. See Wood (1989), Waterman and Meier (1998).

⁴ Part of the new development in study of implementation derives from literature on organizations, inter-organizational relations, and institutional analysis of bureaucracy. For a detailed review of the state of implementation research, see Laurence O’Toole Jr.’s “Research on Policy Implementation: Assessment and

In Kingdon's framework for explicating policy choice, policy implementation is viewed as an integral part of the policy process, presenting another opportunity for actors to exercise their influence, especially for those whose preferred solution to a problem was not selected. As in the cases of many PHAs such as those in St. Louis, Atlanta, Pittsburgh, Seattle, and Boston, their actions in translating HOPE VI plans into practice, as well as their abilities to connect to the policy making elites in Washington, affected the policy choices of HOPE VI.

However, it seems possible to use Kingdon's heuristic to describe the ultimate policy choices at a particular development as a result of the convergence of local politics, problems defined in particular sites, and prominent policy proposals within a particular local context of competing visions and goals for revitalization, as local policy entrepreneurs labor to hook the three streams together and bring a HOPE VI proposal to fruition on the ground.

8.2.2. Policy Research

As for policy research, the story of how HOPE VI was shaped has shed light on the ways in which "the idea whose time has come" actually does come to pass, and has shown how relevant research has been used in shaping the program longitudinally. It suggests a more realistic and yet positive view of the usage of policy research in policymaking.

From the more than thirty interviews about HOPE VI policymaking emerged a seemingly miserable message: research didn't have a fruitful impact on how the rules about HOPE VI were being written. As shown in the ideas that have made their imprints on HOPE VI in the midst of political struggles over the years, there was never a clear consensus regarding the theoretical assumptions, and/or the empirical evidence, or even the technical feasibility of the ideas chosen at almost any stage of policy development.⁵ Time and again systematic research always came too late for a decision to be made. In fact, to date, the promises and realities of mixed-income communities and the role of social capital in enhancing the life chances of the

Prospects" (2000). For a discussion of how local governing regimes affect the policy outcomes of HOPE VI, see Melissa Pavone and Johnason Justice's "Urban Governing Regimes as Federal Policy Tools: Evidence from the HOPE VI Program," paper submitted to the 34th Annual Meeting of the Urban Affairs Association, Washington, D.C., March 31-- April 3, 2004.

⁵ This phenomenon is not uncommon in HUD's policy history. According to Winnick (1995: 95), Congress enacted the basic legislation for housing vouchers before the monumental Experimental Housing Allowance Program (EHAP) was launched.

poor are still subject to intense debate among the research community. The positive findings from the economic impact of HOPE VI intervention on surrounding neighborhoods came to the scene rather late. What's more, no matter how solid the research design and how advanced the modeling techniques are, policy research may never be sufficient to prove or disapprove the efficacy of the HOPE VI approach in its entirety, as so few of HOPE VI developments have been completed. Similarly, the effectiveness of various self-sufficiency programs is still awaiting further data and more time to draw any definitive conclusions.

Adding to the dilemma, changing policy objectives (e.g. from fixing the project to community-wide revitalization) and diverging local implementations rarely provide the conditions for sound research design and conclusive judgments; even the same facts/findings can be used by policymakers to establish different positions (e.g. troubled authorities needed HOPE VI awards to turn them around vs. most troubled authorities did not deserve the grants until they proved their capacity). The early idea that planning grants designed to help gear up PHAs for the challenging and complicated task appeared rational and reasonable to many respected scholars and experienced practitioners. Nonetheless, given the messy political reality that virtually every planning grant meant a subsequent implementation grant, regardless of how authorities performed in their planning activities, a pre-implementation grant appeared to be less instrumental, both economically and functionally.

Last but not least, rather than being value neutral or purely scientific, much policy research about HOPE VI has been initiated and conducted with specific agendas, to confirm or postpone decisions, to provide the appearance of rationality, and to secure political leverage, as in the cases of National Commission's *Final Report*, HUD's *Lessons Learned and Best Practices*, and *A Decade of HOPE VI* by the Urban Institute and the Brookings Institution. To a certain extent, the advocacy research by ENPHRONT and CCC, *HOPE VI Unseen*, can also be considered as agenda-driven, as shown by their somewhat biased research design process.

For "hard core" scholars who stake their reputation on trying to be value-neutral, it is often too easy to dismiss intractable policy controversies with the label "everything is political," or to condemn politics taking over policies and thus shy away from digging deeper to understand how the political process works. It would also be unrealistic to generate so-called "scientific" or

“objective” analyses of problems and solutions in the value-laden world of social policy. Rather, it is vital, if not solely pragmatic, to take cautionary views of political nuances and to develop a thorough understanding of the logic and philosophy that drive policy analysis – not only that of others but also our own.

In truth, the role of policy researchers and policy analysts is frequently not “problem-solving” in an immediate sense, although the analytical work of experts is regularly discussed and referenced by Hill staffers, lobbyists, and bureaucrats. Instead of “fact finding” or immediate “problem-solving,” research is used as instruments for participating in the politics of bargaining, persuading, and compromising among conflicting interests. There is, after all, no universal truth shared by all parties (Stone 1997).

Although not instantly or directly affecting policy outcomes, research does play a profoundly vital role in the bid for power in the long run. Through a process of “communicating, diffusing, and discussion,” researchers and analysts help shape the general setting of ideas from which both citizens and policymakers take their cues and references (Kingdon 2003: 116-44). As the HOPE VI story tells us, the research by William Julius Wilson in the 1980s that highlighted the structural reasons and spatial dimension of big-city ghettos and the ghetto poor became widely embraced, albeit not without excruciating debates, by the policy community and even by the larger public. By the early 1990s, scholarships on urban poverty that followed Wilson, the broad discussion of increased concentration of poverty, and the writings on the decline of civic networks that bind people and communities by Robert Putman and others, also supplied new understandings of the origins of and solutions to the problem of distressed public housing, as well as alternatives and frames that lobbyists and politicians turned to for inspiration and informed decisions.

In essence, it will prove to be fruitful to view policy research as part of the political process of democracy. Taking a leaf from Kingdon again, for an idea to be adopted in “organized anarchy,” one needs not only to present problems and solutions in a tactical manner, but must diligently “make the soil fertile” for ideas to take root, grow, and flourish. In the small world of assisted housing, therefore, the broader role of researchers lies in informing/educating the public (with politics), stimulating interest in the issues of affordable housing, and broadening

the coalition rallying behind specific ideas and perspectives. Above all, the search for genuine solutions for “affordable housing for all” requires that society at large comprehend the opportunities and potential negative impacts of failing to succeed. It is in this realm that knowledge generated and alternatives disseminated by the academic or the larger research community matter tremendously.

8.2.3. Advocacy

A few specific lessons can be drawn from the HOPE VI program-shaping saga which was mainly played out against the backdrop of a Democratic HUD protecting itself and its programs from a Republican Congress at a time when any request for more budgetary authority would be met with tough resistance.

In this scenario, first and foremost, the rule-making process became crucial in effecting changes in policies and programs serving HUD’s clients. Although it is certainly an exaggeration to say that HOPE VI saved HUD, the landmark program did present a better product and showed what public housing could achieve and what HUD could contribute – a sharp contrast to the unfortunate perception held in the political and popular discourse. As Andrew Cuomo candidly put it, “[There were a] lot of things we couldn’t get done legislatively, we did it in HOPE VI through regulations.”⁶

For HUD to be successfully fulfill its mission under a Congress that cared less (or little) about the well-being of the poor and inner cities, bureaucrats needed to be entrepreneurial, tactical, and innovative to make best use of the regulatory and administrative power in hand to avoid further retrenchment and advance the interests of disenfranchised groups and communities.

Second, the policy history of HOPE VI reveals some caveats about attaching one's policy proposals to particular problem frames. On many occasions during the course of HOPE VI’s evolution, the absence of strategic framing and reframing of the problems and solutions, showed that mere appeals to “facts” were not helpful. To risk simplifying a multifaceted issue, pitching the argument that there was an unmet need for shelters for the poor and thus

⁶ Interview with Andrew Cuomo (08/17/04). Similarly, housing advocate Barbara Sard estimates that tens of thousands of housing vouchers were added by manipulating rules, not by getting larger appropriations from Congress (Source: email communication from Xavier Briggs.)

demanding more resources at a tightened fiscal climate was not sufficient to win political support in the mid-1990s. Rather, as seasoned lobbyist Gordon Cavanaugh demonstrated, framing the problem to show how deregulation of the public housing system could “produce real, systemic, responsible budget reduction” caught the ears of politicians – yet did so without losing sight of the acute affordable housing needs.

Third, a thorough understanding of the political process is essential for a policy entrepreneur to be effective. Although HOPE VI rule-making is conducted in an environment in which there is ample opportunity for participation by outside interests, the fact that is less “visible” or “open” than a legislative process does favor the most informed and well-organized advocates. As revealed in the case of HOPE VI, Richard Baron was able to capitalize on his rich technical expertise honed in the field and his political savvy to recognize the windows of opportunity (due to the presence of reformists Henry Cisneros and Bruce Katz) to push his solutions and bring about change.⁷

On the other side, tenant groups and advocacy organizations have not been able to participate in a more informed and organized way. Although the regulatory process allowed public commenting after the rules were published in the Federal Register, housing advocates have largely underestimated or overlooked the agency's room for maneuver through regulations. In some cases, advocates did not use the procedural rights that individuals and groups have in the rule-making process. When asked about how HOPE VI has changed, Dushaw Hackett of the Center for Community Change lamented:

I do think that the process of how HOPE VI has changed in terms of goals and means has been fundamentally wrong. We have a program that was conceptualized by a bipartisan group of stakeholders that was including residents, analyzing, researching, debating, that had been reaching consensus about what the set of goals and objectives was. For a federal government, to then over a period of 10 years, without public input, change the goals of the program and totally reconceptualize it by itself – by itself – and reconceptualized the program, looking through a political and ideological lens, I think it is fundamentally wrong.

⁷ Note that Richard Baron brought an educational background in Political Science and Law and worked with public housing tenants groups and practiced in civil rights law.

Clearly, the need for rule-makers to obtain information presents an opportunity for interests and ideas to influence the policy process. Conversely, the absence of participation presents a threatening prospect that participating opponents will exercise undue influence over rule-making outcomes.

The lack of meaningful participation from the resident groups can also be attributed to their weakening organizing power on the part of public housing tenants over the past decade. According to Mildred Hailey, the National Tenant Organization was dismissed after the former chairman passed away. Moreover, other than voicing discontent and demanding more public resources, tenants and activists have not been able to provide alternatives and thus lack leveraging powers to influence policy outcomes.

On the other hand, when Richard Baron had been persistently advocating for opening the bunker of public housing to the outside world – from the time he served on the National Commission to the moment when Cisneros became the new leader of HUD during the first Clinton Administration, and this enabled him to bring his idea to HUD's attention. More importantly, Baron and others working in the affordable housing industry did have alternative solutions in hand and concrete examples on the ground that could be readily transferred to the traditional world of public housing.

Certainly, it is widely known that the disparity in resources gives some groups more voices as they have advantages in making campaign contributions, hiring lobbyists, mobilizing members, formulating policies, and getting the word out via the mainstream media. On a more uplifting note, however, although there is no doubt that the playing field in America is not level, the lack of power is only one piece of the puzzle in winning the battle in the politics of housing and urban redevelopment. Opportunities do exist and ideas and advocacy can be the key leading to those opportunity windows. For a policy entrepreneur to be valuable, the winning factor is not only the degree of discontent toward the authority or the establishment, but also how well groups organize themselves, get informed, generate ideas, and improve their bargaining position in the policy dynamic.

Practically speaking, for those who are committed to enhancing the well-being of the poor, we need a sense of strategy, for taking steps through the quagmire in the right direction, for

effectively influencing how politicians and bureaucrats make decisions, and for better engaging ourselves in the democratic political processes. Simply put, we need to know how to do advocacy *with* politics. Yet, we do need ideals – and yes, we do need the passionate pursuit of ideals, as they have the potential to break open the barriers of blind tradition and transform the aspirations and values of human beings. However, we should not let discussions of ideal public housing systems entice us away from the muck of real-world politics.

To further the cause of affordable housing for all, one needs to be proactive, persistent, and well prepared to link problems to solutions, incessantly mobilizing, bringing together people with different preferences, and unwaveringly pushing affordable housing to the forefront of public attention and ultimately onto the national agenda. Moreover, the strategy must be tactical: it is essential, to develop an astute sense of political realities and institutional constraints, as well as to remain attentive to any windows of opportunity and get ready to surf through before the openings close.

For those who think that the route to success might seem too small or incremental, Cushing Dolbeare, a long-time advocate of affordable housing has some encouraging words (Dolbeare 2002): “[w]e need to maintain room in the housing world both for idealists and incrementalists. To me, this is not an either/or question, but a both/and. I do not find my commitment to decent, affordable housing for everyone in the U.S. is diluted by taking advantage of regrettably small steps toward that goal as well as continuing to seek its fulfillment.”

The narrative of HOPE VI policy evolution might not say it all, but I hope this endeavor will broaden the intellectual basis for the on-going debate about the efficacy of HOPE VI and contemporary low-income housing programs in general.

Appendix A:

The National Action Plan by the National Commission on Severely Distressed Public Housing

Addressing the Needs of Residents

1. Provide increased funding for support services
2. Create a system at the highest levels of the Federal Government to coordinate social and support services
3. Promote economic development opportunities for residents of public housing by creating resident business, contracting opportunities, and job opportunities with PHAs

Addressing the Physical Conditions

1. Provide sufficient funding to enable PHAs, in cooperation with residents and other public and/or private entities, to eliminate unfit living conditions
2. Provide effective national leadership and guidance to PHAs in the planning, design, and ongoing operations required to turn around and manage severely distressed public housing;
3. Establish a model planning process to be used by PHAs in eliminating the causes of severe distress in public housing;
4. Provide encouragement and incentives to achieve coordination among government programs;
5. Address the limitations imposed by the using of HUD TDC guidelines for severely distressed public housing.

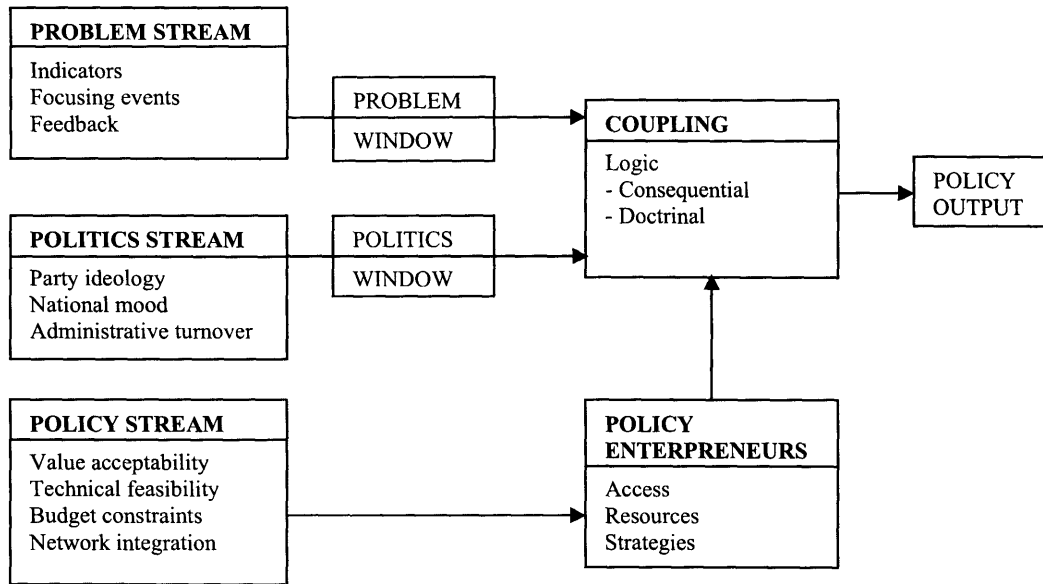
Addressing the Management Needs

1. Adjust the PFS to reflect the current needs of severely distressed public housing with the management flexibility and support needed to provide essential services to severely distressed public housing
2. Develop a new system to appraise the performance of housing organizations
3. Amend public housing rent calculation and income eligibility regulations to promote income mixing at public housing developments and to encourage residents to seek employment

Other Strategies

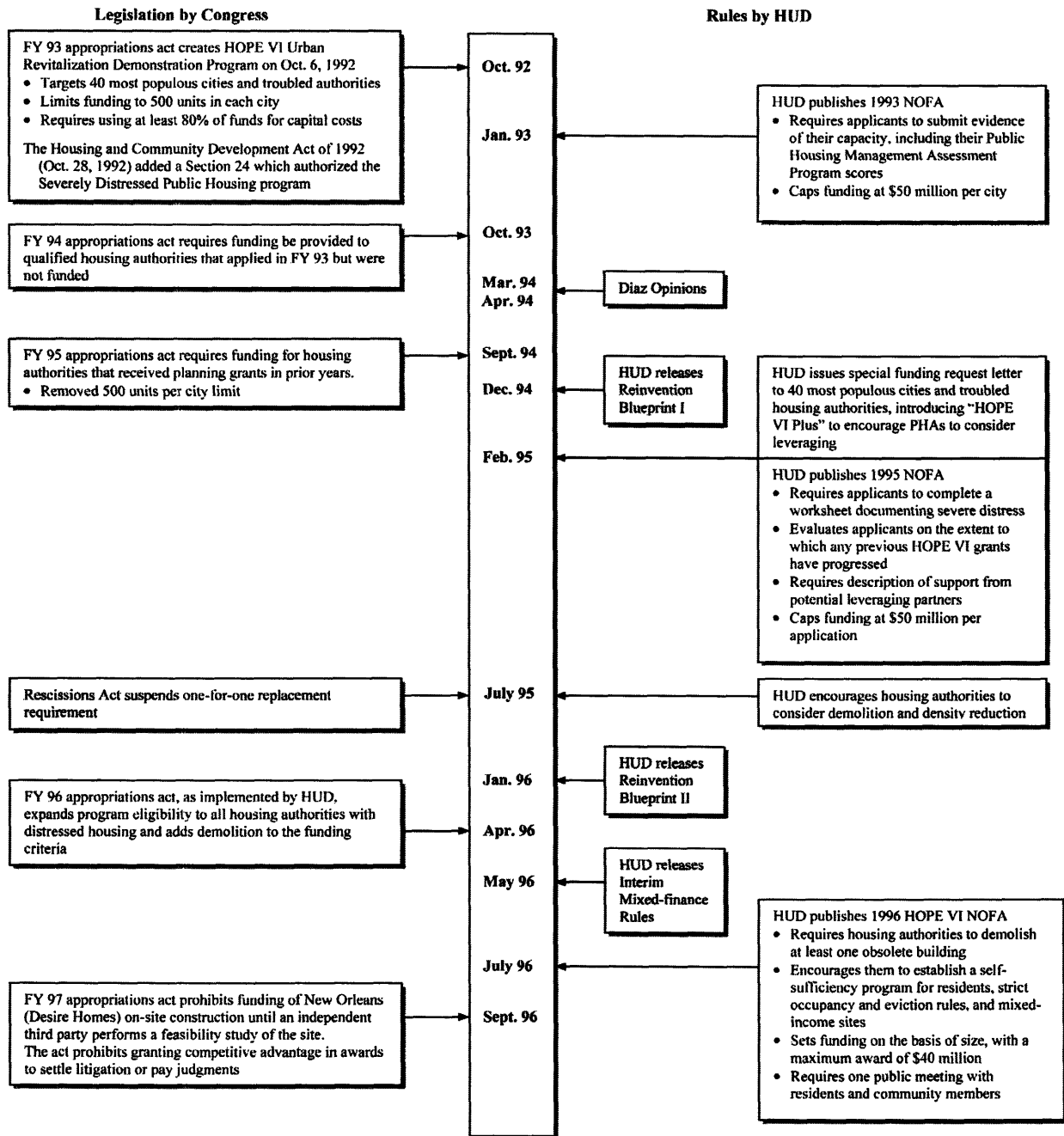
1. Encourage PHAs to pursue private and nonprofit management of severely distressed public housing where such approaches will result in improved operation of the housing units
 2. Address the serious lack of data on public housing in general and on severely distressed public housing developments specifically
 3. Have Congress authorize HUD's new unit on severely distressed public housing to review and examine the steps that can be taken to promote private sector and other public organization support for addressing the needs of severely distressed public housing.
 4. Have Congress authorize a new partnership program between PHAs, nonprofit organizations, the private sector, and residents to attract additional resources and involvement in treating severely distressed public housing. (limited partnership, tax credit, sell back to PHA)
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Appendix B: Schematic Representation of the Argument

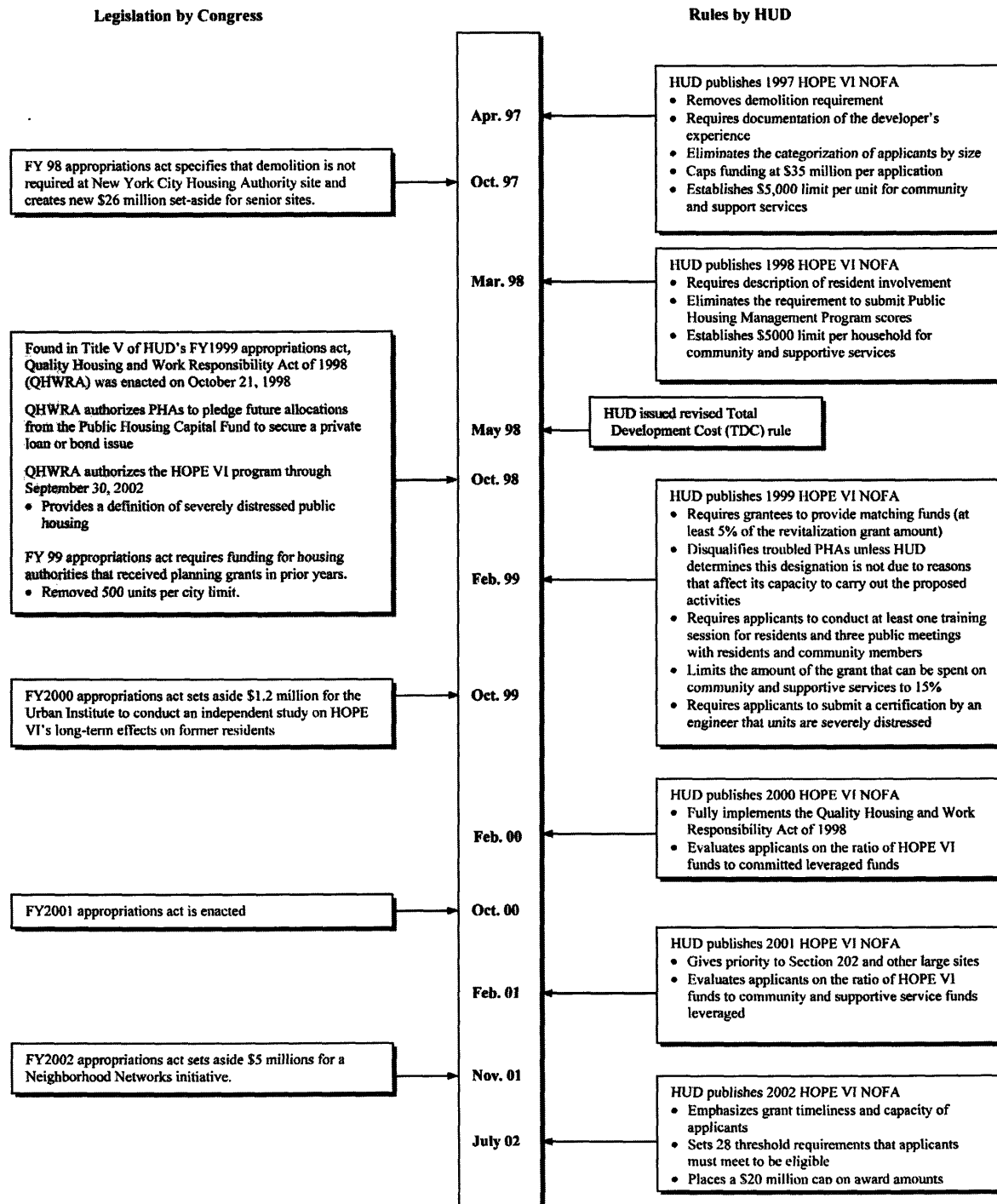


Adapted from Zahariadis (2003: 153)

Appendix C-1: Changes to the HOPE VI Program, 1992-1996



Appendix C-2: Changes to the HOPE VI Program, 1997-2002



Appendix D: Comparisons of HOPE VI NOFAs (1993-2002)¹

Table 4-a: Comparisons of HOPE VI NOFAs (1993/1994 vs. 1995 & 1996)

Component	1993/1994	1995	1996
Appropriation or Funding	\$300 million in 1993; \$778.24 million in 1994	\$500 million appropriated plus \$640,000 unspent from FY93-94	\$480 million
Purpose of Program	To address concerns identified in report of National Commission on Severely Distressed Public Housing.	Focus on LHAs' ability to compete in the local housing market. HUD predicted shift from project-based assistance to tenant-based. LHAs should increase use of leveraged financing and models of innovation both in housing and partnerships.	FY96 NOFA made significant changes, including: open program to all LHAs, require demolition, require certain selection criteria and releasing some restrictions. Carry forward successful elements: physically change public housing, create incentives for residents, enforce strict occupancy evictions rules, reduce concentrated poverty, forge partnerships
Development Eligibility, Obsolescence and Distressed Criteria	Must be "severely distressed" -- families living in distress; incidence of serious crime in the development; management barriers, and physical deterioration of buildings. Can qualify with one out of those four.		Obsolete: Physical deterioration of neighborhood. Change from residential to industrial. Environmental hazards, Neighborhood deficiencies HOPE VI could help. Distressed: Avg. income at percent of area median, crime statistics, vacancy rate, degree of concentration of low-income families
Development Eligibility, Limit on Units or Site	500 unit limit for implementation grants only Planning grants must be used in one development	No more than 3 sites in LHA's jurisdiction can be planning grants, implementation grants, or combination (one page per site)	No limited on number of units, but must apply for only one development. Category C can submit 1 or 2 appls, but cannot total more than \$40 million. Category D application is in addition to any other application submitted (2 ppl, 2 sites).
Development Eligibility and Total Development Cost (TDC)			If average per unit hard costs for rehab is below 62.5% of the TDC after demolition, development does not qualify except as Category D.
Community Service	Plan must be included and meet separate requirements. Plan approval from National Coalition on Community Service required before grant agreement executed		

¹ The tables are largely adapted from a chart developed by NAHRO.

Component	1996	
	1994/1994	1995
Selection Criteria and Scoring	30 pts. Extent of need	For implementation grants, HUD considered degree of innovation in proposed capital and operating structures, degree of leverage, severity of distress of nts, residents, development & neighborhood, whether LHA also applied for amendment funds \$ progress on LHA's original award.
	30 pts. Capability of LHA	
	20 pts. LHA's potential for success	
	15 pts. Extent of resident interest and involvement	
	10 pts. Extent of involvement of local public and private entities	
	15 pts. Likely effectiveness of community service plan	
	Total: 120 pts.	
		20 pts., A, B, C categories: lessen concentration of low-income residents, including helping tenant-based assistance families move to non-impacted areas
		25 pts., need for demolition, revitalization, or replacement: obsolescence, effect on surrounding neighborhood. For A, B, C applications, also a market analysis for need for the replacement units proposed
		20 pts, Self-Sufficiency, +10 pts. For Campus of Learners, Self-Sufficiency Programming
Other Selection Factors		15 pts, Operating & management Principles
		25 pts., Local and national impact
		20 pts. Community and partnerships; +10 pts. For EZ/EC
		20 pts. Need for funding
		25 pts. Feasibility
		15 pts., Capability
		20 pts., Resolves litigation

Table 4-b: Comparisons of HOPE VI NOFAs (1997-2000)

Component	1997	1998	1999	2000
Appropriation or Funding	\$550 million	\$593 million	\$625 million appropriated FY99	\$575 million appropriated FY00
Purpose of Program	Continue successful elements: Physically change public housing, create incentives for residents, enforce strict occupancy & eviction rules, reduce concentrated poverty, and forge partnerships	To enable revitalization and transformation of the physical site of severely distressed public housing developments and the social dynamics of life for low-income residents at that site, or in any off-site replacement housing	Revitalization: Improve the living environment for public housing residents of severely distressed public housing projects, revitalize the sites on which severely distressed public housing projects are located, lessen concentration of low-income families, build sustainable mixed-income communities, and provide well-coordinated, results-based community and supportive services.	Revitalization: Improve the living environment for public housing residents of severely distressed public housing projects, revitalize the sites on which severely distressed public housing projects are located, provide housing that will avoid or decrease the concentration of very low-income families and build sustainable communities.
Development Eligibility, Obsolescence and Distressed Criteria	Must be obsolete: design or marketability problems resulting in vacancy of more than 10 percent of units not due for modernization. Density or building height greater than that of surrounding area, outmoded bedroom configurations, security problems, significant physical deterioration, and inefficient energy and utility systems. Also, if the cost of redesign, rehabilitation or reconstruction is greater than 70 percent of the TDCs for new construction	Development must be severely distressed as to physical condition, location, or other factors, making it unusable for housing purposes	Development must be severely distressed to warrant major redesign, reconstruction or redevelopment, or total or partial demolition due to deficiencies in the physical plant of the project, condition of public housing project is significant contribution factor in neighborhood decline, high rate of very low-income families with children, high rates of crime, costs are greater than available revitalization assistance through other programs, and has been legally vacated or demolished	Demolition: enable PHAs to expedite the demolition of severely distressed housing units
Development Eligibility, Limit on Units or Site	No limit on number of units. However, funds received cannot be more than \$5000 per unit.	No limit on number of units. PHA can submit one or two separate applications, with the sum of both not to exceed \$35 million. Each application may include more than one project provided projects are contiguous	No limit on number of units. Can be more than one project provide projects are contiguous or located within a quarter mile of each other	No limit on number of units. Can be more than one project provide projects are contiguous or located within hard edges of a neighborhood

Component	1997	1998	1999	2000
Community Service	<p>Must meet obsolescence requirement, demonstrate a need for funding, prove that the project will lessen concentration, and comply with Fair Housing.</p>	<p>Must meet severe distress requirements, be within grant limitations, hold public meetings during application process, meet replacement unit standards and Section 3 requirements, if located in flood plain must have flood insurance, must not target areas in the Coastal Barrier Resources System, OMB circulars, there shall be no conflict of interest (exemptions excluded), meet labor and building standards, meet lead-based paint testing and abatement requirements, and meet program income requirements</p>	<p>Must have flood insurance of located in a flood plain, not target areas in the Coastal Barrier Resources System, have Internet access, meet labor and building standards, meet lead-based paint testing and abatement requirements, meet program income requirements, and complete an environmental review</p>	<p>If awarded funds: must supplement HOPE VI funds with funds from other sources equal to not less than 5 percent of HOPE VI funds provided</p> <p>Must meet severe distress requirement, demonstrate appropriateness of project, may not have pending litigation that will preclude timely startup, be in full compliance with any desegregation or other court order related to Fair Housing, if located in flood plain must have flood insurance, and proposal must not target areas in the Coastal Barrier Resources System</p>
Selection Criteria and Scoring	<p>25 pts. Lessen isolation of low-income residents</p> <p>15 pts. Urgency of need for revitalization</p> <p>20 pts. Encourage resident self-sufficiency</p> <p>15 pts. Operation and management principles.</p> <p>25 pts. Positive local impact</p> <p>20 pts. Affirmatively furthering Fair Housing</p> <p>20 Pts. Community and partnerships (includes: 5 pts Each for resident support/involvement, community support/involvement, partnerships, and EZ/EC involvement.)</p> <p>25 pts. Capability and readiness</p> <p>10 pts. Efficient utilization of federal funding</p> <p>25 pts. Feasibility and sustainability</p> <p>15 pts. Proposal coherence and integrity</p>	<p>20 pts. Capacity of the applicant and relevant organizational experience</p> <p>20 pts. Need/extent of the problem</p> <p>40 pts. Soundness of the approach, including marketability, timeframe, innovation, involvement, design, and operation and management principles.</p> <p>10 pts. Leveraging resources</p> <p>10 pts. Comprehensiveness and Coordination</p>	<p>20 pts. Capacity of the applicant and relevant organizational experience</p> <p>20 pts. Need/extent of the problem</p> <p>40 pts. Soundness of the approach, including vision, feasibility, lessen concentration, community and supportive services, evaluation, outreach and involvement, operation and management principles, and Fair Housing.</p> <p>10 pts. Leveraging resources.</p> <p>10 pts. Comprehensiveness and coordination</p>	<p>20 pts. Capacity of the applicant and relevant organizational experience</p> <p>20 pts. Need/extent of problem</p> <p>40 pts. Soundness of the approach, including overall quality of plan, design, feasibility of plan, lessen concentration, relocation and Section 8, community and supportive services, resident and community outreach and involvement, communication, operation and management principles and policies, affirmatively furthering Fair Housing, and evaluation</p> <p>10 pts, Leveraging resources</p> <p>10 pts. Coordination and community planning</p> <p>2 pts. Bonus, Empowerment Zone/Enterprise Community</p>
Other Selection Factors				

Table 4-b: Comparisons of HOPE VI NOFAs (2001-2002)

Component	2001	2002
Appropriation or Funding	\$575 million	\$573.7 million
Purpose of Program	<p>Revitalization: improve the living environment for public housing residents of severely distressed public housing projects, revitalize the sites on which severely distressed public housing projects are located, provide housing that will avoid or decrease the concentration of very low-income families and build sustainable communities.</p> <p>Demolition: enable PHAs to expedite the demolition of severely distressed housing units</p>	<p>Assist public housing agencies to: improve the living environment for public housing residents of severely distressed public housing projects, revitalize sites on which such public housing projects are located, provide housing that will avoid or decrease the concentration of very low-income families, and build sustainable communities</p>
Development Eligibility, Obsolescence and Distressed Criteria		
Development Eligibility, Limit on Units or Site	<p>Limit of two applications provided that at least one is for Section 202, otherwise, one application per PHA. Can be more than one project provided projects are contiguous or located within hard edges of a neighborhood</p>	<p>No limit on number of units. Only one application per applicant. Can be more than one project provided projects are contiguous or located within hard edges of a neighborhood</p>
Development Eligibility and Total Development Cost (TDC)	<p>TDCs up to 100 percent of HUD's published TDC limits for the costs of demolition and new construction, multiplied by the number of HOPE VI replacement units</p>	<p>TDCs up to 100 percent of HUD's published TDC limits for the costs of demolition and new construction, multiplied by the number of HOPE VI public housing replacement units</p>
Match criteria/obligated funds requirements	<p>If awarded funds: must supplement HOPE VI funds with funds from other sources equal to not less than 5 percent of HOPE VI funds provided</p>	<p>In order to be considered for funding, must have obligated at least 90% of FY 98-99 Capital Fund amounts in a timely manner. If awarded funds: must supplement HOPE VI funds with funds from other sources equal to not less than 5 percent of HOPE VI funds provided</p>
Program Application Requirement	<p>Must meet severe distress requirement, demonstrate appropriateness of project, may not have pending litigation that will preclude timely startup, be in full compliance with any desegregation or other court order related to Fair Housing; if located in flood plain must have flood insurance, and proposal must not target areas in the Coastal Barrier Resources System</p>	<p>Must qualify, as an eligible applicant, submit standard certifications, disclose all prior HUD public housing assistance for the targeted project, certify that costs meet the requirements, meet requirements of separability, certify that a developer has been obtained or will act as own, include an Administrative and Compliance Checkpoints Report, certify that applicant or manager will implement the operation and management principles and policies, meet severe distress criteria, certify that a resident training session and public meetings were held, complete a HOPE VI Revitalization Relocation Plan, comply with Fair Housing and Civil Rights Laws, be in compliance with any desegregation or other court order related to Fair Housing certify that all zoning approvals have been secured or scheduled, and demonstrate the appropriateness of the proposal</p>

Component	2001	2002
Selection Criteria and Scoring	<p>20 pts. Capacity to manage large-scale redevelopment or modernization projects, effective community and supportive service programs, and private and/or public housing</p> <p>20 pts. Need/extent of problem</p> <p>40 pts. Soundness of the approach, including overall quality of plan, lessen concentration, relocation and Section 8, community and supportive services, apprenticeship program, resident and community outreach and involvement, communication, operation and management principles and policies, affirmatively furthering Fair Housing, and evaluation</p> <p>10 pts. Leveraging resources</p> <p>10 pts. Coordination and community planning</p> <p>2 pts. Bonus, Empowerment Zone/Enterprise Community</p>	<p>21 pts. Capacity of the applicant and relevant organizational experience</p> <p>26 pts. Need/extent of the problem</p> <p>17 pts. Match and leveraging</p> <p>3 pts. Resident and community involvement</p> <p>6 pts. Community and supportive services</p> <p>5 pts. Relocation</p> <p>7 pts. Fair Housing and equal opportunities</p> <p>6 pts. Mixed-income communities</p> <p>23 pts. Overall quality of the plan</p>
Other Selection Factors		

Appendix E: List of Interviewees

Congressional politicians and the members of the White House staff

Bruce Katz	Senior Counsel, Senate Subcommittee on Housing and Urban Affairs (1987-92); Staff Director, Senate Subcommittee on Housing and Urban Affairs (1992-93); Chief of Staff, HUD (1993-96)
Steve Redburn	Chief of the Housing Branch, the President's Office of Management and Budget (OMB)
Andrea Jacobson	Office of Management and Budget
Peter Lawrence	Legislative aid to Senator Jack Reed (RI-D), ranking minority member, Subcommittee on Housing and Transportation, Senate Committee on Banking, Housing, and Urban Affairs

Department of Housing and Urban Development

Andrew Cuomo	Secretary of HUD, January 1997 – January 2001
Kevin Marchman	Assistant Secretary of OPIH (1997-2000) and Acting Assistant Secretary of OPIH (1995-1997)
Milan Ozdinec	Deputy Assistant Secretary of OPIH (2001-present)
Chris Hornig	Special Assistant and chief policy counsel for the Office of Distressed and Troubled Housing Recovery (1994-1995) and Deputy Assistant Secretary of OPIH (1995-1996)
Mindy Turbov	Division Director, HOPE VI Plus (1995-1996)
Elinor Bacon	Deputy Assistant Secretary of OPIH (1997-2000)
Marge Turner	Deputy Assistant Secretary for Policy Development and Research
Rod Solomon	Assistant Secretary for Policy, Program and Legislative Initiatives, OPIH (1995-2002); responsible for drafting public housing related legislation and regulation
Ronal Ashford	Director of Supportive Services, the Office of Community Relations and Involvement
Tony Hebert	HOPE VI staff, who authored the Best Practice and Lesson Learned Report in support of HUD's pursuit of reauthorization

General Accounting Office

Paul Schmidt GAO, in charge of many HOPE VI reports

Major public housing trade organizations

Sunia Zaterman Executive Director, Council of Large Public Housing Authorities (CLPHA)

Julio Barreto Director of Legislation and Program Development, National Association of Housing and Redevelopment Officials (NAHRO)

Christine Siksa Policy Analyst, NAHRO

Gordon Cavanaugh Reno & Cavanaugh, PLLC; former general counsel of CLPHA

Sharon Wilson-Geno A member of Reno & Cavanaugh, PLLC.

Local Housing Authorities

Deborah Goddard Director of Real Estate Development for the Boston Housing Authority

Daniel Henson Commissioner of the Department of Housing and Community Development and the Executive Director for the Housing Authority of Baltimore City

Tenant Groups and Residents

Mildred Hailey Member of the National Commission on Severely Distressed Public Housing; President, Bromley-Heath Tenant Management Corporation, Boston, Massachusetts

Maria Lebron Member of Mission Main Resident Task Force

Jackie Messy Resident Leader, Wheeler Creek Estates, Washington DC

Researchers (Housing research institutions and consultants)

Arthur Naparstek Authored and introduced the Cleveland Report (1992) to Senator Mikulski, which also served as the basis for HOPE VI legislation

Sean Zielenbach Research Director, Housing Research Foundation, HUD-funded non-profit research organization

Janice Kruger Project Director, Housing Research Foundation

Gayle Epp Abt Associates, conducted HUD funded, large scale HOPE VI evaluation

Sue Popkin The Urban Institute; conducted HUD funded, large scale HOPE VI evaluation, especially resident tracking studies
Tom Kinsley
Diane Levy

Jeff Lines	Lead technical consultant at the National Commission on Severely Distressed Public Housing; President, TAG Associates
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James Stockard	Principal Investigator, Public Housing Operating Cost Study, Harvard University Graduate School of Design
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Housing advocacy groups

Chester Hartman	President, Poverty & Race Research Action Council
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Wayne Sherwood	Sherwood Research Associates
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Dushaw Hockett	Director, Public Housing Initiative, Center for Community Change
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Real estate development groups

Richard Baron	President and CEO, chairman and CEO of McCormack, Baron and Associates, who has played a key role in bringing into HUD mix-finance and leveraging ideas
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Willie Jones	Senior Vice President and Director, the Community Builders, Inc., who has spearheaded the Community Builders' efforts in securing and implementing new HOPE VI engagements nationally
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