

Urban Redevelopment, Displacement and the Future of the American City

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Table of Contents

	page
Abstract	1
Introduction: At the Threshold of a New Century	1
Summary	4
Central City Decline and Redevelopment	6
Economic and Physical Decline of the Central City	6
Urban Reinvestment and Redevelopment	7
Urban Renewal as a Redevelopment Strategy	8
Alternatives to Urban Renewal	9
Displacement: the Redevelopment Dilemma	12
History of Displacement	14
Slum Clearance: 1945-1954	15
Clearance for Public Housing, Commerce and “Market-rate” Housing: 1955-1963	16
National Promotion of Social Change and the Neighborhood Movement: 1964-1974	18
Redevelopment of Central Business Districts: 1975-1984	20
Federal Retreat from Cities, 1985-???	22
Current Public Policies on Residential Displacement	24
Federal Policy	24
State and Local Policies on Displacement	25
Conclusion: Entering the 21st Century	27
Endnotes	30

Abstract

The renewal of our central cities is an ongoing national challenge. After the first major development of American cities to accommodate the nation's emergence as a world industrial power at the beginning of the 20th century, the complexities of urban redevelopment have frustrated our efforts to rebuild cities and left us with a mixed historical record of painful failures and, unfortunately, few successes. The mechanics of demolishing dilapidated and economically obsolete buildings are simple and easily accomplished, but they do not create demand for new uses.

Even when demand for new or restored land uses is sufficient for redevelopment to occur, the path to success is troubled by the displacement of previous residents and the elimination of their neighborhoods. Displacement can occur directly through property clearance and conversion to new uses, or indirectly through gentrification when land prices and rents are bid-up to a level unaffordable to the neighborhood's long-term residents. The redevelopment process can create winners and losers, with the losers too often racial and ethnic minorities and the economically disadvantaged. Physical and economic redevelopment are virtual imperatives for cities, but paths to redevelopment that minimize displacement and offset its negative consequences are unsure.

This paper examines the record of urban redevelopment during the last half of the 20th century. The post World War II history of redevelopment is traced through five periods: slum clearance; clearance for public housing; national promotion of social change; redevelopment of central business districts; and, the federal retreat from cities. The redevelopment problems that the federal urban renewal program attempted to address are identified, as are the serious failures of that program. Community development corporations and public-private partnerships are identified as the potential solution to the Gordian Knot of redevelopment and displacement.

Introduction: At the Threshold of a New Century

The future of American cities relies in part on continued and increased investment in their physical redevelopment. Our older central cities are the products of three major development cycles that built the early industrial city of the late 19th century, expanded that city outward along trolley lines, and then created the post-World War II industrial city that provided the economic muscle for a new world power. For the most part, the American central city--particularly in the Northeast and Midwest--was "built-out" by the 1960s. Large tracts of vacant land for development were gone. With central city borders fixed by state legislatures and peripheral farm land made accessible for development by the automobile and the super-highway, development shifted outward in massive waves of suburbanization.

Land development has pushed ever outward, creating prosperous “edge cities,” declining inner-suburbs built in the 1940s and 1950s, and depopulated, poor, and deteriorating central cities. Built environments are not static collections of museum pieces. Investment is made to maintain, improve, or rebuild. Or investment is withheld and physical deterioration and economic obsolescence accelerate.

Throughout the process, the built environment changes along with the ways we use that environment. Houses age and filter down to consumers with lower incomes. Former residences are converted to commercial uses. Commercial spaces shift downward in rents, quality, and prestige. Everywhere the city is a dynamic system of building, expansion, contraction, maintenance, decline, repair, demolition, and rebuilding. Occupants change; land uses change. For the most part, the development game is played in the private sector: wealth, economic power, and markets determine “highest and best” land uses. Competition rules. Risk requires reward. There are winners and losers. Redevelopment has created new, vibrant central city areas. Historic buildings have been restored to physical and economic vitality. At the same time, affordable housing has filtered upward in price and economic class. Historic buildings have been lost. Residences and neighborhoods have been destroyed. People have been displaced.

Neither the processes nor the outcomes are mechanistic or deterministic. They reflect individual and collective choices. Nor are they clear at the outset. There are no sure techniques; no definitive prescriptions. We proceed on experience, hope, belief, and, at times, guile. We depend on others to want the spaces we restore, rebuild or create anew, and want them enough to pay for them. The outcomes are not under our direct control. The 20th century started with the birth of the American central city. It ends with that city in large-scale deterioration. Nonetheless, there are signs of progress. Central business districts have been substantially rebuilt in many cities. Some neighborhoods have been restored. Community development corporations have gained valuable experience in stabilizing and revitalizing neighborhoods.

This paper examines our experience with urban redevelopment during the second half of this century. It was commissioned by the Federal Reserve of Richmond in response to its Norfolk community forum, which identified urban redevelopment and displacement as critical concerns. Although this study was prompted by the Norfolk forum, it is important to note that all cities are challenged to create redevelopment which balances the interests of new and old residents, of change and continuity, of investment and affordability. There are no easy solutions, but the first step is to learn from our failures and to study carefully the efforts that have succeeded.

Facing the 21st century, we are at a closing and an opening between two ages. At such times, anxiety and insecurity about the future are rampant and vision is blurred. Rebuilding the city in the 21st century will require new perspectives and new models, as well as an appreciation of the past. Embarking on a new age of the American city requires a clear understanding of the age we are leaving, particularly the tension between redevelopment and displacement that was prevalent during its closing half.

Summary

Central City Decline and Redevelopment

- Physical decline makes redevelopment a necessity for cities and reinvestment is needed to reverse declining incomes and the loss of middle-class populations.
- Private redevelopment requires public assistance through use of eminent domain, development subsidies, and regulatory incentives. Urban renewal addresses the land assembly and clearance problems associated with private redevelopment, but does not address inadequate demand for cleared land in distressed market areas.
- Private redevelopment without public assistance for land assembly has mainly occurred on “choice” parcels in selected neighborhoods, potentially leading to displacement through gentrification.
- Community development corporations have emerged as the principle alternative to public and private redevelopment efforts which contribute to displacement.

Displacement: the Redevelopment Dilemma

- The very investments cities need to attract can result in displacement of the residents of a neighborhood.
- Such displacement can harm the resident forced to relocate and would appear to be a legitimate matter of public concern.
- However, given normal, annual turnover of apartment units from 40 to 63 percent, about half of all “displacees” might move voluntarily within the year regardless of redevelopment, complicating definitions of “displacement.”

Slum Clearance: 1945-1954

- Densely developed in the core of the central city, many of the warehouses, tenements, and working class cottages built from 1860 to 1920 were dilapidated and in disrepair by the middle of the century.
- Initial efforts at slum clearance were expected to lead to private development of low and moderate income housing, but failed to do so.
- Cleared land remained vacant or was redeveloped for public housing in large scale projects.

Clearance for Public Housing, Commerce and “Market-rate” Housing: 1955-1963

- As the urban renewal and public housing programs evolved, they blended the effort to remove slums with racial prejudice, bureaucratic arrogance and private avarice.
- Redevelopment turned to commercial in place of residential development.
- The Urban Renewal Program was bitterly criticized as “urban removal” and the “federal bulldozer.”

National Promotion of Social Change and the Neighborhood Movement: 1964-1974

- The civil rights and neighborhood movements advocated more comprehensive and less destructive approaches to redevelopment.
- The period brought increased political power for inner city neighborhoods and greater commitment to housing rehabilitation in place of clearance.
- Community development corporations, devoted to comprehensive renewal efforts that create and preserve affordable housing, were introduced.

Redevelopment of Central Business Districts: 1975-1984

- The federal government retracted from the high risk political and economic realities of slum clearance and neighborhood redevelopment.
- Commercial displacement was not as politically sensitive as residential displacement and public-private partnerships achieved visible and politically popular successes with hotels, offices, convention centers, and festive retail establishments.

Federal Retreat from Cities, 1985-???

- The federal government has retreated from both leadership and funding of urban redevelopment, increasingly aiding people rather than places.
- Neighborhood redevelopment has been left to local initiative, with community development corporations acting as broker and catalyst. Under the Community Reinvestment Act, banks are encouraged to meet community credit needs.

Current Public Policies on Residential Displacement

- Federal guidelines specify requirements for relocation assistance, one-for-one replacement of any publicly assisted housing removed from the housing inventory, and preference in assisted housing for low income displacees.
- Leadership in addressing displacement has fallen to states and localities. State and local efforts to apply mandatory restrictions on private redevelopment face constitutional challenge and political disfavor. Localities are more likely to offer affordable housing programs, homeownership programs, and relocation assistance as means of mitigating potential displacement by private redevelopment.

Conclusion: Entering the 21st Century

- Although a variety of impediments make central city redevelopment unattractive when compared to the ease of suburban development on vacant land, the suburbs are also becoming “built out.” During the first quarter of the 21st century, our metropolitan areas will mature and redevelopment will be dominant.
- Redevelopment strategies will not be fostered by creating implied property rights for tenants, since displacement restrictions imposed on developers are likely to discourage private reinvestment.
- Balanced redevelopment will be best served by promoting homeownership opportunities, affordable housing, and mixed income communities. Successful redevelopment is most likely to come from development coalitions and partnerships established among local government, investors, for-profit developers, banks, and community development corporations.

Central City Decline and Redevelopment

Economic and Physical Decline of the Central City

The American city of the late 20th century faces serious social, economic, and physical problems. The list of urban problems is well known. After sustained population and boundary growth from approximately 1860 to 1950, central cities' boundaries were largely fixed by state legislatures. The supply of vacant land within the city was dwindling and transportation technology opened peripheral farm land to urban development. Post-World War II economic and demographic expansion fueled the demand for housing. A nation of urban renters would quickly become a nation of suburban homeowners.

The flats, row-houses and densely developed working-class cottages of the inner-city were the legacy of massive immigrations from Europe and from America's farms. They represented the old life of struggle and sacrifice. The suburbs, initially within the central city but increasingly outside its borders, represented the new life of economic security, progress, leisure, and consumption.

The shift of population to the suburbs started slowly in the 1950s, accelerated in the 1970s, and peaked in the 1980s. The middle class--both white and black--in large measure moved to the suburbs. Sensitive to the location of affluence, retail trade soon followed. Ringed by affluent suburbs, the city was virtually the only place open to the poor within the metropolitan landscape.

Loss of population and trade were soon accompanied by the erosion of the city's primary strength--industry. Changes in technology and the emergence of a world economy weakened the competitive position of the city's industrial infrastructure and its unionized labor force. Truck transportation over a high speed interstate highway system freed industry from its dependence on industrial agglomerations. Large cargo ships and air transportation freed it from the U.S. borders. Burgeoning economic strength overseas created new markets and new competition. American manufacturing moved out to the suburbs, the south, and other countries.¹

Depleted of its resources, disadvantaged by aged and obsolete infrastructure, strapped with an increasingly dependent population, the central city faces an unprecedented crisis. Reinvestment and redevelopment are essential. Hotels, offices, and commercial buildings are evidence of a city's economic vitality. Nonetheless, the city is mainly a place of residence. Hence a city's demographic vitality is part and parcel of its economic vitality. The demographic vitality of cities rests with the middle class. Unless cities maintain or replenish their middle class populations, housing markets and retail markets decline, and tax bases erode.²

Physical decline and the necessity of redevelopment are never-ending challenges for built communities. The evidence of decline is plentiful in American cities and is spreading to inner suburbs. Cities have lost population, commerce, and tax base. Declining incomes and the loss of middle-class populations can only be reversed through reinvestment and redevelopment.

Urban Reinvestment and Redevelopment

No matter how great the need, urban reinvestment and redevelopment are neither certain to occur nor certain to succeed. There are serious challenges and impediments to inner-city reinvestment. Markets may be uncertain. Demand for buildings and the services they provide are often unclear in areas where the prevalent market pattern is depressed. Establishing investor confidence and demonstrably increasing the demand for housing or commerce in a previously distressed area are pioneering activities.

Several impediments to redevelopment compound the uncertainty of demand. Land assembly is substantially more difficult and time consuming for multiple parcels involving several owners. Once land acquisition is initiated, existing owners can attempt to leverage exceptionally high prices in recognition of their potential veto over a project. One unobtainable or overpriced parcel can threaten an entire project. Independent of land acquisition, the "hard" costs for redevelopment might exceed the cost of building at the periphery.

Unlike other products, the market for developed land is influenced by its immediate neighbors and even the broader, surrounding area. These neighborhood effects give rise to the real estate maxim of “location, location, location.” Neighborhood effects (or externalities) can be positive or negative, thus success breeds success and distress breeds distress.³

To overcome these impediments, government must actively promote redevelopment, either through public development or through public assistance of private redevelopment. Except for public infrastructure and buildings where “demand” is purely a matter of government decision, private enterprise has been the preferred land developer. However, land assembly can become more efficient through the use of eminent domain and publicly sponsored clearance. Private development can be made more competitive through land write-downs and other subsidies. Additionally, government can promote redevelopment through easier permitting processes and streamlined regulations.

Redevelopment faces several important obstacles: uncertain markets; difficulty of land assembly; cost of redevelopment; and, negative neighborhood effects. These give rise to the need for public assistance for private redevelopment through use of eminent domain, development subsidies, and regulatory incentives.

Urban Renewal as a Redevelopment Strategy

Urban renewal was introduced as government’s response to the impediments facing urban redevelopment. Inaugurated as a federal program, states have adopted corresponding legislation defining the urban renewal process for cities. Common elements include the designation of an area as blighted, the preparation of a development plan, use of eminent domain for land assembly by the renewal agency, clearance, and marketing of the cleared land.

Cities initially believed that by creating vacant developable land, private redevelopment would occur. “Speculative” urban renewal often failed. The overriding problems of unclear markets and weak demand were not readily acknowledged until cleared

land went undeveloped. The urban renewal program encountered additional problems. Once areas were designated as blighted and targeted for public acquisition, existing property owners had no reason to maintain their properties. Investment automatically stopped and deterioration accelerated. If the city did not immediately acquire properties, the neighborhood became even more distressed.⁴

More damning of urban renewal, the designation of blighted areas was not strictly a technical issue. The designation was influenced by subjective judgment and political maneuvering. Some stable neighborhoods without advanced physical deterioration were destroyed. In any event, residents--predominantly low-income minorities--were displaced. The process could be brutal. Owners were provided meager assistance and renters received nothing more than an order to vacate. Replacement housing was seldom built, forcing relocatees to compete for limited supplies of affordable housing. In a ripple effect, other neighborhoods became overcrowded and physically deteriorated. A program designed to help restore cities contributed to their decline.⁵

Urban renewal addresses the land assembly and clearance problems associated with private redevelopment. The process, however, does not address inadequate demand for cleared land in distressed market areas. Consequently, cleared land often went unused, was used for surface parking, or was used for public buildings. More serious problems emerged with urban renewal when viable neighborhoods were destroyed, residents were displaced, and replacement housing was unavailable.

Alternatives to Urban Renewal

Where demand for redevelopment is strong and land assembly is not a serious problem, private sector redevelopment can occur without the assistance of government sponsored urban renewal. However, land assembly for unassisted private renewal efforts is most likely to occur on single parcels of land, accentuating the impact of negative neighborhood effects. Consequently, unassisted private redevelopment likely will occur only where negative neighborhood effects are minimal and where demand for the redevelopment is clear. This limits private redevelopment to the most preferred parcels.

Even so, the acquisition of multiple parcels for larger scale redevelopment is largely unfeasible without the assistance of government.

Private redevelopment has occurred in once exclusive neighborhoods where the housing stock has exceptional architectural appeal and where negative neighborhood effects could be overcome through organization and political pressure. Neighborhood upgrading through private redevelopment is typically on a house by house basis. The efforts of a few renovators establish the attractiveness of the neighborhood's housing stock, which is eminently affordable during the early stages of redevelopment. If redevelopment gains momentum, other renovators and investors are attracted to the neighborhood.⁶

Unlike urban renewal, which directly leads to displacement, private redevelopment displaces previous residents indirectly through "gentrification." By their own choice, home owners opt to sell their properties, and voluntarily relocate. Tenants, who often predominate in such neighborhoods, are displaced through conversion of properties to owner occupancy or increases in rents beyond their means. Depending on the availability of low rent housing elsewhere, these tenants might not be able to obtain affordable housing after being displaced.⁷

In the late 1960s a new type of development organization, commonly called a community (or neighborhood) development corporation, was created for the purpose of redeveloping neighborhoods while simultaneously preserving affordable housing. Frequently located in the neighborhood or sponsored by neighborhood organizations, CDCs work on renovation and new construction that will produce housing affordable to low-income residents. As nonprofit organizations, CDCs are businesses established to "do well by doing good" rather than maximizing returns to investors. Applying a variety of redevelopment strategies, CDCs leverage public and private funds, as well as volunteers, to keep housing affordable. CDCs (and other nonprofit housing organizations) have risen in stature and production output since their introduction in the 1960s.⁸ (Recently many banks have established in-house "community development corporations" for the specialized

purpose of promoting redevelopment lending. Although the nomenclature is slightly confusing, community development banking is a vital component in bringing private capital to the redevelopment effort.)

A recent survey of CDCs conducted by the National Congress for Community Economic Development reported “explosive growth” in CDCs in the mid-1980s.⁹ The annual national housing production of CDCs is between 30,000 to 40,000 dwelling units. Cumulative production at the end of 1993 was approximately 400,000 units. Not only is there a solid record of achievement in producing housing affordable to low-income households, CDCs have concentrated their efforts in distressed neighborhoods. Within an environment of diminished federal support for low-income housing production, CDCs have emerged as the focal point for assembling federal, state, and local government resources, as well as private support. Key sources of support include the Low Income Housing Tax Credit, the Community Development Block Grant program, the HOME program, the Enterprise Foundation, the Local Initiatives Support Corporation, state housing finance agency bond proceeds and excess reserve funds, and community reinvestment programs. CDCs are essential parties in the creation of public-private partnerships for the promotion of affordable housing and neighborhood upgrading.

However, CDCs face numerous obstacles.¹⁰ CDCs are constrained by a chronic lack of pre-development funding, inadequate organizational capacity to manage higher production levels and to achieve operational economies of scale, inadequate staff training, and turnover. Although local governments have assisted CDCs and other nonprofit housing organizations, few localities have clearly articulated redevelopment plans and strategies with which CDCs can work.

Despite extreme conditions, the success of CDCs on a project basis is very high. Nonetheless the impact of this success on broader neighborhood upgrading is variable. CDCs lack the resources to rebuild an entire neighborhood and the overall neighborhood impact of their efforts can be diminished or reversed by other forces. Neighborhood

change depends heavily on the employment and income opportunities available to residents. Since most low-income residents live in private sector housing without government assistance, if residents become increasingly impoverished, inevitably so do the buildings they live in.

Private redevelopment without public assistance for land assembly has mainly occurred on “choice” parcels in selected neighborhoods. If this “house-by-house” renovation catches on, neighborhood residents might be displaced through voluntary choice or economic necessity. Community development corporations have emerged as the principle alternative to public and private redevelopment efforts which contribute to displacement. CDCs have established an admirable record of producing affordable housing. Their efforts have been diminished by inadequate capitalization, organizational capacity, and staff development.

Displacement: the Redevelopment Dilemma

Commercial and residential redevelopment presents cities with a fundamental dilemma. In order to restore their economic and fiscal vitality, cities must attract property investment by companies and households.¹¹ To achieve such investment, redevelopment has to occur at a scale that is competitive with contemporary suburban real estate development and that overcomes existing negative neighborhood externalities found in economically distressed communities. Such redevelopment directly or indirectly leads to displacement of lower-income residents, raising concerns over political equity or fairness. The dilemma is complicated by the uncertain success of redevelopment, which can result in residential displacement with little long-term gain from subsequent private investment.

This dilemma is not readily resolved and at times remains a political choice with real winners and losers. Displacement, however, is not a well defined concept. Interpreted broadly, it would include any property development that requires residential (or even commercial) relocation. If displacement is considered an undesirable outcome that should be avoided, this broad interpretation presents cities with an untenable standard that would virtually halt any redevelopment and seriously damage private property owners within the city. The ability to buy and sell property willingly is an implied condition of private land markets.

For the most part, concern about displacement is more narrowly focused and does not include voluntary displacement associated with property transactions. Involuntary displacement may or may not be of concern. For example, commercial and residential tenants are often displaced when properties are upgraded or converted to other uses. Tenants' occupancy is only protected by the terms of the lease and, for residential tenants, their state's landlord-tenant laws. There has been no legal or cultural extension of long-term occupancy rights for tenants in the United States.

In addition, residential renters are highly mobile for a variety of reasons which have nothing to do with occupancy rights. Proportionately few renters occupy the same unit for extended periods of time. Based on the American Housing Survey, three-fourths of all renters in 1991 had lived in their units for five or fewer years and only 8 percent had lived in the same unit for more than fifteen years.¹² These rates were essentially unchanged from 1979. Annual turnover rates reported for the Institute for Real Estate Management for conventional apartments (privately owned without government assistance) average about 40 percent for elevator and low-rise buildings and 63 percent for garden apartments.¹³ In effect, a substantial portion of the units in a rental building are likely to be vacated for part of any given year. Redevelopment might affect the timing of tenants' moves, but to classify all vacating tenants as displacees would appear to seriously overstate actual displacement when normal mobility is taken into consideration.

Defining displacement clearly involves subjective judgment. Schill and Nathan offer these defining characteristics of displacement.¹⁴ Vacating the unit would be beyond the household's reasonable ability to control or prevent and would not be the result of a violation of the lease or other previously established occupancy condition. The displacement action would make continued occupancy impossible, hazardous, or unaffordable as a result of redevelopment or neighborhood reinvestment. Finally, the new tenants would be of a higher socio-economic status than the previous occupants. These conditions do not consider the impact of normal turnover. Nor do they distinguish between

rent increases associated with routine property improvements, which could make units unaffordable to individual tenants, and rent increases that result from more substantial improvements and increases in demand.

Cities require private investment in maintaining and upgrading property in order to remain healthy. This equity investment at times conflicts with another equity--that being fairness. The very investments cities need to attract can result in displacement of the residents of a neighborhood, if the latter cannot afford the new rents. Such displacement can harm the resident forced to relocate and would appear to be a legitimate matter of public concern. Displacement, however, is not easily defined. Given that normal, annual turnover of apartment units can range from 40 to 63 percent, about half of all displacees could be expected on average to move voluntarily within the year.

History of Displacement

The clearest case of displacement is that which occurs directly by public action, the history of which might have started with the Garden of Eden. In modern history, Barron Haussmann's rebuilding of Paris under Napoleon III was a precursor of urban renewal, with all the benefits and costs of forceful public action. Haussmann's efforts were necessary, in part, to accommodate railroad lines and centrally located terminals.¹⁵ If American cities had been similarly developed before the introduction of the locomotive, more substantial redevelopment and displacement would have been required. The late 19th and early 20th centuries were by no means models of participatory democracy or concern for the rights of the economically disadvantaged. The point is not that government's power to displace populations in name of progress should be unfettered, but that public redevelopment and displacement are recurring attributes in the ongoing development of cities.

In the contemporary U.S., urban redevelopment and residential displacement by public action has occurred in five periods.¹⁶ Starting with the initiation of the federal urban renewal program in 1949, the prevailing emphasis in each of these periods was slum clearance (1945-1954); clearance for public housing, commerce and "market-rate" housing (1955-1963); national promotion of social change and the neighborhood movement (1964-

1974); and redevelopment of central business districts (1975-1984). The current period is characterized by the retreat of the federal government from cities.

Slum Clearance: 1945-1954

The decade after World War II was in many ways the heyday of the American central city. Industrial expansion led to increased prosperity for workers, in turn stimulating retail consumption. Cities were connected by a network of railroads for passenger and materials transit. Land for new residential development was either available within the city or the newly developed areas willingly became part of the city in exchange for city controlled services. At the same time, physical deterioration was becoming apparent among the warehouses, small factories, tenements, working-class cottages, and “shanty” towns built to accommodate America’s initial industrial expansion. Many of these buildings had been constructed hastily and cheaply prior to the introduction of health and building codes. Indoor plumbing was rare and housing conditions were abhorrent. By the middle of the century the buildings were physically, technically, and economically obsolete.

In the face of an acute housing shortage, the Housing Act of 1949 adopted a national goal of “a decent home and suitable living environment for every American family.” Achievement of this goal was primarily the responsibility of private enterprise, with government assistance focused on eliminating substandard housing through “clearance of slums and blight” and the provision of “adequate housing for families of low incomes where the need was not being met by private enterprise.” Title I of the 1949 Housing Act authorized federal grants and loans to localities for slum clearance and urban redevelopment, under the condition that there be “a feasible method for the temporary relocation of families displaced from the project area and the permanent provision of decent dwellings at prices and rents within the financial means of such families.”¹⁷

Ostensibly, slum clearance was done to promote the building of low and moderate income housing. However, private developers were largely uninterested in inner-city

residential redevelopment when vacant land was readily available at the periphery.¹⁸ The first lesson of urban renewal was clearly taught, if not learned: land clearance does not create demand. Instead, public housing was developed in large scale residential “projects” in urban renewal districts.

Warehouses, tenements, and working class cottages were built poorly and hastily to accommodate the first major industrial expansion of American cities from 1860-1920. Densely developed in the core of the central city, many of these structures were dilapidated and in disrepair by the middle of this century. Initially, slum clearance was expected to lead to private development of low and moderate income housing. But slum clearance by itself could not create demand for private redevelopment. Cleared land remained vacant or was redeveloped for public housing in large scale projects.

Clearance for Public Housing, Commerce and “Market-rate” Housing: 1955-1963

As vacant land within central cities disappeared, market-rate residential development increasingly spilled into the surrounding farm land, giving rise to the suburbs. At the same time, farming became a big and mechanized business. The nation’s rural poor, particularly Appalachian whites and southern blacks, started to migrate to the cities. The city they entered, however, was not the same as the one found by the European immigrants decades earlier. Industrial jobs were now unionized. Racial discrimination in employment and housing was rampant. Residential segregation was written into deeds and was encouraged by federal housing policies.¹⁹

Racism was the “American dilemma.”²⁰ Residential segregation concentrated blacks in central cities and economic discrimination restricted their access to jobs. Discrimination in public services was only slowly being reversed. Block-busting practices transformed the racial and economic composition of some inner-city neighborhoods. The expanding white middle class increasingly isolated itself from blacks. The expansion of cities through annexation was stymied or halted by state legislatures. Blight and race became intermingled in the opinions of whites and in their implementation of redevelopment policies.²¹

Although private enterprise was quickly meeting the housing needs of the emerging white middle class with large scale tract development and “starter” homes, inner city decay progressed. Whereas immediately following World War II housing policy concentrated on the nation’s overall housing shortage and slum clearance, the 1953 Report of the President’s Advisory Committee on Government Housing Policies and Programs drew attention to “the spread of slums.” That report also called attention to the problem of displacement in the urban renewal program and recommended that displaced families be given preference in admission to public housing.²²

Several of these concerns were addressed in the next piece of omnibus housing legislation, the Housing Act of 1954. The Act introduced two new FHA programs to provide assistance for the prevention and rehabilitation of slums (Section 220 and 221 mortgage insurance). To qualify for assistance, localities were required to prepare a “workable program” for the elimination and prevention of the spread of slums and urban blight. The Section 221 program was targeted to families displaced as the result of government action and in each locality could not exceed the number of units needed for the relocation of displaced families. The Slum Clearance and Urban Renewal program was expanded to include assistance to help prevent the spread of slums and urban blight “through the rehabilitation and conservation of blighted and deteriorating area,” as well as slum clearance and redevelopment.²³

New public housing allocations were limited to cities with urban renewal programs and where the public housing was needed to provide housing for persons displaced by urban renewal. Families displaced by urban renewal, slum clearance, demolition of substandard dwellings, construction of public housing, and highway projects were given first preference in admission to public housing. Shortly afterward in the Housing Act of 1956, relocation assistance was authorized.

The 1954 Act demonstrated the increased federal involvement in urban renewal and public housing, the “one-two punch” of urban housing policy. The Act also foretold the

shift of private redevelopment in urban renewal areas away from housing affordable to low-income families to commercial development and high-rise housing for middle-income and upper-income families. Initially restricted to areas which were residential before and after redevelopment, ten percent of the urban renewal grant could now be used for commercial properties. The “before and after” residential focus of urban renewal progressively changed. Commercial and institutional development (including hospitals, colleges, and convention centers) and market-rate high-rise housing increasingly became the focus, although the demand for the latter was selective.

As inner-city residents witnessed the destruction of neighborhoods by urban renewal, they mounted public resistance to designating their own areas as renewal districts and to implementing urban renewal plans. By the end of the period, the civil rights movement and race riots called public attention to the destruction, dislocation, and broken promises of urban renewal.²⁴

The magnitude and severity of physical blight present in inner cities in the 1940s and 1950s cannot be overlooked. However, as the urban renewal and public housing programs evolved, they blended the effort to remove slums with racial prejudice, bureaucratic arrogance and private avarice. This dangerous mix led to the destruction of neighborhoods without adequate replacement housing, overcrowding, racial block busting, and the concentration of poor families into public housing. The Urban Renewal Program was bitterly criticized as “urban removal” and the “federal bulldozer.”

National Promotion of Social Change and the Neighborhood Movement: 1964-1974

The Civil Rights movement and an emergent neighborhood movement crystallized attention on the broader problems of inner-city neighborhoods. Physical decay was recognized as symptomatic of the lack of access to employment, income and political power. Civil rights activists realized that southern de-jure segregation had an even more pernicious counterpart in the de-facto segregation practiced in the North. Redevelopment solely through the bricks and mortar approach of urban renewal was bound to destroy rather than rebuild minority neighborhoods. More comprehensive approaches that included economic, social and political development would be necessary.

The War on Poverty became the symbol of the federal effort to promote social change at the local level. Federal agencies directly or indirectly (through local governments) granted funds to community groups and nonprofit organizations to pursue social change through economic, social and political development as well as physical development. The new approach to redevelopment was epitomized in the Demonstration Cities and Metropolitan Development Act of 1966, creating the Model Cities Program. This program supported “locally prepared programs for rebuilding or restoring entire sections and coordinated use of all available Federal aids together with local, private, and governmental resources”²⁵. The shift away from the narrow objectives of urban renewal was clear. Demonstration programs had to address social as well as physical development, including education, health, employment, and housing. As proposed, the program would have concentrated substantial federal resources on a few areas. Congress insisted on more widespread local participation, which diluted the program’s potential impact.

Amendments to the Economic Opportunity Act of 1964 (the centerpiece of the war on poverty) directed community action agencies to encourage the creation of “housing development and service organizations designed to focus on the housing needs of low-income families and individuals.”²⁶ These organizations could be nonprofit housing development corporations eligible to sponsor housing development under HUD programs. Although nonprofit housing sponsors were recognized under some earlier HUD programs, the emergency of neighborhood-based community development corporations presented a much more comprehensive nonprofit approach to redevelopment. Never fully supported by federal housing policy as a central weapon in the redevelopment arsenal, community development corporations have become crucial initiators and brokers of neighborhood redevelopment.

As the War on Poverty floundered on the shoals of political opposition to federally funded social change outside the control of mayors and local power structures, it was castigated as a liberal failure. Despite the persistence of this perception, it is difficult to

dismiss the changes in local political structures that resulted in greater political power and influence among previously disenfranchised neighborhoods. Clearly the federal government could not continue to promote opposition to city hall, but the initiative was sufficient to halt the destruction of neighborhoods and to create new expectations of redevelopment.

Rejecting the bricks and mortar approach of urban renewal, the civil rights and neighborhood movements advocated more comprehensive and less destructive approaches to redevelopment. Although the War on Poverty was short lived, the lasting legacy of these efforts can be found in increased political power for inner city neighborhoods, a rejection of renewal efforts which destroyed neighborhoods, a greater commitment to rehabilitation, and the creation of community development corporations devoted to comprehensive renewal efforts that create and preserve affordable housing.

Redevelopment of Central Business Districts: 1975-1984

Not only was urban renewal being repudiated, the very ability of the federal government to design solutions to inner-city problems was being questioned. Neither Congress nor the president had an interest in sustained conflict with city hall. Various efforts had been tried to improve economic opportunities and physical conditions within central cities. Some gains were made, but there were no resounding victories and no evidence that successful models for redevelopment would be forthcoming. In place of large redevelopment projects and urban renewal, attention shifted to residential rehabilitation and conservation on more modest scales. The political appeal of turning the reins to redevelopment back to city hall was obvious.

The federal retreat from the contested ground of inner-city redevelopment found voice in the “new federalism.” Community Development Block Grants were used to restore city hall’s control over redevelopment. Urban renewal and the model cities programs were eliminated. Inner-city neighborhoods had enough political momentum to be key players in the initial uses of CDBG funds, but that power eroded as the political power of the suburbs grew. Returning control to local government did not change the hard realities of inner-city problems which lack clear solutions. Neighborhood groups received administrative funding, but the ability of these groups to pursue redevelopment was

constrained by the size of the task, their own inexperience, and the dwindling resources available for redevelopment.²⁷

As the momentum of neighborhood redevelopment flagged, the lack of commercial reinvestment in inner-cities was becoming increasingly evident. Central business districts (CBDs) lost much of their appeal for retail trade as shopping malls were developed in the suburbs. Development of office buildings was limited to government and bank buildings. Few new hotels had been constructed. The potential for commercial revitalization appeared ripe to a few development visionaries.

Commercial redevelopment faced many of the same impediments as slum clearance. Land assembly required use of government's power of eminent domain. Public clearance, infrastructure improvements, and reduced land costs were required to make the CBD competitive with office and retail development in the suburbs. But commercial redevelopment had one major advantage over residential redevelopment: displacement was not a politically contested issue. Land in the CBD was for business and businesses were expected to compete for the best locations. Commercial redevelopment appeared to be an area where urban renewal would be a politically and economically viable strategy.

Initially stimulated by Urban Development Action Grants, commercial redevelopment projects in several cities claimed national attention. Business leaders and local government became partners in promoting redevelopment. Baltimore, Boston, San Francisco, and numerous other cities created exciting new developments with hotels, convention centers, offices, and festive retail establishments. There were some failures and criticisms, but the successes were more prominent.²⁸

As the costs of residential displacement made urban renewal unacceptable, the federal government retracted from the high risk political and economic realities of slum clearance and neighborhood redevelopment. Smaller scale, locally initiated rehabilitation efforts continued in neighborhoods, while urban renewal efforts shifted to commercial redevelopment of the central business district. Commercial displacement was not as politically sensitive as residential displacement and public-private partnerships achieved visible and politically popular successes with hotels, offices, convention centers, and festive retail establishments.

Federal Retreat from Cities, 1985-???

The high cost and high risk of residential redevelopment, plus the perception that urban problems had become intractable, pushed urban residential redevelopment to the background of domestic policy concerns. The changing political balance further reduced the political clout of inner cities. By 1985 the electoral power of the suburbs was firmly established. Emphasizing the national deficit and growing debt, the federal government started to retreat not only from leadership in urban redevelopment but from funding urban programs as well. Urban Development Action Grants were eliminated, as were direct subsidies for low-income housing production. Redevelopment would be more reliant on private rather than public capital, with banks encouraged through the Community Reinvestment Act to actively participate in financially sound redevelopment programs.

The inner-city poor, particularly minorities, were further isolated as suburbanization pushed outward with large scale mixed-use developments that created new “edge cities.” Public housing became home to a deeply impoverished population with little personal exposure to the middle class. Economic and social isolation were compounded by crime, drugs, and family disintegration.²⁹ In place of rebuilding distressed communities, federal policy shifted to aiding people rather than places.³⁰ If poor people were to escape the problems of distressed neighborhoods, they would have to move to better neighborhoods. Despite serious impediments to such mobility, a strategy of aiding people rather than places avoids the risks of more visible failures in redevelopment programs.

State and local governments have taken leadership initiatives in the gap created by federal retrenchment³¹, but have recently faced their own fiscal pressures to reduce spending on “social” programs. Community Development Corporations have maintained their commitment to rebuilding, a task described as “against all odds.” The complexity of neighborhood redevelopment and its capital intensity require the joint participation of government, nonprofit CDCs, and the for-profit sector. Government can help “prime the pump” and offset problems of land assembly, but it has neither the capital nor the skill to be a developer. CDCs can provide grass-roots leadership, knowledge of community needs,

volunteer and philanthropic foundation support, and the staying-power to see developments through long periods of gestation. Private developers and contractors can provide the innovation and efficiency required by market competition. Banks can provide access to private investment and financing capital. The difficulty is bringing all the required parties together.

Public-private partnerships have been established in many local communities and regions to promote and coordinate the participation of government, nonprofit CDCs, for-profit developers, banks, and investors.³² Partnerships can promote the efficiency, legitimacy, and effectiveness of redevelopment efforts. They can be organized to support individual development projects or broader based development programs. The attractiveness of public-private partnerships for redevelopment was first established with large-scale commercial redevelopment in central business districts. Their application to affordable housing development is now well established, particularly in helping to assemble the multiple layers of subsidy, equity, and financing now required. The emergence of national intermediaries such as the Enterprise Foundation and the Local Initiatives Support Corporation has been noted as “the single most important story of the nonprofit development sector in the 1980s.”³³ Under the Community Reinvestment Act, banks are encouraged to meet community credit needs. In several communities, bank participation in community reinvestment programs has been a critical element in neighborhood redevelopment.³⁴

Public-private development partnerships are not without their problems, however. As a combined political and business coalition, they require significant organizational development and commitment.³⁵ Partners need to see the benefits as well as the costs of their participation. Trust needs to be established, often through a history of small accomplishments. Partnerships can be unwieldy and can confuse responsibility for redevelopment efforts. Since CDCs (and often cities) rely on other partners to bring the

bulk of the required capital, they can be at a disadvantaged in negotiating the details of redevelopment plans and the distribution of benefits.³⁶

Concern over residential displacement has restricted urban renewal efforts to commercial sites. The federal government has retreated from both leadership and funding of urban redevelopment, preferring to aid people rather than places. Neighborhood redevelopment has been left to local initiative, with Community Development Corporations acting as broker and catalyst. Under the Community Reinvestment Act, banks are encouraged to meet community credit needs. Nonetheless, inner-city poor have become increasingly isolated from economic, educational, and housing opportunities.

Current Public Policies on Residential Displacement

Federal Policy

Although the federal government has retreated from providing leadership in urban redevelopment, it requires localities receiving federal assistance to adhere to several policies on residential displacement. Redevelopment activities using any federal funds that result in displacement must adhere to federal guidelines for relocation. Relocation assistance must be offered to low and moderate income displacees to assure that for five years their housing cost won't exceed 30% of their income. Low-income households who are displaced are given preference in public housing and other federally assisted housing.

Any federally assisted housing units removed from the inventory must be replaced on a one-for-one basis. CDBG recipients must develop and make public a residential anti-displacement plan providing one-for-one replacement of assisted housing units, unless there is an adequate supply of vacant affordable housing in standard condition available in the grantee's jurisdiction. Replacement housing must remain available for low to moderate income households for at least ten years.³⁷

Federal policies require assisted localities to adhere to federal guidelines for relocation, to provide one-for-one replacement of any publicly assisted housing removed from the housing inventory, to provide preference in assisted housing for low income displacees, and to prepare a residential anti-displacement plan.

State and Local Policies on Displacement³⁸

For the most part, state governments have been silent on the problem of displacement, other than stipulations on the use of eminent domain powers which mainly concern compensation to property owners. Florida and Washington adopted policies requiring private developers to provide relocation assistance to displaced tenants. In both states, these requirements were overturned by state courts on the grounds that the legislation constituted a taking of property without compensation.

Minnesota requires the cities of Duluth, Minneapolis and St. Paul to provide replacement housing if public funds are used in a development project. In addition, private developers are required to replace units on a “bedroom replacement” basis (the developer must provide units with the same aggregate number of bedrooms that were removed). Under the state law, Minneapolis was required to build 341 replacement units for units displaced by a new convention center. The Minnesota law has been contested by the affected local governments and by developers. In 1994, the state law was amended to omit from the displacement count houses that have been vacant for more than a year.

Several local governments have policies addressing displacement. These can be categorized as preservation, mitigation, and replacement. Housing preservation policies are designed to prevent developers from converting or demolishing property. Displacement mitigation programs require private developers to provide affordable replacement housing or to contribute money to local government to provide such housing. Housing replacement programs provide alternative housing for displacees, such as public housing, independent of the displacement action.

Hartford, Connecticut passed its Housing Preservation and Replication Ordinance in 1985. When converting an apartment building, the developer must either build a similar number of housing units or put money in a housing trust fund managed by the city. The Cincinnati Neighborhood Retention Ordinance was passed in 1981 creating a Housing Retention District within which replacement housing was required for any demolition or

conversion. The ordinance appears to have significantly slowed the pace of demolition. Between 1971 and 1980, 418 buildings accounting for 904 units had been demolished. In nine years following the ordinance, only 81 buildings accounting for 292 units were demolished. The impact of the ordinance on reinvestment in the district was unclear, however.

Displacement policies that affect private development are problematic on constitutional and political grounds. Requiring developers to compensate displaced tenants, provide replacement units, or make a payment to an affordable housing fund can be challenged in the courts as possible takings of private property without just compensation. Aside from legal challenge, granting tenants an implied property right makes development in that community more expensive than elsewhere. Most inner cities are struggling to be more attractive to private development, not less. Consequently such policies only are likely in communities where demand for private development is extremely strong. In such communities, the cost of relocation assistance or of replacement units could be absorbed through cross-subsidization from market-rate development. Even in these communities, pro-development sentiment might make such policies politically difficult.

Communities are more likely to provide relocation assistance or replacement units with public resources independent of the private redevelopment activity. Often this is through a nonprofit housing organization. For example, Baltimore established a Housing Assistance Corporation to provide home ownership opportunities in low-income neighborhoods under pressure of displacement, thus encouraging households to protect their interests by establishing property rights. Fairfax County, Virginia has adopted voluntary guidelines on relocation assistance for developers causing displacement. Denver provided interim financing for a non-profit organization to buy and renovate downtown residential hotels to protect and improve housing for low-income elderly who were being displaced by redevelopment. Denver is also promoting affordable ownership opportunities

through mortgage assistance within neighborhoods undergoing redevelopment and technical assistance to help establish cooperative ownership. Where ownership is not a feasible option, Denver provides a rental assistance set aside (Section 8) for low-income persons displaced by private investment activities.

Many central cities have started to react negatively to the metropolitan housing dynamics which concentrate low-income housing within their jurisdictions. Suburban communities are less likely to participate in low-income housing programs and indirectly bar affordable housing development through exclusionary zoning practices.³⁹ Central cities' advocacy of "fair-share" housing policies is often two pronged, combining reluctance to accept more assisted housing within their own boundaries and promotion of metropolitan dispersion of assisted housing. Although the benefits to low-income families of reduced housing density and greater access to suburban opportunities for education and employment have been documented, suburban communities often have been less than willing partners in low-income housing provision.⁴⁰

As with residential redevelopment initiatives, leadership in addressing displacement has fallen to states and localities. Efforts to apply mandatory restrictions on private redevelopment face constitutional challenge and political disfavor. Localities are more likely to offer affordable housing programs, homeownership programs, and relocation assistance as means of mitigating potential displacement by private redevelopment.

Conclusion: Entering the 21st Century

Redevelopment is a dynamic necessity for cities. Without private investment in physical development, the built environment becomes technically and economically obsolete. Such investment reflects the demand by businesses and households for location and land uses. Of late, most businesses and middle class households have preferred suburban to central city locations. Cities face several impediments in improving their competitive position for new business investment outside the CBD and as residential locations for the middle class. Land assembly problems, clearance costs, inadequate public

infrastructure, and negative neighborhood externalities make central city redevelopment unattractive when compared to the ease of suburban development on vacant land. But suburbs are also becoming “built out.” During the first quarter of the 21st century, we will evolve into mature metropolitan areas, where redevelopment will dominate.

The lessons learned from redevelopment and displacement during the late 20th century provide important guidance for the broader efforts that will be required in the 21st century. Santayana’s dictum should be heeded---those who cannot remember the past are condemned to repeat it. But the future is not likely to be a replay of the past and the military dictum is similarly apt---if we prepare to fight the last war, we’ll lose the next. Our past problems with renewal and displacement should not prevent future renewal efforts. We need to progress toward establishing redevelopment strategies that are sensitive to the rights of residents of established neighborhoods. Destruction of viable neighborhoods is counterproductive. At the same time, concentrated poverty hurts the entire society.

Neither government nor the nonprofit sector are capable of rebuilding cities on their own. Development is enormously capital intensive and largely involves private capital. Demand for housing, neighborhoods, and residential-serving retail stores is essentially market driven. The private market has succeeded, for the most part, in meeting America’s housing needs and redevelopment should meet the test of market efficiency.

Sensible redevelopment strategies will not be fostered by creating implied property rights for tenants. Given normally high levels of tenant turnover, Constitutional protections of private property, and competition for property investment, displacement restrictions imposed on developers are likely to discourage private reinvestment. The path to sensible redevelopment is more likely to come from the experience of community development corporations. The interests of low-income households and cities will be best served by pursuing ownership opportunities, affordable housing, and mixed income communities.

In Norfolk and elsewhere, successful redevelopment is most likely to come from development coalitions and partnerships established among local government, for-profit developers, investors, bankers, and community development corporations. Redevelopment coalitions are easiest to assemble among stakeholders with both significant potential benefit from redevelopment and significant access to capital or political power. Such coalitions have the clout to get things done. But partnerships of corporate and political “elites” exclude important stakeholders (particularly residents) who have little economic capital or political power. Their exclusion can increase the human cost of redevelopment.

The inclusion of CDCs and neighborhood organizations is essential to the achievement of balanced redevelopment. This is not a simple task. These groups need to develop the organizational capacity to participate effectively in redevelopment partnerships. They must be able to negotiate, compromise, and deliver on promises. Partnerships exist on accomplishment. If broadly constituted redevelopment partnerships are unwieldy and ineffective, they will not be maintained. The task will never be easy, but we can use the mistakes and successes of the past fifty years to help create the partnerships needed to rebuild our cities during the next fifty.

During the first quarter of the 21st century, our metropolitan areas will mature and redevelopment will dominate. Balanced redevelopment will be best served by pursuing ownership opportunities, affordable housing, and mixed income communities. Successful redevelopment is most likely to come from development coalitions and partnerships established among local government, investors, for-profit developers, banks, and community development corporations.

ENDNOTES

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