The Redevelopment of Distressed Public Housing: Early Results from HOPE VI Projects in Atlanta, Chicago, and San Antonio

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Abstract

The redevelopment of distressed public housing under the Urban Revitalization Demonstration Program, or HOPE VI, has laudable social, physical, community, and economic goals. Three public housing projects in Atlanta, Chicago, and San Antonio demonstrate the complexity and trade-offs of trying to lessen the concentration of low-income households, leverage private resources, limit project costs, help residents achieve economic self-sufficiency, design projects that blend into the community, and ensure meaningful resident participation in project planning.

Although worthwhile and ambitious, HOPE VI cannot achieve all these goals. More of them can be achieved by developing strategies related to the strength of the local real estate market. To that end, the U.S. Department of Housing and Urban Development and public housing authorities must use the market-based tools in the Quality Housing and Work Responsibility Act of 1998. Standards for improved physical design and resident participation and further research on critical supportive services for residents are also needed.

Keywords: Low-income housing; Development/revitalization; HUD

Recent changes in public housing

Since the creation of public housing in the 1930s, powerful and diverse forces have caused many public housing developments to become distressed. Although the history of public housing has been analyzed extensively elsewhere (Abels 1986; Kleppner 1985; Schill 1993), it is useful simply to list some of the factors that have contributed to these problems, which range from physical issues such as discriminatory site selection, high housing density, and inexpensive construction techniques to social and economic issues such as federal admission preferences for the very lowest income households (Quercia and Galster 1997), caps on rent payments, redlining of urban areas, federal subsidies for suburban development (Jackson 1985), poor property management, and the advent of social ills such as illegal drugs and crime in a culture of dependency and disenfranchisement (Khadduri and Martin 1997; Wilson 1987). In 1992, Congress created the Urban Revitalization Demonstration

Program, commonly known as the HOPE VI program, to transform distressed public housing developments.[1] Although public housing is now home to 1.2 million households with a median income below $7,000 per year, HOPE VI focuses only on the most distressed of this public housing (U.S. Department of Health and Urban Development [HUD] 1997a).[2]

The evolution of the HOPE VI program

For its first five to six years, HOPE VI operated under a patchwork quilt of evolving laws, regulations, and HUD legal opinions that increasingly gave public housing authorities (PHAs) additional tools to redevelop distressed public housing, including the following:

1. Elimination of federal preferences emphasizing the lowest-income households for admission to public housing (U.S. Public Law 102-550). With a local system of preferences, PHAs can reduce the concentration of the very poor and seek a mix of working tenants in public housing.

2. Elimination of the one-for-one replacement requirement for demolished public housing units (U.S. Public Law 104-19). Prior to this change, PHAs could not demolish even devastated or unsafe developments unless they acquired sites in “nonimpacted” neighborhoods and rebuilt at least as many public housing units. This requirement had all but stopped public housing redevelopment.

3. Authorization to use public housing development funds and operating subsidies for projects owned by a private entity other than a PHA. This allowed the first public–private partnerships for the creation of mixed-income housing and leveraging of private resources (Diaz 1994a, 1994b; HUD 1996a, 1996b; Reardon 1994).

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[1] For a history of the HOPE VI program and early impressions of its application, see Epp (1996).

[2] In 1989, Congress created the National Commission on Severely Distressed Public Housing to analyze this issue. Congress defined the problem as “projects that (1) require major redesign to correct serious deficiencies in the original design (including inappropriately high population density) . . . (2) are occupied predominantly by families with children who are in a severe state of distress, characterized by such factors as high rates of unemployment, teenage pregnancy, single-parent households, long-term dependency on public assistance and minimal education achievement; (3) are locations for recurrent vandalism and criminal activity (including drug-related criminal activity); [and] (4) suffer from management deficiencies” (U.S. Public Law 101-235).

In October 1998, the comprehensive Quality Housing and Work Responsibility Act (the "1998 Act") made these provisions permanent instead of extending them on an annual basis in appropriations bills (U.S. Public Law 105-276). This law also made permanent significant new powers including authorization to establish ceiling rents to encourage working families to remain in public housing when their income rises as well as disallowance of earned income from rent determinations as families make the transition from welfare to work. On the financing and development side, the 1998 Act specifically allows a PHA to use funds flexibly from the new Capital Fund and Operating Fund (the consolidated resources for public housing) for mixed-finance projects. These new powers are critical to public housing redevelopment as will be seen in the analysis of three sample HOPE VI projects in the following section.

Goals of HOPE VI

Six major goals of the HOPE VI program can be distilled from the program's legislative history and HUD's Notices of Funding Availability (NOFAs) (HUD 1996c, 1997b, 1998b):

1. Lessening the concentration of very poor residents and creating mixed-income communities, including off-site replacement housing serving diverse households

2. Creating partnerships to leverage additional resources

3. Implementing cost-effective plans

4. Providing opportunities for family economic self-sufficiency, particularly for persons enrolled in welfare-to-work programs

5. Building sustainable communities that include a physical design that blends into and enriches the urban landscape

6. Ensuring that affected residents and members of the communities have full and meaningful involvement in the planning and implementation of the revitalization effort

Achieving these six goals is monumentally difficult given that developments are already occupied and economically (and in many cases racially) segregated. The first goal, lessening the concentration of very poor households, necessarily involves primary displacement. This has led to legitimate resident concerns about landgrabs as many households, which are typically minority and low income, are dispersed.[3] Some community representatives and PHAs insist that an explicit "assisted dispersal" policy is required to attract market-rate tenants who have alternative housing choices to historically distressed communities (Trotter 1997, 3R.).

In this article, I analyze the strategies adopted by three public housing authorities and their success in achieving the six HOPE VI program goals just listed. Techwood/Clark-Howell Homes in Atlanta, Cabrini-Green in Chicago, and Spring View Apartments in San Antonio provide early lessons in understanding whether it is possible to achieve any or all of the laudatory program goals. What project conditions lead to greater success in achieving these goals? Are certain goals simply not achievable given the program's structure? How can the program be improved assuming a desire to reach these goals? The three sites were selected because they vary in size, concentration of public housing, strength of the local housing market, quality of public housing authority management, and project demographics. The background characteristics of the three cities and the developments for which the PHAs applied for HOPE VI grants are examined in the following section.

The setting for public housing redevelopment in Atlanta, Chicago, and San Antonio

Several baseline factors will affect the success of attempts to redevelop distressed public housing. Three key variables are reviewed in this section: (1) the demographic and economic characteristics of each city's broad housing market, (2) the characteristics of the public housing stock in that city and the performance of the PHA undertaking the project, and (3) the demographic and economic characteristics of the specific public housing project being redeveloped.

Housing market characteristics

The characteristics of the broader housing markets in Atlanta, Chicago, and San Antonio, as set forth in table 1, are critical for two reasons. First, the larger the supply of housing, especially housing affordable to very poor households, the more relocation options will be available upon redevelopment of public housing without causing

[3] Some resident representatives have gone so far as to call the proposed redevelopment of public housing "ethnic cleansing" (Spielman 1996, 1, quoting Marion Stamps, executive director of the Chicago Housing Tenants Organization; and Terry 1996, A1, quoting Richard M. Wheelock, Legal Assistance Foundation of Chicago, attorney for the Cabrini-Green Local Advisory Council).

Table 1. **Characteristics of Broader Housing Markets in Three Cities**

	Atlanta	Chicago	San Antonio
Percent of owner-occupied units	43.5	43.8	56.4
Median year structure built	1961	1944	1973
Percent of structures with one or two stories	78.8	6.8	94.3
Median household income	$26,769	$27,753	$27,721
Percent of households below poverty line	23.0	18.9	18.0
Median monthly housing cost (rented and owned)	$539	$561	$468
Median monthly housing cost as a percent of income	24	25	21

Source: U.S. Department of Commerce (1995a, 1995b, and 1996).

secondary displacement. Second, the stronger the demand for housing, given income, the more likely it is that market-based mixed-income developments that leverage private resources will be successful. As an example of the first factor, owner-occupied housing is typically not a viable relocation resource for very poor residents because of the need for a down payment that is significant relative to earnings. San Antonio, with a homeownership rate of more than 56 percent (relative to less than 44 percent in Atlanta and Chicago), will therefore have fewer options for displaced public housing residents. The age of existing housing may also provide insights into available housing options. Unless private investment is increased to maintain older housing, an aging housing stock (as in Chicago) may evince a smaller proportion of quality housing alternatives. In San Antonio, the median year for construction of housing is 1973. All other things being equal, this housing is likely to provide better options than in Chicago.[4]

The demand for housing, on the other hand, will affect the ability of PHAs to develop mixed-income housing. Although the median household income in all three cities falls within a similar nominal

[4] The density of existing housing in each city is provided only to indicate neighborhood fabric and context for the redevelopment of public housing. Less than 7 percent of Chicago's housing is low density, whereas over 94 percent of the housing in San Antonio has only one or two stories.

range around $27,000 per year, this median masks a higher level of poverty in Atlanta, where 23 percent of households earn incomes below the federally prescribed poverty level, compared with only 18 percent in San Antonio and 19 percent in Chicago. The higher degree of poverty in Atlanta means a smaller proportion of households can support the costs of unsubsidized new housing. The ability of households to afford housing is also demonstrated by the median percent of income spent for housing costs. The range in this statistic is relatively narrow (21 to 25 percent) in all three cities and relatively acceptable for a healthy housing market. The median, of course, hides the extremes where very low income households may pay a substantial amount of their income for housing costs.

Characteristics of the public housing stock and performance of the PHAs

The attributes of the stock managed by each PHA, as well as the PHAs' management track records, provide important indicators of potential redevelopment success. The PHAs in Atlanta, Chicago, and San Antonio are among the largest in the United States, but they span the spectrum of management performance. Ranked by size, they range from Chicago, which has the 3rd largest housing authority in the country (almost 40,000 units), to Atlanta, which has the 5th largest housing authority (14,461 units), to San Antonio, which has the 13th largest (slightly over 8,000 units) (HUD 1998d). Management effectiveness, as measured by Public Housing Management Assessment Program (PHMAP) [5] scores, shows that the three PHAs were disproportionately "troubled" housing authorities in 1993 relative to all PHAs so designated in the country.[6]

The PHMAP score for the Chicago Housing Authority (CHA) just before award of the HOPE VI grant in 1994 was 44.97 (CHA 1998). And despite the June 1995 HUD takeover of CHA, the PHMAP score for CHA as of June 1997 was 52.47, still qualifying it as a troubled authority.[7] Not far behind is the Atlanta Housing Author-

[5] The PHMAP system is based on eight indicators of management, maintenance, and financial performance: vacancy rate/unit turnaround; modernization; rents uncollected; work orders; annual inspection of units and systems; financial management; resident services and community building; and security (HUD 1998c).

[6] Although only 8 of the 40 largest public housing authorities were rated as troubled, two of the three authorities examined in this article fell into this category at the time of their HOPE VI award.

[7] Most recently, in August 1998, the CHA has been removed from the list of troubled PHAs for the first time since PHMAP scores were kept. See HUD (1998a).

Table 2. **Management Performance Indicators for Three PHAs**

	Atlanta	Chicago	San Antonio
Number of public housing units owned	14,461	39,055	8,086
PHMAP score at time of HOPE VI award (1993)	49.77	44.97	91.14
PHMAP score 1996[a]	68.26[b]	52.47	96.59
Percent of units vacant (PHA-wide)	15	17	6
Average number of days for unit turnaround	159	125	29
Percent of the rent roll that is delinquent	12.84	60.90	7.77
Number that are nonelderly units	10,696	29,545	5,394
Percent of nonelderly pre-1960 developments with more than 300 units	56.4	61.4	41.3

Source: HUD (1996d, vol. 1), CHA (1998), Braziel (1998), AHA (1998), and HUD (1998d). All data for 1993 unless noted.
[a]A PHMAP (Public Housing Management Assessment Program) score below 60 is considered indicative of a troubled PHA; a score above 90 is considered indicative of a high-performing PHA.
[b]This score is for fiscal year 1997 as HUD did not confirm the fiscal year 1996 score.

ity, or more properly the Housing Authority of the City of Atlanta (AHA),[8] which had a PHMAP score of 49.77 at the time of its HOPE VI award (HUD 1996d, vol. 1). Since that time, a new executive director has been credited with making extensive management improvements, and AHA has shed its troubled status with a PHMAP score of 68.26. By other indicators, given in table 2, CHA and AHA were simply unable in 1993 to provide basic management and maintenance services such as timely re-rental of vacant apartments and collection of rent (HUD 1996d, vol. 1).

At the other end of the spectrum, the San Antonio Housing Authority (SAHA) is rated as a high-performing authority; at the time of its HOPE VI award, it had a PHMAP score of 91.14, which had risen to almost 97 by 1996 (Braziel 1998). In addition to better management and maintenance procedures, the relatively newer

[8] The legal name of the authority is the Housing Authority of the City of Atlanta, but the more common name used locally is the Atlanta Housing Authority.

condition of SAHA's housing stock and the smaller concentration of large developments may contribute to this higher performance.[9]

A final indicator of public housing's condition is the viability test imposed by Congress in 1996. Congress required PHAs to remove from their inventory units in developments with more than 300 units on the same or contiguous sites with a vacancy rate of at least 10 percent if operating and modernization costs exceed the cost of providing tenant-based Section 8 assistance (U.S. Public Law 104-134). The CHA determined that fully 60 percent of the nonelderly public housing stock in the city failed to meet the viability test ("Federal Rules" 1997; McRoberts 1997).[10] The characteristics of the public housing stock in each city, in fact, explain a great deal of the variation in PHA management effectiveness. For example, only two-thirds of the units in San Antonio are nonelderly public housing units, typically called "family units," that are relatively more difficult to manage. By contrast, over three-quarters of the units in Chicago fall into this category. In general, the developments in Chicago are older and denser. Denser developments are typically more difficult to manage because of the higher use of building systems and infrastructure as well as higher social service needs of concentrated nonworking households. As table 2 demonstrates, over 60 percent of CHA's nonelderly housing units were built before 1960 and are located in dense developments with more than 300 units. Atlanta, with 56 percent of its housing in this category, is not far behind, whereas San Antonio has a far more manageable stock, with only 41 percent of its units in this category.

Demographics of the three HOPE VI developments

Each of the HOPE VI developments selected by the housing authorities and awarded by HUD presented difficult economic obstacles to redevelopment. At the time of the HOPE VI awards, the annual median household income in each development ranged from $2,952 at Spring View to $3,960 at Techwood/Clark-Howell to $6,000 at Ca-

[9] Even though SAHA received a high PHMAP score, questions and concerns about management remain. Recent articles report that the Federal Bureau of Investigation is investigating allegations of forgery, theft, and improper handling of money at SAHA ("FBI Investigating Housing Authority's Audits" 1997). In addition, SAHA has conducted internal audits that uncovered irregularities and wrongdoing (Tumiel 1997).

[10] Neither Atlanta nor San Antonio have completed their viability survey to date (Braziel 1998; Naughton 1998).

brini-Green (HUD 1996d, vol. 1). With incomes this low, deep subsidies are required to support existing residents unless Family Self-Sufficiency (FSS) programs (education and job-training programs) or welfare-to-work initiatives are successful in raising incomes.

Residents, on the whole, are not just poor; they are unemployed. This concentration of joblessness often leads to hopelessness, crime, and a flourishing drug trade (Wilson 1996). The proportion of households with earned incomes in each development ranges from a low of 7 percent at Cabrini-Green to a high of 20 percent at Spring View. Even with this latter "high" percentage, few models of working people can be found in the community. Ironically, Spring View has the highest percentage of working households and the lowest median income among the three developments, which may simply reflect part-time work, relatively lower wage rates, or greater resident fear in reporting earned incomes.

The developments were also extremely racially segregated in 1993 (table 3). The residents of both Techwood/Clark-Howell Homes and Cabrini-Green were almost all African American even though Atlanta and Chicago were only 58 and 33 percent African American, respectively. Almost three-quarters of the residents of Spring View in San Antonio were African American in contrast with only 6 percent of the residents of the city as a whole. Because the east side of San Antonio is a predominantly African-American community, Hispanic residents are underrepresented with only 23 percent of the households relative to a citywide figure of 48 percent of the households. (U.S. Department of Commerce 1995a, 1995b, 1996).

Evaluating the experience of Atlanta, Chicago, and San Antonio in implementing HOPE VI

Even though these three redevelopment projects are in different stages of implementation, the current status of work as well as proposed work may be analyzed against the six HOPE VI program goals outlined previously.

1. *Lessening the concentration of the poor and creating replacement housing*

The HOPE VI program recognizes that the concentration of poor, nonworking households in public housing has contributed to the social distress evident in many of these developments. By concentrat-

Table 3. **Demographics of Households in Three Public Housing Developments**

Development	Number of Households	Median Household Income ($)	Percent of Households with Income Type: Earned Income	Percent of Households with Income Type: Social Security and Supplemental Security Income	Percent of Households with Income Type: Public Assistance	Percent of African-American Households	Percent of Hispanic Households
Techwood/Clark-Howell	998	3,960	14	23	57	97	0
Cabrini-Green	1,251	6,000	7	NA	90	100	0
Spring View	349	2,952	20	24	62	74	23

Source: HUD (1996d, vol. 1).
NA = Not available.

ing households "living in despair and generally needing high levels of social and support services" (National Commission on Severely Distressed Public Housing [NCSDPH] 1992, 3), developments become difficult to manage. With few economic resources in these communities, younger residents and nonresidents alike may resort to criminal activity that may be more lucrative than the entry-level jobs available for those with limited work experience or education. Because of this environment, working families that might have served as role models or stabilizing forces in these communities often leave, furthering the social isolation of remaining public housing residents who are excluded from the job network system (Wilson 1987). HOPE VI seeks to address these conditions in two ways examined in this section:[11] (1) creating new mixed-income developments on the site of public housing by attracting new moderate- and middle-income residents and (2) developing off-site scattered public housing so as to "deconcentrate" (U.S. Public Law 105-276) the existing development. This latter approach may also satisfy a related goal of tenant advocates, that is, creating "replacement housing" to maintain the stock of units affordable to public housing residents.[12] Although replacement housing remains an important political issue, especially in cities with tight housing markets, federal law temporarily eliminated the one-for-one replacement requirement for one-year periods since 1995 and has now done so permanently with the 1998 Act. This elimination will have an enormous, and beneficial, impact on HOPE VI program design.

Atlanta. Before HOPE VI, Techwood Homes contained 457 row house units built in 1936 as the first public housing development in the United States. Clark-Howell Homes contained an additional 624 units built in 1940 in two-story walk-up buildings. Techwood and Clark-Howell Homes replaced a slum known as Tech Flats that was described in 1933 as containing "crowded, dilapidated dwell-

[11] The third important way, economic self-sufficiency programs designed to increase the incomes of residents, is analyzed separately later in this article.

[12] Replacement housing seeks to maintain the supply of housing units, which is different from "relocation housing" designed to provide alternative resources for displaced residents (which can include Section 8 assistance). Although Section 8 assistance does not add to the stock of affordable housing, under the right market conditions, the availability of the subsidy may stimulate construction of new units. Without this new construction, households displaced by the demolition of public housing may face difficulties in finding alternative housing on the private market using Section 8 assistance. These concerns are described for Cabrini-Green in Nathalie P. Voorhees Center (1997), for Techwood and Clark-Howell Homes in Cherkis (1996), and by analogy for Washington, DC, in Hartung and Henig (1997).

ings, ragged, dirty children, reeking outhouses—a human garbage dump—a slum" (Palmer 1955, 7). Through the first programs of "slum clearance" and public housing development, these two developments were built to provide light and air in sanitary housing and sited in landscaped green areas. Techwood and Clark-Howell are located near Atlanta's downtown commercial corridor, the Georgia Institute of Technology campus (from which the former development gets its name), and the Coca-Cola Company headquarters. The development is unusual for Atlanta in that this housing is located in a predominantly nonresidential neighborhood in a city that does not have a tradition of residential living in its commercial core.

Using the HOPE VI grant of $42,412,635, AHA seeks to create a mixed-income, mixed-use project with residential, commercial, community, and educational uses. The site will house a new K–5 magnet school, a new YMCA, a renovated community center and Carnegie library, a management facilities building with an outdoor pool, and a commercial development. To effect the housing development, AHA entered into a 55-year ground lease with a private development team to build the new Centennial Place. Instead of 1,081 units of public housing, the new project will contain 900 units, of which 40 percent are market-rate units and 60 percent are federal low-income housing tax credit (LIHTC) units (table 4). Of the 540 units subsidized by the tax credit, 360 units will be targeted to public housing–eligible households. In all, there will be a 50 percent reduction in the number of on-site public housing units, from 1,081 to 540.

Ironically, the project that is furthest ahead in implementation is furthest behind in determining how and whether to develop off-site replacement public housing units. The original HOPE VI agreement for Techwood/Clark-Howell Homes contemplated using $1.902 million of these funds to build 30 units of off-site public housing. In addition, in its HOPE VI grant agreement, AHA outlined a plan to

Table 4. **Centennial Place Proposed Income Mix**

Type of Housing	Number of Units	Percent of Total Units	Income Limits
Public housing tax credits	360	40	40–60% of AMI
Tax credit only	180	20	60% of AMI
Market-rate	360	40	No limits
Total	900	100	

Source: HUD (1995).

provide Section 8 assistance for replacement housing as well as development of 250 new construction units using public housing development funds (HUD 1995). In October 1997, AHA closed on its first deal to develop off-site replacement housing and has not set a definitive goal for the development of more replacement units. Because HOPE VI does not provide specific funding to build this housing, AHA hopes to replace as many units as possible, using available sources such as HUD development funds and partnerships with private developers wherever the market will allow (Glover 1997). Where new developments are built in strong market areas, such as Centennial Place, projects may produce cash flow for housing authorities that can be used to fund replacement housing. As an AHA spokesperson has said, "[T]hrough the use of interest-bearing loans, our objective is to use HOPE VI to recycle funds." ("Atlanta Moving Ahead" 1996, 182).

Chicago: Cabrini-Green Extension. The infamous public housing development known as Cabrini-Green[13] comprises three segments: the Frances Cabrini Homes to the west, known as the "Row Houses," built in 1943; the Cabrini Extension to the south and east, known as the "Reds" (because of their brick color), built in 1958; and the William Green Homes to the north, known as the "Whites" (also because of their brick color), built in 1962. These developments were built as part of an urban renewal effort to clear a slum known as "Little Hell" that had "vermin-infested, garbage-strewn alleys and dangerous streets in which residents endured a rate of violent crime twelve times that of non-slum neighborhoods" (Kamin 1997b, 87). Precisely to address the disease-ridden nature of the Little Hell neighborhood (as well as to reduce per unit costs), the Cabrini Extension and Green Homes were built as mid- and high-rise buildings that would offer residents air and light and open space between buildings.

In its recent history, Cabrini-Green itself became an economically obsolete development that symbolized the ills associated with public housing, including joblessness, crime, teenage pregnancy, single-parent households, long-term dependency on public assistance, and minimal educational achievement. CHA's original HOPE VI application only covered a portion of the Cabrini Extension consisting of

[13] Cabrini-Green is infamous mostly for the gruesome crimes that have occurred there. In 1981, 11 tenants were killed in three months, prompting then Mayor Jane Bryne to briefly move into Cabrini-Green. More recent events to attract notoriety include the 1992 murder by a sniper of a seven-year-old boy, Dantrell Davis, as he walked to school holding his mother's hand; the poisoning, blinding, and beating of a nine-year-old girl left for dead in 1997; as well as many other gang- and drug-related crimes. (LeDuc 1997).

500 units on 9.3 acres given the $50 million cap on HOPE VI awards at that time. After HUD took over administration of CHA in June 1995, the scope of the project was expanded; in June 1996, Mayor Richard M. Daley, in conjunction with CHA, announced a comprehensive revitalization of the entire community surrounding Cabrini-Green in a Near North Redevelopment Initiative (NNRI) covering a total of 71 acres (CHA 1997a). CHA and the City of Chicago propose demolition of 8 of the 23 buildings at Cabrini-Green, containing a total of 1,324 units. The redevelopment also seeks to integrate other necessary uses into the plan, including a "town center" with 145,000 square feet of commercial space for a grocery store and small mall as well as a new public library (completed in August 1997), a park, elementary and high schools, a police district station, and a community center.

After contentious litigation over this plan, CHA and resident representatives from the Cabrini-Green Local Advisory Council (LAC) agreed in a proposed July 1998 consent decree, still to be approved, to demolish all 1,324 public housing units on site (*Cabrini-Green Local Advisory Council v. Chicago Housing Authority and Joseph Shuldiner, City of Chicago, Richard M. Daley* 1998). In keeping with CHA's goal of "dedensifying" the concentration of very low income households (CHA 1997a), a new mixed-income community would be built with the income targets shown in table 5.

The number of public housing units on site will be reduced by 79 percent, which represents a drop of more than 1,000 units affordable to very low income households. With a work requirement for at least 50 percent of the new public housing residents, only 139 of the original 1,324 units will be available for the nonworking poor.

Because 93 percent of Cabrini-Green residents (prior to HOPE VI) did not have earned income, loss of public housing and replacement housing became the key issue for residents who feared massive dis-

Table 5. **Cabrini-Green Proposed Income Mix**

Type of Housing	Number of Units	Percent of Total Units	Income Limits
Public housing*	277	30	30% of AMI
Affordable	195	21	40% of AMI
Market-rate	451	49	No limits
Total	923	100	

Source: Cabrini-Green Local Advisory Council (1998).
*At least 50 percent of these residents must be working.

placement. Cabrini-Green presents a unique opportunity to address this concern because the City of Chicago owns much of the land surrounding the development. Cabrini-Green is unique in a second way: It is located in a neighborhood with a strong local real estate market. These two factors allowed the City of Chicago and CHA to join in ensuring that mixed-income housing is developed in a much larger planning area. A compromise was reached with residents to address their displacement concerns by developing another 423 public housing units in the adjacent NNRI area. Again, half of these units will have to be occupied by working households. For the first of these units, CHA has negotiated with private developers of nearby sites to purchase 25 to 30 percent of the units built for public housing–eligible households (CHA 1997a and 1997b). The private projects with a total of 259 units, known as Mohawk-North, Old Town Square, and Orchard Park, will yield 57 public housing units that are complete or almost complete.

CHA and the City of Chicago will develop the additional 366 public housing units in the NNRI through requests for proposals for private development on publicly owned sites that will require 30 percent of the units to be public housing, 20 percent of the units to be affordable to either tenants earning no more than 80 percent of the area median income (AMI) or homeowners earning no more than 120 percent of the AMI, and 50 percent of the units to be market rate (City of Chicago 1998). Even with all the unique strengths of Cabrini-Green as a redevelopment project, CHA and the city will be able to develop only 700 on- and off-site replacement public housing units (versus 1,324 original units), resulting in an almost 50 percent reduction of public housing units. The city believes that sufficient housing will be built to accommodate dislocated Cabrini-Green residents who want to remain because only 544 of the 1,324 units were actually occupied by households requiring relocation prior to redevelopment. In a development with a higher occupancy rate and without the unique attributes of Cabrini-Green, it is very likely that this commitment could not be made to existing residents.

The conflict between CHA and resident representatives that would be settled by the proposed consent decree revolves around more than just numbers of replacement housing units. There are admitted instances of CHA reneging on past promises to provide replacement housing that leave residents leery of any current promises.[14] The proposed consent decree requires CHA to delay demolition of existing public housing until new units are under construction and land and funding is secured for other units. This type of conditional

[14] For accounts of examples of replacement housing promises upon which CHA has reneged, see Jackson (1996), “New Plan for Cabrini” (1996), and McNeill and Fuerst (1996).

development agreement may become more common as a way of reassuring residents while allowing redevelopment to continue.

San Antonio: Spring View Apartments. Built between 1953 and 1959, Spring View Apartments contained a total of 421 units in brick town house and walk-up buildings spread over almost 50 acres. Unlike the original history of development in Atlanta and Chicago, when SAHA built Spring View Apartments on the city's east side, "the neighborhood was still vibrant, with low-to-moderate income families living, for the most part, in single-family homes" (HUD 1996d, 2: San Antonio Case Study, 1). From the 1970s to the 1990s, the development and the nearby community suffered from crime, much of it gang and drug related, so that Spring View is now surrounded by vacant lots and abandoned buildings where the cause and effect with the distressed public housing development is certainly reciprocal. The site remains cut off from the rest of San Antonio by a railroad line.

To revitalize this development, SAHA was awarded a HOPE VI grant totaling $48,810,294 in September 1994, certainly the highest award per unit of the three cities reviewed in this article and possibly in the country. SAHA completed demolition of all 421 units on the site by June 1998. It proposes to build 208 public housing units and 105 single-family houses for market-rate ownership plus 213 units of public housing on other sites as described in table 6. The Spring View site will also eventually include neighborhood retail businesses, a horticultural area maintained by Texas A&M University that will also be used to teach residents the nursery business, a day-care center, a Head Start center run by the Parent-Child Institute, a SAHA administration building, a 22-acre park, and a recreational area.

There will be a net reduction of over 50 percent of the public housing units on site. In its place, SAHA will develop a substantial number of single-family houses, predominantly for working households. This redevelopment will address the strong preference for ownership housing in San Antonio and will significantly lessen the concentration of nonworking poor households.

Although there would appear to be a large loss of public housing units, Spring View actually proposes a one-for-one replacement of public housing through a combination of on- and off-site development. Through acquisition of private properties, purchase of tax-foreclosed properties, and purchase of properties from the former Resolution Trust Corporation, SAHA intends to create 213 scattered-site replacement public housing units. Because San Antonio received a HOPE VI grant in the same order of magnitude as Atlanta and Chicago for a development with only 421 units (versus

Table 6. **Spring View Apartments Proposed Income Mix**

Type of Housing	Number of Units	Percent of Total Units	Income Limits
Multifamily (row houses) public housing	96	31	30% of AMI[a]
Single-family public housing	35	11	30% of AMI
Elderly public housing	40	13	30% of AMI
Battered women's public housing	37	12	30% of AMI
Subtotal public housing	208	66[b]	
Single-family market-rate	105	34	No limits
Total all housing	313	100	

Source: SAHA (1998b).
[a]Under Section 513 of the 1998 Act, PHAs may establish income-mix criteria for the selection of new residents. However, at least 40 percent of the dwelling units occupied in that year must be occupied by families with an income at or below 30 percent of the area median income. The remainder may be based on an objective targeting plan established by the PHA.
[b]Subtotal does not add up to components due to rounding.

1,081 for Atlanta and 1,921 for Chicago), extra resources were available to SAHA to acquire and renovate off-site replacement housing. In achieving its goal of developing replacement housing, SAHA must be credited with foresight in acquiring for nominal or no cost salvageable off-site properties. However, even with this foresight, SAHA would have been unable to redevelop the housing both on site and off site if the HOPE VI grant had been in an order of magnitude on a per unit basis equal to that awarded to Atlanta or Chicago. HUD's recent NOFA for the HOPE VI program limits grants to $35 million, making any future Spring Views unfeasible (HUD 1998b).

Comparison in lessening the concentration of the poor and creating replacement housing. All three PHAs are on the way to achieving the first HOPE VI goal of lessening the concentration of very poor households by creating on-site mixed-income developments with only a small portion of public housing. The PHAs would reduce concentrations of public housing units by 50 percent at both Techwood and Spring View (HUD 1995; SAHA 1998) and by a dramatic 79 percent on the HOPE VI portion of the Cabrini-Green development (*Cabrini-Green Local Advisory Council v. Chicago Housing Authority and Joseph Shuldiner, City of Chicago, Richard M. Daley* 1998). Most of the redeveloped units will not be affordable to households that formerly lived on the sites. Although this may appear a harsh strategy at first blush, a comprehensive approach of demolishing the old and rebuilding new developments will be necessary to attract a critical mass of middle-income households with alternative housing choices.[15] The proportion of units reserved for market-rate residents in these new projects ranges from 40 to 50 percent.[16] In addition, even for the new public housing units on site, the CHA places a strong premium on attracting working families, either through new tenant admission standards or the requirement of employment and training programs. For example, in Chicago no more than 15 percent of the total units will be rented to nonworking public housing residents, and in San Antonio all households eligible for the public housing units must complete the Family Self-Sufficiency (FSS) Program requiring education or training toward the goal of a permanent job.

The ability of each PHA to attract middle-income households to—and to achieve a long-term mix in—these new developments will depend in large measure on the strength of the local real estate market. At one end of the spectrum, Cabrini-Green is located in a residential community where demand for market-rate housing is strong. The adjacent Orchard Park, Old Town Square, and Mohawk-North developments have successfully commanded sales prices of $195,000 to $265,000 for two- and three-bedroom units, $265,000 to $355,000 for town houses, and up to almost $400,000 for single-family houses. Atlanta's Centennial Place is located downtown near a bustling and valuable commercial area that is not otherwise known as a traditional residential community, but early results bear out its success in attracting market-rate tenants. The first phase of 72 market-rate units was all leased by the end of 1997 to residents earning up to $127,000 per year (Perry 1997). Fifty-five percent of the households had incomes in excess of $45,000 per year, and 20 percent of the households had incomes in excess of $55,000 per year. The development has also become more racially integrated, as 51 percent of the residents are African American, 30 percent are white, and 12 percent are Asian. These results argue for a primary focus on areas with market strength as a way of creating mixed-income communities.

In communities where the housing market is weak, the PHA will have to rely on either subsidized ownership housing to attract households with few alternatives for that type of housing product or greater per unit subsidies to lessen the concentration of poor renter households. In fact, Spring View, with the weakest market of the three projects, did receive a substantially larger per unit subsidy, as shown in table 7. However, this has more to do with the fact that a

[15] For examples of similar developments, see Brophy and Smith (1997).

[16] For a review of the definition of mixed-income housing, see Schwartz and Tajbakhsh (1997) and Suchman (1995).

smaller project (at 421 units) received a total grant in a dollar range similar to that of Atlanta and Chicago with their larger projects of 1,081 and 1,921 units, respectively. Although HUD has since reduced the maximum size of grants, the project selection criteria should be more explicitly tied to local market conditions. A grant should provide funding for (1) base costs of relocation and demolition associated with all projects and (2) a variable per unit subsidy based on the local comparable market and the income of households to be served.

Table 7. **HOPE VI Grants**

Development	Total HOPE VI Grant ($)	HOPE VI Grant Per Unit Awarded (limit 500 units) ($)	Total Number of Units in Project	HOPE VI Grant Per Unit for Total Project ($)
Techwood/ Clark-Howell	42,412,635	84,825	1,081	39,235
Cabrini-Green	50,000,000	100,000	1,921	26,028
Spring View	48,810,294	115,939	421	115,939

Source: HUD (1996d, vol. 1).

These same factors (the strength of the local real estate market and the availability of other resources) also determine the PHA's ability to create replacement public housing as a means of preserving the supply of affordable housing. Although HUD had made this a goal of HOPE VI, explicit funding is not available, and the 1998 Act permanently eliminates the requirement of one-for-one replacement. The elimination of this requirement is critical to the successful redevelopment of distressed public housing. Therefore, the development of as many replacement units as possible should be a bonus, not a requirement. This bonus will be achieved only in developments with additional resources, including a strong real estate market or available publicly owned land. San Antonio has achieved one-for-one replacement using a grant of a size that will no longer be available in the future. Chicago's proposal to create more than 400 units of replacement public housing speaks volumes for the strength of that real estate market.

2. Leveraging of private resources

The need for the redevelopment of severely distressed public housing vastly outstrips resources currently available through the HOPE VI program. In 1992, NCSDPH estimated that 6 percent of the nation's public housing stock, or 86,000 units, was severely distressed and required reconstruction. They recommended funding of

$7.5 billion over 10 years or $750 million per year (NCSDPH 1992). Over the first 7 years of the HOPE VI program, Congress has in fact appropriated between $300 million and $625 million per year[17] and has required PHAs to leverage additional resources. In some cases, those funds will come from other federal, state, or local government resources. These sources might lessen the drain on the HOPE VI funding, but they do not reduce the net bottom-line cost to the public sector. Therefore, Congress and HUD have recognized opportunities to attract market-driven private resources to HOPE VI projects given the development of mixed-income communities with lesser concentrations of very poor nonworking households. The clearest example of leveraging is a private "cross-subsidy" to the affordable housing component of a mixed-income project from the excess value of the market-rate component. The location of the project, as well as the demand for housing in the surrounding community, will be a strong determinant of the ability to leverage private resources. The 1998 Act made clear the authority of PHAs to use any of their operating or capital funds to structure a mixed-finance transaction through the provision of loans, grants, guarantees, bond credit enhancement, and operating reserves.

Atlanta. Centennial Place is being developed by a partnership of the Atlanta Housing Authority with a joint venture comprising two private real estate developers, The Integral Group, L.L.C., and McCormack Baron & Associates, Inc. When the project was syndicated under the LIHTC program, limited partners were admitted as passive equity investors. The project is being built in five phases of approximately 180 units each based on the maximum allocation of tax credits available from the Georgia Housing and Finance Agency.

The financing of Centennial Place consisted of a combination of public and private sources. As set forth in table 8, the primary financing sources were a first mortgage provided by a private lender, American Capital Resources, Inc., and insured under the U.S. Federal Housing Administration (FHA) 221(d)(4) program; a second mortgage provided by AHA at a subsidized rate of 6.07 percent (funded from its HOPE VI grant); a direct grant of HOPE VI funds; and equity proceeds from syndication of the LIHTC.

Even though the first mortgage is FHA insured and the second mortgage is provided by AHA (both at below-market interest rates), both mortgages may be considered private investments because the

[17] See U.S. Public Law 103-124 (the appropriation of $778,240,000 includes $300 million from the prior fiscal year [1993] pursuant to U.S. Public Law 102-389 that was all reappropriated under Section 24 of the Housing and Community Development Act of 1992). See also U.S. Public Law 103-327, U.S. Public Law 104-19, U.S. Public Law 104-204, U.S. Public Law 105-65, and U.S. Public Law 105-276.

Table 8. **Centennial Place Financing Sources**

Source of Financing	Amount ($)	Percent of Total
First mortgage	19,664,650	23.5
Second mortgage	16,312,200	19.5
Tax credit equity	18,133,900	21.7
HOPE VI grant to project	10,360,000	12.4
HOPE VI grant for other expenses	15,740,435	18.8
City of Atlanta (public improvements)	3,565,800	4.3
Total[a]	83,776,985	100.2[b]

Source: Recalculation based on HUD (1995).
[a]In addition, AHA received $889,468 in revenues from Olympic parking rents that is shown as a project use in Table 10.
[b]Total does not add up to 100 percent due to rounding.

lenders expect repayment of principal and interest. The remaining sources must be considered public subsidies to the project.[18] The private developers of the project did not invest their own equity in the project, although payment of their development fee was contingent on successful completion of the project. Because market-rate units account for 40 percent of the project, one would expect the developers to leverage at least 40 percent of the project costs from private investment. In fact, 43 percent of the project costs represents private leverage. The remaining 60 percent of the units supports only an additional 3 percent in private investment given the low-income households served by those units. Even that much was probably only supported because the interest rates on the two private mortgages were provided at below-market rates. It appears the market-rate component of Centennial Place was not valuable enough to leverage any real private investment to support the development of the affordable housing units. Instead, the costs of this latter housing were fully subsidized at a cost of $53,111 per unit if all 900 units are considered or $88,519 per unit for each of the 540 subsidized public housing or LIHTC units.

Chicago. Although the reconstruction of Cabrini-Green is not complete, it is possible to examine indicators of potential private investment. Mohawk-North, Old Town Square, and Orchard Park provide

[18] Even though the LIHTCs were purchased by a private entity, the primary value of this equity investment is the annual tax credits and deductions that represent a government tax expenditure. In a survey of 2,554 developments representing 150,570 units built using the LIHTC (covering the entire history of the program since 1986), this cost to the federal government is estimated to be $28,400 per unit in 1996 dollars (Cummings and DiPasquale 1998).

a total of 259 newly constructed, privately developed housing units in the city's NNRI area. CHA has negotiated with the developers of these projects to buy or lease 25 to 30 percent of the total units developed as public housing replacement units on a long-term basis.[19] The 44 public housing units in Mohawk-North and Old Town Square were leased by CHA from entities controlled by the developer, Dan McLean, for 40 years in exchange for a lump-sum payment by CHA of the development cost of $125,000 per unit (CHA 1997b). During the 40-year period, CHA will pay a monthly rent of $400 per unit, of which $292 will be used to pay for operating costs, and the remainder will pay for debt service on a portion of the purchase price that will be financed. The 16 units in Orchard Park are owned by a nonprofit organization, Chicago Dwellings Association,[20] and leased directly to public housing residents, again in exchange for CHA payment of the development cost. With few economic benefits to offer these developers, CHA had to fully subsidize the capital cost of these units using government funds.[21]

In a test of the ability to leverage private resources for the development of affordable housing, the city issued a request for proposals (RFP) in January 1998 soliciting developer interest in building mixed-income housing on a five-acre city-owned site two blocks from Cabrini-Green. Under the RFP, CHA agreed to provide development funds for the entire cost of the public housing units up to the maximum total development cost permitted by HUD. This subsidy ranges from $82,150 for a two-bedroom unit in a walk-up building to more than $131,000 for a three-bedroom unit in an elevator or detached building; however, "extra consideration will be given to proposals that leverage public housing development funds with sources of private funds" (City of Chicago 1998). CHA has designated a developer and is currently negotiating the size of any cross-subsidy from the market-rate units to public housing units

[19] According to CHA, public housing units comprise less than 30 percent of Mohawk-North because development of the project began prior to the city's announcement of the NNRI (CHA 1997a).

[20] The development is built on land leased for 99 years from CHA. This structure provides for payment of the land price over a long term that allows for lower initial sales prices and a financial return to CHA over time that can be used for other public housing purposes (Oliver 1997).

[21] CHA used development funds awarded by HUD in 1994 and 1995 for replacement housing at Cabrini-Green. This allocation of $19 million was intended to fund construction of 190 units at a total development cost of approximately $101,000 per unit. CHA is funding the difference between the development fund allocation and the actual development costs with other government subsidies. For Mohawk-North and Old Town Square, CHA is exploring various sources including a potential loan from a CHA affiliate (Chicago Metropolitan Housing Development Corporation) funded with excess revenues, and for Orchard Park, excess proceeds from a 1993 bond refinancing.

and "affordable units" (defined in the RFP as serving households earning between 80 and 120 percent of median income).[22]

Although existing plans have not fully demonstrated it, the public resource with the greatest potential for leveraging private resources is the value of the city-owned land in and around Cabrini-Green. This development is surrounded by the Lincoln Park, Old Town, and Gold Coast neighborhoods, which have a robust real estate market. A July 1997 survey conducted by Grubb & Ellis found that the average monthly rent in the most desirable Near North Side community was more than $1,600 for a two-bedroom apartment and more than $3,000 for a three-bedroom apartment ("Rental Pulse" 1998). Cabrini-Green is the one isolated pocket of poverty and distress in an otherwise strong real estate market, and this fact has created the fear of displacement among Cabrini residents. Based on this market strength, a leading real estate developer in the area estimated that the private market would be willing to pay the capital costs of developing 2 public housing units for every 10 units (that is, 20 percent) built on publicly owned land provided without cost (McLean 1997). The city's RFP has requested that 30 percent of the units be provided for public housing households on the city-owned land and has offered to provide shallower subsidies for an additional 20 percent of the affordable units. The outcome of this RFP will be the first test of the leveraging potential at Cabrini-Green.

The other financing tool that the City of Chicago has made available for the redevelopment of the Cabrini-Green community is tax increment financing (TIF). The TIF district, approved in July 1997 (Ward 1997), covers 340 acres including all of Cabrini-Green (Camiros Ltd. et al.1997). Increases in real estate tax revenues over revenues at the time of the TIF district's creation are dedicated to this area rather than being paid into the city's general revenues. This stream of payments, based on improvements in the local tax base, may be pledged to repayment of principal and interest on TIF bonds floated to pay for capital improvements in the TIF area. The Near North Side TIF district, which encompasses Cabrini-Green, is expected to raise $281 million to pay for infrastructure improvements, including development of the new police station, public schools, parks, roads, and water/sewer lines as well as the costs of relocation, job training/creation, financing, and professional planning services. TIFs generate significant resources only where current tax assessments are low, but these assessments will increase substantially

[22] To create affordable units, the RFP specifies that additional subsidies may be available for (1) rental housing, through mechanisms such as the LIHTC, subordinate loan funds, or tax-exempt bond financing; or (2) ownership housing, through mechanisms such as single-family mortgage revenue bond financing, federal homeowner tax credits, or subordinate loans for purchase assistance.

because of private investment and strong surrounding real estate values. Cabrini-Green is clearly an ideal case for TIF.

San Antonio. The San Antonio Housing Authority has progressed the least of the three developments analyzed in this article in structuring project financing. In the latest iteration of the project budget, the funding sources were identified as shown in table 9.

This total project cost includes all infrastructure on the current Spring View site and the cost of building 421 public housing units on and off site but excludes the construction costs and sources of funding for the 105 market-rate single-family houses. The source of financing for these homes has not yet been determined, but SAHA hopes to use private purchaser bank loans in combination with purchaser down payments. SAHA is considering a structure similar to that used in the Parade of Homes program administered by the San Antonio Housing Trust Foundation (SAHTF) and the San Antonio Development Agency. Buyers under this program receive down payment assistance and a zero-interest second mortgage totaling up to $20,000 repayable in 15 years to reduce the price to an affordable level ranging from $52,672 to $65,957 (SAHTF 1997). The average family income for the buyers in the first three phases of this program has ranged from $25,092 (83 percent of AMI) to $31,389 (96 percent of AMI). The challenge will be to attract these households to invest in ownership units, which account for only 34 percent of the units (with the remainder public housing units) in an otherwise distressed community with a soft real estate market (ULI Advisory Services 1995). Subsidies are required to lower house prices so that households in a moderate-income range with few private market alternatives for ownership housing will demand these homes anyway. Unlike Chicago, there does not appear to be much, if any, demand for the publicly owned land to subsidize the cost of developing public housing.

Table 9. **Spring View Apartments Financing Sources**

Source of Financing	Amount ($)	Percent of Total
HOPE VI grant	48,810,294	94.5
Local funds	1,543,929	3.0
City match	602,000	1.2
Low-income housing tax credit equity	641,000	1.2
HUD Community Development Block Grant funds	70,000	0.1
Total	51,667,223	100.0

Source: SAHA (1998).

Comparison of leveraging of private resources. The three developments demonstrate little, if any, leveraging of private resources in the redevelopment of public housing. Public subsidies are required to pay for associated costs such as relocation, demolition, and infrastructure as well as the cost of building housing to serve public housing–eligible residents. This should not be surprising because the rents paid by these residents are unlikely to cover operating expenses, much less debt service payments for construction costs.

Even with respect to development of market-rate housing, public subsidy may be needed in San Antonio and, to a lesser extent, Atlanta, depending on the local market strength. With the weak real estate market in Spring View, it is likely that SAHA will have to subsidize development to attract market-rate homeowners. Atlanta has been able to create market-rate units without an explicit subsidy (just a subsidized rate for the two mortgages financing the construction costs). Rents appear to be just high enough to cover construction costs and service debt for this development. Chicago, with the strongest real estate market and location, may in fact be able to cross-subsidize the cost of developing public housing units by providing city-owned land for the construction of market-rate housing. One estimate is that 20 percent of the construction costs of public housing units could be paid for with land value, thereby reducing the need for straight public subsidies. Although analysis of the final financial structure is needed, it is clear now that significant leveraging of private resources for low-income housing is not realistic. If leveraging is truly a goal of the HOPE VI program, PHAs will have to (1) focus only on developments near strong real estate markets where land has value for market-rate housing or (2) redevelop weaker sites with subsidized ownership housing for moderate-income households.

3. Cost-effectiveness

Again, given limited resources, the HOPE VI program seeks to minimize capital and operating costs of projects. On the capital side, HUD has historically constrained costs by imposing caps on the Total Development Costs (TDC) of public housing units based on construction costs in the locality. Recognizing that TDC limits are not realistic for this type of project, the 1998 Act changes the definition of TDC to exclude the costs of demolition, environmental remediation, and extraordinary site development costs. Under this rationale, however, relocation costs should also be excluded because an analogous private development typically does not require wholesale moving of households. On the operating side, HUD has entered into Annual Contributions Contracts (ACCs) with PHAs to provide a maximum monthly subsidy related to prevailing operating expenses. Although HUD should seek to achieve cost-effectiveness in both one-time development costs and ongoing operating costs, PHAs have had little incentive to effect additional savings on operating costs. The 1998 Act, however, specifically authorizes HUD to facilitate socioeconomically mixed communities by letting PHAs keep savings in operating or other costs to use to rent privately developed dwelling units in the neighborhood of mixed-finance projects. The HUD implementation could provide an important new source of operating assistance for public housing.

Atlanta. For all five phases of Centennial Place (900 units), the estimated development cost will total almost $84 million. This cost covers the relocation of existing residents; demolition; public improvements; construction costs; soft costs such as architect's fees, legal fees, and costs of financing; community and supportive services; and administrative costs as shown in table 10. This amounts to a total per unit cost of $93,086, including substantial amounts to prepare the site, construct public improvements, provide supportive services, and administer a program that would generally not be incurred in a new construction project. HOPE VI projects will cost more than private, or even other public, developments given the need to relocate residents, demolish the existing development, and build the project anew. By expanding the definition of TDC, Con-

Table 10. **Centennial Place Uses of Financing**

Uses	Amount ($)	Percent of Total
Hard construction costs, with contingency	48,959,176	58.0
Soft costs, with project contingency	8,447,106	10.1
Developer administration and fee	6,175,000	7.4
Community/supportive services (includes rehabilitation of cupola, library, and community center)	7,083,953	8.5
Public improvements	4,810,000	5.7
Program administration	2,291,852	2.7
Relocation	483,000	0.6
Demolition, site preparation, remediation, historic preservation analysis	4,352,000	5.2
HOPE VI escrow for first mortgage	285,430	0.3
Project costs paid out of Olympic parking revenue	889,468	1.1
Total	83,776,985	99.6[a]

Source: Recalculation from HUD (1995).
[a]Total does not add up to 100 percent due to rounding.

gress recognized that costs in at least this range will be necessary to rebuild other HOPE VI developments.

On the operating cost side, AHA has entered into a regulatory and operating agreement (AHA 1996) with the limited partnership that owns Centennial Place requiring that 40 percent of the units be maintained as public housing[23] during the 55-year term of the ground lease of the property to the owner. This structure allows AHA to obtain and pass through to the owner public housing operating subsidies from HUD pursuant to an ACC. Even though the potential exists for substantial excess cash flow (profit) from the surplus of market-rate rents over operating costs, none of this will be used to pay the operating costs of the public housing units. When marketing first began at the development, it was reported that market rents would range from $590 per month for a one-bedroom apartment to $900 per month for a four-bedroom town house (Reid 1996). In fact, the market-rate apartments ended up renting at $679 per month for a one-bedroom and $1,499 per month for a four-bedroom town house (Perry 1997). This upside potential will be shared by the developer and AHA, which will use its share of the proceeds for other public housing redevelopment projects (including development of replacement housing). AHA does not have an incentive to use its share to subsidize the cost of operating public housing units at Centennial Place because of the availability of the ACC operating subsidy. Although the 1998 Act recognizes the possibility of operating cost savings, it does not go far enough to create an incentive for PHAs not to use ACC subsidies by structuring financing to leverage market-rate profits. In fact, because of the risk that HUD or Congress would discontinue or reduce ACC funding in the future, AHA was required to fund a reserve at project start equal to three years' ACC contribution to cover this contingency. If these operating subsidies are discontinued, the project owners would not be required to continue funding the public housing units. The reserve would be used to pay the transition costs of returning these units to market over time.

Chicago. CHA is making an assumption similar to the one made by AHA regarding ACC operating subsidies.[24] For the 30 percent of the housing developed as public housing on the city-owned land offered in RFPs, CHA will provide the available public housing operating subsidy. "Currently, the CHA may provide approximately $350 a month (including tenant contribution) in operating subsidy for rent" (or $450 a month if utility costs are included in rent) for all operat-

[23] As defined in Section 3(b) of the U.S. Housing Act of 1937, as amended.

[24] Only operating costs are analyzed for Cabrini-Green as insufficient information is currently available regarding capital development costs.

ing costs (City of Chicago 1998). If this rent payment is insufficient, a developer must be willing to cross-subsidize the costs of these public housing units with the profit from market-rate and affordable housing also built on the site. On a site such as Cabrini-Green, however, an owner may expect to generate sufficient excess cash flow from the market-rate units to obviate the need for part or all of the ACC subsidy.

San Antonio. According to its October 1998 plan, SAHA proposes to spend almost $52 million of HOPE VI grant money, private funds, and city funds as shown in table 11. These funds will cover the costs of the 208 public housing units on site; the 213 public housing units off site; and the relocation, demolition, and site preparation for the 105 market-rate single-family houses on site. Assuming that the market-rate units will require additional costs for construction that have not been determined at this time, only the per unit cost based on 421 public housing units can be calculated. Total costs amount to $122,725 per unit, which is close to the total costs for similar units in Chicago.

Although a final financing scheme is not complete for the new Spring View, two components can be discerned. First, the market-rate homeownership housing will not have continuing operating subsidies other than potential real estate tax abatements. Second, SAHA will seek ACC operating subsidies for the public housing units (both on and off site). No leveraging of resources appears to be contemplated to reduce these operating subsidies in the future.

Table 11. **Spring View Uses of Financing**

Uses	Amount ($)	Percent of Total
Hard construction costs for dwelling units	20,587,237	39.8
Hard costs for nondwelling units	7,511,269	14.5
Soft costs	5,455,696	10.6
Developer costs and fee	129,417	0.3
Management improvements/supportive services	3,332,460	6.4
Site improvements	3,750,000	7.3
Program administration	1,961,011	3.8
Acquisition	4,496,650	8.7
Relocation	1,689,925	3.3
Demolition, site preparation, remediation	2,753,558	5.3
Total	51,667,223	100.0

Source: SAHA (1998b).

Comparison of cost-effectiveness. The costs of relocating residents from occupied developments, demolishing those developments, building new mixed-income housing, and accessory uses are substantial. This type of disruption will, of course, trigger ancillary costs such as supportive services and potential new public infrastructure and related costs that must be shouldered by the project or other public funds. At Centennial Place, for example, only 58 percent of the funding pays for hard construction costs versus all these other costs. In the three developments reviewed, the TDC per unit range from the not insubstantial amounts of $93,000 in Atlanta to $122,725 in San Antonio to a substantial $125,000 in Chicago. These TDC are significantly higher than comparable costs compiled in a recent analysis of housing built using the LIHTC (Cummings and DiPasquale 1998). The Cummings and DiPasquale analysis provides excellent measures of TDC, using a database of almost 139,000 units built from 1986 to 1996; TDC for new-construction units in central cities (excluding land) averaged $79,519 for the entire United States, $57,509 per unit for the South (which includes both Atlanta and San Antonio), and $69,021 per unit for the Midwest (which includes Chicago). The authors warn that these numbers may be high because developments frequently include community centers, parking structures, or other amenities. On the other hand, virtually none of the developments sampled included mixed-income projects where developers may include more amenities to attract market-rate tenants. Even with these caveats, the TDC for each of the HOPE VI projects analyzed in this article are higher than their geographic counterparts in the Cummings and DiPasquale (1998) survey by 62 percent in Atlanta, 81 percent in Chicago, and 113 percent in San Antonio.

On the operating cost side, PHAs have had no incentive to reduce the use of ACC subsidies. To encourage better use of these limited housing funds, HUD should use its new authority in the 1998 Act to develop formulas that give PHAs incentives to create operating cost savings.

4. Family Self-Sufficiency Program initiatives

Congress and HUD specifically permit use of HOPE VI funds for supportive services, including education and job-training programs through FSS initiatives. In addition to physical rehabilitation of buildings, HOPE VI recognizes the importance of addressing the economic and social needs of residents. Rejecting the notion of "environmental determinism," that is, that physical housing conditions alone can change the social condition of residents (von Hoffman 1996), HOPE VI originally allowed up to 20 percent of grant funds to be used for supportive services. As shown previously, PHAs had trouble spending this much on supportive services (given the size of grants); HUD has since reduced the spending limits on these services to $5,000 per existing (and proposed new) household in replacement units (HUD 1998b). A long-term longitudinal analysis is necessary to assess the results of these initiatives that include significant social service, training, and employment programs aimed at improving residents' economic condition and prospects.

Atlanta. In developing Centennial Place, AHA worked with the Integral Group to design and implement a comprehensive workforce preparation training program that is a lease requirement for all adult residents of the public housing units except for the elderly and disabled. The program begins by motivating the household to define its own issues, vision, and goals; screening for substance abuse; and assessment of educational background and needs. The next step includes training in life skills (such as business etiquette, dress, and work practices), job training[25] and job placement, and follow-up. The success of this program remains to be seen as residents have only recently moved back into the development. Another approach to self-sufficiency has been the development of resident-owned businesses. Residents have expressed interest in the computer, child-care, and cosmetology industries as promising but have been disappointed at the slow pace of implementation of these ventures (Crowder-Jordan 1997).

Chicago. The approach to family self-sufficiency at Cabrini-Green is very similar to the one established by AHA.[26] CHA staff and community service agencies under contract to CHA will perform a family needs assessment to identify service needs and employment and education goals. This will include drug education and assessment through CADRE (Combating Alcohol and Drugs through Rehabilitation and Education). Residents will then be referred to programs or agencies to address these needs and further these goals. Resources include an alternative high school with supportive services for out-of-school young adults that has enrolled 75 Cabrini residents, and a training program to help residents become licensed child-care providers and textile workers.

Recognizing that the redevelopment of Cabrini-Green and the surrounding area will generate many construction jobs, CHA has cre-

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[25] AHA hopes that job-specific training will be provided by businesses that have made hiring commitments, such as NationsBank.

[26] For a detailed description of CHA self-sufficiency programs and program results across the entire authority (not specific to Cabrini-Green), see Housing Research Foundation (HRF) (1997).

ated two employment-training initiatives. One, a CHA-wide program, the Resident Employment Development Initiative, provides job readiness training, job placement, career development training, and life skills training. The second, based on the Step-Up Program model, CHA Works Job Training Program, is tailored to the construction industry with pre-apprenticeship vocational training in various trades. As of June 30, 1997, 30 trainees from all of Cabrini-Green who completed this course were hired by CHA or private companies to move into a union apprenticeship program (CHA 1997a). This general job training is also being used to prepare residents for jobs committed by employers such as United Parcel Service, Marriott, Hyatt, and the U.S. Postal Service.

San Antonio. The San Antonio Housing Authority is taking a similar approach to its FSS program by providing training, skill development, and supportive services in preparation for employment or education. FSS case managers work with residents to complete needs assessments and make linkages to service agencies. As part of the HOPE VI redevelopment, Spring View residents have requested services for drug abuse and prevention; continuing adult education; and job training in the computer, health-care, landscaping, and general business industries. Spring View residents may also participate in the Step-Up Program, which is similar to the CHA Works Job Training Program.

The new Spring View will impose a lease requirement for residents in public housing units based on an FSS contract under which residents agree to accomplish educational, employment, and personal goals within five years. One of the goals must be to reach an income exceeding public assistance and public housing eligibility levels. SAHA will theoretically have lease enforcement penalties for a resident's failure to meet these goals. Resident representatives support this requirement of self-sufficiency, believing that work or education for residents will lead to stability in the new development (Ellison 1998).

Comparison of initiatives for family self-sufficiency. The self-sufficiency initiatives adopted in Atlanta, Chicago, and San Antonio all have similar elements focusing on individual needs assessments and referrals for social services and job training or education. Given that these programs have been only recently implemented, future research on the outcomes of these approaches will be instructive. It will be critical to identify the most successful techniques and the number of residents who have gone from welfare to work or have just moved out to avoid the self-sufficiency requirements at the new developments. If these self-sufficiency initiatives succeed in increasing employment and resident income, they could have the added benefit of reducing the need for long-term operating subsidies to these developments.[27]

5. Physical and urban redesign

In addition to physical obsolescence, HUD has recognized that many distressed public housing developments were poorly designed, with the result that they were isolated from the surrounding communities. As Jacobs (1961) noted almost 40 years ago, designs that ignore the urban fabric and neighboring street grid eventually lead to devastation of these communities. Ten years later, Newman (1972) identified several aspects of physical design, often lacking in densely built and distressed public housing, that promote security in a development. More recently, urban designers associated with New Urbanism have drawn on these roots to adopt design principles that make it easier for residents to interact with neighbors and foster a stronger community.[28] This interaction is encouraged through cohesive design approaches including usable sidewalks, street patterns that flow with the community, lower building densities, and building facades that face the neighborhood rather than being set back and isolated (Cuomo 1997). It is important to determine whether these three projects in fact suffered from design problems associated with public housing and whether proposed project redesigns will avoid recurrence of these problems.

Atlanta. The design of the former Techwood and Clark-Howell Homes did not fit the stereotypical image of troubled public housing. The two- and three-story red brick garden-style apartment buildings were far from the high-rise design that has prompted calls to demolish public housing.[29] However, the site planning of Techwood did intentionally ignore the street grid system by removing city streets (HUD 1996d, vol. 2). Similarly, Clark-Howell Homes was built on a 4- by 5-block section that "was redesigned to shrink the number of separate blocks from 20 to 7" (HUD 1996d, 2: Atlanta Case Study, 7). Although this was done to create courtyards and open green spaces (Techwood's buildings, for example, occupied only

[27] AHA's executive director, Renee Glover, estimates that if the average annual income of public housing residents at Techwood/Clark-Howell were raised from $6,000 to $16,000, residents would be able to pay at least enough rent to cover operating costs (Glover 1997).

[28] For a detailed description of the principles of New Urbanism (both community philosophy and design), see HRF (1996). For an excellent case study applying these principles to the redevelopment of a public housing development, see Bothwell, Gindroz, and Lang (1998).

[29] See Robinson (1995) for an interview with resident association president Andrell Crowder-Jordan regarding the physical conditions in the development.

20 percent of the site), it also led to isolation of the development from the adjacent community. This green space, originally a highlight of the design, was diminished as former parks became construction sites for an elementary school and two high-rise elderly public housing developments. Finally, the construction of the combined highways known as Interstates 75 and 85 directly to the east completely isolated the Techwood/Clark-Howell development.

The redesigned Centennial Place restores the urban street grid and attempts to reconnect the buildings to the neighborhood. The entrances to each of the apartment buildings now face the streets, with parking in the rear. Although the former buildings were contextual in design, the new ones appear to be more suburban but do have partial brick facades to meld with the traditional brick architecture of the adjacent Georgia Institute of Technology buildings.[30] Other HOPE VI projects aim to substantially reduce the density of buildings on site, but in Atlanta the density has been reduced only from 20 to 17 units per acre.[31]

Chicago. The Cabrini-Green high- and mid-rise buildings are built of poured concrete and concrete blocks with brick facades at a relatively high density of 80 units per acre. The hallway on each floor contains an open breezeway intended to provide air and light, a design element with unintended consequences that must be dealt with by today's property managers. The architect of Cabrini-Green, Lawrence Amstadter, has been quoted as saying, "We thought we were doing . . . a lot of innovative design things, like putting open galleries on each floor so kids could play right in front of their apartments. We didn't foresee the kids throwing each other off them" (Kamin 1997b). Because of these tragedies, these open-air galleries are now covered with a chain link fence, creating the feeling of a prison. The buildings are set in a "superblock" layout where the preexisting street grid was removed to create large open spaces between the buildings (Kamin 1995b). Spaces originally designed for recreation are no longer maintained and are now referred to as the "Killing Field" (Kamin 1997b).

The redevelopment proposed by CHA would generally reknit the development into the surrounding community and readopt the street grid system. As one architectural critic notes, "[T]he street grid is what unites Chicago. Cabrini-Green will not only look like the rest of the city if the grid is put back, it will have a chance at working

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[30] For a review of the design of Centennial Place, see McKee (1997).

[31] The following measures may be useful categories for analyzing the density of housing on a site: 8 to 12 units per acre, attached town houses; 25 to 35 units per acre, mid-rises; 50 to 80 units per acre, high-rises.

like the rest of the city, with small blocks creating a more intimate scale and texture" (Kamin 1997a). The new design would also feature small parks to make Cabrini-Green seem less like an alienating project than a small neighborhood. In fact, the four pages of design objectives imposed by the city in its recent RFP for development reads like a textbook for New Urbanism.[32] In terms of density, however, CHA itself admits that "there is not an appreciable reduction in density" (CHA 1997a) from the existing 80 units per acre to a proposed 56 units per acre. In fact, the city set a minimum density of 40 units per acre in its recent RFP, presumably to conform to neighborhood context and to maximize use of city-owned land (City of Chicago 1998).

San Antonio. Despite being built at a remarkably low density of 8.5 units per acre, the design of the former Spring View Apartments created an unsafe and inhospitable community. Rather than face the street where residents could keep their eyes on neighborhood activity, the front of the apartments generally faced a yard. The units were also connected by a series of dead-end streets that cut off the neighboring street grid pattern, making the development an easy target for criminal activity.

The site plan for the revised development, however, does not correct many of these design problems, and neither does it restore the standard street grid; in fact, the site plan for the single-family market-rate houses adopts the form of a suburban subdivision with looped streets and dead-ends rather than the urban character of through streets. This may be due in part to the topography of the site and borders such as the railroad line to the west; however, no additional effort has been made to reknit the fabric of the development with the surrounding community. The plan also increases the segregation of low-income households by using a "creek bed as a green buffer between the single-family and multi-family development" (Hauser 1995). To the north of this barrier are 154 market-rate single-family homes and 10 public housing single-family homes on 36 acres. To the south are 96 multifamily public housing units and 25 single-family public housing units on 13.5 acres. The housing in the new Spring View is clearly separated by income level. An imbalance also exists in the density of housing, with 4.5 units per acre for market-rate housing and 9 units per acre for public housing. The combination of physically separating housing by income with the creek and building different densities could lead to the same isolation that caused the deterioration of Spring View in the first place.

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[32] For example, one objective is to "design each block so that it is linked to its immediate surroundings and the broader neighborhood" (City of Chicago 1998, 8–12)."

Comparison of physical and urban redesign. Each of the three developments analyzed suffered from serious design flaws. The Techwood/Clark-Howell, Cabrini-Green, and Spring View developments were all isolated from their surrounding community and separated from the standard street grid. Many of the buildings faced away from the street, losing the security associated with entrances from which community members could watch public activity. The large open spaces between buildings did not "belong" to anybody, creating a no-man's-land that was a prime locus for criminal activity.

The redevelopment schemes for Atlanta and Chicago seek as much as possible to overcome these design problems. San Antonio ironically has adopted a suburban subdivision design for its single-family market-rate homes that may be attractive for marketing reasons but may also lead to future isolation of the public housing. The impacts of the redesign remain to be seen, as certainly many market-rate and mixed-income housing developments suffered from the design "mistakes" pointed out by the New Urbanists but are nonetheless stable and successful. Although design is only one contributing factor to the success or failure of housing developments (Kamin 1995a), given the critical role of design in public housing, HUD should establish objective design principles that contribute to long-term security and stability and then allow local design flexibility.

6. Resident participation in planning

HUD has made resident participation in the planning of HOPE VI redevelopment projects a program requirement. Clearly, because many developments are being completely demolished, the impacts on existing residents who will be temporarily or permanently displaced will be significant. Long-term residents of these communities also have experience-based insights into resident needs that should be taken into account in shaping these proposals. However, no standard exists for the role of resident participation when residents and PHAs disagree on project vision and implementation: Should residents have a project veto power? Should PHAs be able to proceed despite resident objections?[33]

Atlanta. The development of Centennial Place occurred against a long backdrop of prior renewal attempts. The fits and starts of past attempts necessarily colored the expectations of residents and made them question the integrity of the latest redevelopment initiative. Beginning in 1972, a biracial group of business leaders named the

[33] In a recent audit of 10 sample HOPE VI projects, the U.S. General Accounting Office (1998) found that half the projects were substantially delayed because of resident opposition to redevelopment plans.

Atlanta Action Forum worked with Central Atlanta Progress (another downtown business group) on a proposal to replace Techwood and Clark-Howell with mixed-income housing (Williams 1997). Because of fears of resident displacement, the proposal was apparently squelched in 1974 by the city's first African-American mayor, Maynard Jackson.

Over the next decade, various real estate developers advanced proposals for the redevelopment and elimination of the public housing at Techwood and Clark-Howell Homes, fueling resident suspicions that they were simply in the way of profitable real estate development. After the September 1990 announcement that Atlanta would host the 1996 Summer Olympic Games, several venues just to the south and west of Techwood and Clark-Howell were proposed for the games, and the Georgia Institute of Technology dormitories on the northern border of the development were proposed as athletes' housing. The strong exogenous force of the Olympics, therefore, imposed pressure for redevelopment of the public housing nestled in the middle. Residents, and even the AHA, in essence were not the initial driving force for the redevelopment, creating battles with respect to the meaningfulness of the resident participation process.

And battles there were.[34] Listing the number of players and organizations involved in the redevelopment process alone could fill an article. Starting in the spring of 1991, AHA's consultants, known as PATH, devised a master plan and performed resident outreach.[35] Contemporaneous articles regarding PATH's process state that resident meetings to obtain community participation were sparsely attended (Durcanin 1991). By October 1991, a proposal for demolition of Techwood and Clark-Howell Homes and reconstruction as a mixed-income community was put to a vote of the residents, including residents of two adjacent senior-citizen public housing developments (Roosevelt and Palmer Houses). The plan was approved by a vote of 428 to 363 (56 percent in favor). Because the plan called for only minor improvements to the elderly high-rises but no demolition, opponents claimed the vote was fixed. In November, the Atlanta Legal Aid Society sued on behalf of several residents to invalidate the vote, enjoin implementation of the PATH plan, and force a new vote of the residents' association.

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[34] For an excellent chronology, see HUD (1996d, 2: Atlanta Case Study, 15–32).

[35] This team comprised four primary organizations: Prentiss Properties (formed by top managers of Cadillac Fairview Urban Development), Affordable Housing Partnership (formed by two residential developers), Tyler/Yates Financial Group (a local investment banking firm), and Haseko (an affiliate of one of the world's largest developers of student housing). The PATH team also included designers, minority business specialists, community service representatives, and a real estate market consultant and sociologist.

Shortly thereafter, AHA's executive director was forced to resign, and the new executive director appointed in March 1992, Earl Phillips, created a new committee to reexamine the entire PATH proposal. A new set of resident consultations began, and a revised proposal to rehabilitate instead of demolish the developments was adopted by AHA and the residents. The revised proposal became the basis for AHA's HOPE VI application approved in August 1993. The significance of resident involvement must be called into question, however, because AHA continued to vacate Techwood for various safety and redevelopment reasons, and fewer than 100 families remained at the end of 1993.

The project was again thrown into disarray between June 1993 and March 1994 as a new mayor was elected and both the chair of the AHA board and the AHA executive director were replaced. Renee Glover, who became executive director in September 1994, retained the Integral Group as the planning/development partner to develop a new master plan and begin a new set of resident consultations with those few families left. There appears to be consistent praise among both resident leaders and private sector representatives for Glover's leadership in shepherding a productive and extensive resident participation process (Crowder-Jordan 1997; Perry 1997; Williams 1997). From October 1994 to March 1995, resident review meetings were held twice a week. The resident vote in February 1995 for the third and most recent plan to demolish the existing buildings and develop a mixed-income and mixed-use project was 66 to 9. Resident participation becomes a strange concept when virtually no residents remain to participate.

Chicago. The process of resident participation at Cabrini-Green has been among the most contentious and acrimonious of all HOPE VI projects across the country. There is general agreement that residents were involved in the early shaping of the HOPE VI application to HUD in 1993, even though residents and CHA did not completely agree on the substance of all issues. CHA and the Cabrini-Green Local Advisory Council (LAC) signed a May 28, 1993, Memorandum of Understanding, stating that "the parties hereto agree that there are other significant issues outstanding between them regarding this [HOPE VI] application and its implementation, and the parties will resolve these issues through an ongoing negotiation and cooperation" (Cabrini-Green LAC 1993). After HUD took over CHA in June 1995, the new management team reconsidered the relatively modest scope of the original HOPE VI application. Resident representatives allege that they were not included in the plan changes in early 1996 that culminated with Mayor Daley announcing a new approach in June of that year. Contemporaneous reports of this event mention the conspicuous absence of resident leaders at this press conference (Kamin and Kass 1996). For its part, CHA claims that several meetings were held with residents and representatives of the community (CHA 1997a) but that agreement on the substance of the redevelopment remains elusive. The two largest issues of disagreement became the adequacy of on-site replacement public housing units and the income mix of the proposed redevelopment, which residents felt would exclude them. In summing up the limits of resident participation in the redevelopment of Cabrini-Green, CHA Executive Director Joseph Shuldiner is quoted as saying, "This is about public housing for 100 years, this is not just about these residents. Why should one set of residents dictate how everybody's going to live for the next 100 years?" (Kamin and Kass 1996, 1).

With this level of contention, the conversation about the redevelopment of Cabrini-Green has resulted in litigation. On October 23, 1996, the Cabrini-Green LAC sued CHA and the City of Chicago, seeking an injunction against implementation of the plan on several grounds, including the lack of meaningful resident participation. After 21 months of on-again, off-again settlement talks, the parties reached a proposed consent decree agreement that must still be approved by the courts.

San Antonio. The process of resident participation at Spring View has not shared in the contentious flavor of the proceedings in Atlanta and Chicago; in fact, Spring View is the only one of the three projects that did not result in litigation by residents. As with the two other cities, San Antonio went through other redevelopment iterations before the current proposal for complete demolition and reconstruction. In April 1993, SAHA held three meetings for all residents that were attended by "116 residents and other interested parties" (HUD 1996d, 2: San Antonio Case Study, 22). It is not clear how many residents themselves participated. After these meetings, SAHA submitted a HOPE VI application in May 1993 calling for demolition of 198 units, new construction on site of 102 units, new construction or rehabilitation off site of 96 units, and rehabilitation of the remaining 223 units.

At the time of SAHA's HOPE VI award in September 1994, 396 of the 421 units were occupied (Kinlaw 1998), meaning that a critical mass of residents remained to participate in the program's implementation. As with Atlanta and Chicago, however, SAHA decided that a partial redevelopment might not succeed. Thus, SAHA submitted a revised plan in January 1995, supported by residents, calling for complete demolition and reconstruction (Watts-Davis 1998). The current president of the Spring View Apartments Residents Association, Dora Ellison, believes that residents were strongly involved and consulted on design, relocation, FSS programs, resident-screening protocols, and related project issues (Ellison 1998). The residents' association felt that crime and living conditions at Spring View were so bad prior to HOPE VI that they were willing to work with SAHA on a new vision for the community. SAHA's proposal to build one-for-one replacement housing for Spring View was appealing to the residents but not a critical requirement. The residents' association was supportive of a screening process and employment or education requirements that would have the effect of denying the right to return for many residents who did not complete these steps.

Comparison of resident participation in planning. The fact that all three PHAs proposed complete demolition of mostly occupied public housing developments necessarily created enormous impacts on current residents. The resident participation process to review these proposals has varied widely from highly contentious to collaborative. Many facts may have led to these differences, including the expectations and personalities of resident and PHA leaders as well as the availability of legal representation for residents. Substantive issues, such as significant changes in the scope of the HOPE VI project after application and the availability of replacement housing for all displaced residents, were not good predictors of outcomes in these three examples.

An appropriate standard for resident participation in project planning is difficult to establish but is essential if projects are not to be mired in long-term delays. The selection criteria for HOPE VI under the 1998 Act includes consideration of "the extent of involvement of residents . . . in the development of a revitalization program for the project" (U.S. Public Law 105-276). In making grant awards, HUD considers the extent to which the "PHA has provided meaningful opportunities for participation to residents and members of the surrounding community" (HUD 1998b), primarily through meetings and the availability of clear and timely information. With pronouncements this vague and broad, battles between PHAs and residents will continue. Clearly, residents are not entitled to a full veto over change, and neither would that power be wise in the long run. Nor should PHAs simply be able to make pro forma presentations and ignore resident input. Although a meaningful give-and-take is preferred, one cannot legislate sincerity and good faith on both sides. To short-circuit these stalemates, therefore, HUD should clarify that residents are not entitled to veto powers over such projects. On the other side, as part of its project review and approval, HUD should directly interview resident representatives to assure itself that resident participation has been meaningful even if the parties disagree substantively. To shorten project delays attributable to these clashes, the results of this HUD review should be presumptive evidence of appropriate participation in any litigation by residents. The 1998 Act should be amended again to include this legal presumption.

Conclusions and issues for future research

The HOPE VI program is a worthwhile and long-needed tool to address the critical needs of severely distressed public housing. Focusing not only on physical structures but also on residents and neighboring communities, it is an ambitious program with many goals that are even more complicated to achieve given the redevelopment of occupied housing stock. Public housing authorities are fortunate to have a flexible program that allows a variety of approaches to this challenge. The early results of three HOPE VI projects in Atlanta, Chicago, and San Antonio show the many trade-offs of the program. In the 1998 Act, Congress has taken the first step in providing important market-based tools. HUD and PHAs must now take the next steps in refining program regulations and project structures, respectively.

The six program goals outlined in the preceding section are laudable, but they cannot be achieved without compromises and careful choice of developments. First, we have learned that economically and socially segregated communities are not sustainable and that concentrations of very poor and unemployed households must be lessened. The challenges in creating mixed-income communities in this context are (1) the primary displacement of public housing residents and (2) the need for a new mind-set among PHAs that emphasizes market-based development and management of housing. This means building from strength and focusing on communities where the real estate market can attract diverse residents. For weaker market areas, the product must either be ownership housing for households with few private alternatives or deeper subsidies to overcome this shortfall. The level of subsidy provided by HUD must be explicitly tied to a marketing strategy based on local housing demand. This requires a recognition that one-for-one replacement housing, or even some fraction thereof, will not be possible except in unusual situations. HUD should offer a bonus in its selection criteria for projects that permit an increase in the housing supply but should not expect these results.

Second, the desire to leverage private resources in redeveloping public housing may simply be unrealistic except, again, in situations where the market will attract private investment. The easy answer is to concentrate on developments in strong real estate markets, but a strategy is necessary for the many distressed developments in weaker markets. HUD should modify the program selection criteria to encourage cities to create TIF districts and to contribute nearby city-owned land where it has potential value in creating a cross-subsidy from market-rate housing to affordable housing. Although the revenues from TIF districts represent public funds, they prime the market with critical infrastructure investments that lead to private investments that would not have been made otherwise.

Third, redeveloping distressed public housing communities will be expensive. Total development costs will exceed those incurred in analogous projects because of the extraordinary costs associated with relocation, demolition, site preparation, and supportive services. There is no easy way around this. Because of this cost, some may argue in favor of relocating households with Section 8 assistance and demolishing the existing developments without rebuilding. This approach, however, would scar communities with plots of vacant land that would be susceptible to dumping and illegal activities. HUD must protect investments in the surrounding community and end the social isolation with neighbors who have been harmed by the distress of the nearby public housing. The high cost associated with subsidizing the long-term operation of new mixed-income communities, however, need not be the case. The public housing mentality of assuming HUD will pay all operating costs remains because no incentive structure has been established to encourage leveraging of other benefits to support public housing. The 1998 Act begins to recognize these possibilities, which HUD must now flesh out.

Fourth, unlike past housing initiatives, HOPE VI recognizes that more than buildings must be rebuilt. The emphasis on economic self-sufficiency of residents, especially in a postentitlement environment of welfare reform, will be the key to success of this initiative. PHAs have wisely focused on the soft-skill needs of residents and sought agreements with businesses to make hiring commitments for real jobs. Only a longitudinal analysis that tracks and interviews individual residents will help us understand which approaches work and why.

Fifth, the physical design of public housing has contributed significantly to the distress of housing developments. Although HUD has set the goal of reknitting developments into surrounding communities, this pronouncement is too broad. Specific principles and guidelines that identify acceptable and unacceptable approaches to site and building layout should be part of the selection criteria. Designs that continue to segregate by household income or tenure type should simply not be considered, even as a first draft. That being said, HUD must avoid the temptation to design the development itself. Basic guidelines must be clearly established and then localities allowed the flexibility to respond to variable community and marketing needs.

Sixth, although the comprehensive nature of HOPE VI will provide significant benefits, this large-scale approach will cause major disruptions to public housing residents and their communities. Therefore, HUD has justly required resident participation in planning redevelopment. Unfortunately, there are examples of disingenuous collaborations in this process by both PHAs and residents. HUD cannot legislate sincerity in this process, but it should make clear what it expects from both sides. That residents do not have veto power over changes in the development should be made explicit to reduce long project delays. PHAs, however, must avoid the temptation to steamroll residents with whom they may have had a combative relationship or to disperse residents from the development before consultation can begin. HUD should play a more active role to validate or invalidate the process by which resident participation is undertaken so that projects proceed, even in the face of inevitable substantive disagreements.

The HOPE VI program is worth the effort. This article lays out specific recommendations to improve this ambitious effort based on the three redevelopment projects at Techwood/Clark-Howell Homes, Cabrini-Green Extension, and Spring View Apartments. Residents, PHAs, and HUD will continue to learn ways to improve the HOPE VI initiative and must remain open to future changes in this extremely complicated and evolving arena.

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