

This article was downloaded by: [Joseph, Mark]

On: 23 February 2010

Access details: Access Details: [subscription number 919434889]

Publisher Routledge

Informa Ltd Registered in England and Wales Registered Number: 1072954 Registered office: Mortimer House, 37-41 Mortimer Street, London W1T 3JH, UK



## Housing Policy Debate

Publication details, including instructions for authors and subscription information:

<http://www.informaworld.com/smpp/title~content=t916963678>

### Creating mixed-income developments in Chicago: developer and service provider perspectives

Mark L. Joseph <sup>a</sup>

<sup>a</sup> Mandel School of Applied Social Sciences, Case Western Reserve University, Cleveland, OH, USA

Online publication date: 22 February 2010

**To cite this Article** Joseph, Mark L.(2010) 'Creating mixed-income developments in Chicago: developer and service provider perspectives', Housing Policy Debate, 20: 1, 91 – 118

**To link to this Article:** DOI: 10.1080/10511481003599894

**URL:** <http://dx.doi.org/10.1080/10511481003599894>

PLEASE SCROLL DOWN FOR ARTICLE

Full terms and conditions of use: <http://www.informaworld.com/terms-and-conditions-of-access.pdf>

This article may be used for research, teaching and private study purposes. Any substantial or systematic reproduction, re-distribution, re-selling, loan or sub-licensing, systematic supply or distribution in any form to anyone is expressly forbidden.

The publisher does not give any warranty express or implied or make any representation that the contents will be complete or accurate or up to date. The accuracy of any instructions, formulae and drug doses should be independently verified with primary sources. The publisher shall not be liable for any loss, actions, claims, proceedings, demand or costs or damages whatsoever or howsoever caused arising directly or indirectly in connection with or arising out of the use of this material.

## Creating mixed-income developments in Chicago: developer and service provider perspectives

Mark L. Joseph\*

*Mandel School of Applied Social Sciences, Case Western Reserve University, Cleveland, OH, USA*

Mixed-income development has been embraced by policymakers across the country as a promising means of deconcentrating poverty and revitalizing inner-city neighborhoods. The unprecedented scale of Chicago's effort at mixed-income development provides an important opportunity to learn about the possibilities and challenges of this approach. Most of the new developments have completed at least one pre-occupancy phase of construction, marketing, and resident outreach. This paper explores the perspectives of two key actors in the mixed-income development process: private developers and social service providers. In-depth interviews were conducted with 26 individuals working on nine of Chicago's major new mixed-income developments. This qualitative analysis uses the perspectives of these key actors to identify some of the major early challenges of the mixed-income development process in Chicago. Implications for the future of mixed-income development and public housing transformation in Chicago and across the country are considered.

**Keywords:** mixed-income housing; HOPE VI; public housing; development/revitalization

*You have to have a big plan and big vision when it comes to something like this ... You had to think dramatic ... It's definitely ... going to be better than what it was. It's not going to solve all the problems and ... there are going to be other problems caused by this, but you've got to move forward and do the best you can to address all of the different issues.*

Mixed-income developer in Chicago

### Introduction<sup>1</sup>

Mixed-income development<sup>2</sup> has been embraced by policymakers across the country as a promising means of deconcentrating poverty and revitalizing inner-city neighborhoods (Brophy and Smith 1997; Epps 1996; Goetz 2003; Joseph 2006;

---

\*Email: mark.joseph@case.edu

<sup>1</sup>This article was finalised in late 2007. While some of the facts on the ground have evolved since that time, the findings and conclusions remain accurate and relevant.

<sup>2</sup>“Mixed-income development” has been defined as broadly as any development project where the inclusion of tenants of various income levels is a “fundamental part of (the) financial and operating plans” (Brophy and Smith 1997, 5). In the context of the transformation of public housing, mixed-income development includes units reserved for residents of public housing.

Joseph, Chaskin, and Webber 2007; Khadduri 2001; Kleit 2005; Popkin et al. 2000; Popkin et al. 2004; Rosenbaum, Stroh, and Flynn 1998; Schwartz and Tajbakhsh 1997; Smith 2002; Varady et al. 2005; Von Hoffman 1996). Nowhere in the United States has the failure of high-rise, concentrated public housing been more visible and damaging than in Chicago. Now, with the Chicago Housing Authority (CHA) Plan for Transformation (the Transformation) launched in 1999, mixed-income development is being implemented on a scale far greater than anything previously attempted in the country. With well over 16,000 units planned in 10 major developments around the city, Chicago's effort is almost three times as large as the mixed-income initiative in Atlanta, the next largest effort to date (for more on the Atlanta transformation, see Boston 2005; Salama 1999).

Although most of Chicago's infamous high-rise towers have now been successfully removed from the landscape, the implementation of the Transformation has come under tremendous criticism. Much of the criticism has been focused on the handling of the first phase of the Transformation: the demolition of the high-rise buildings and the relocation of families (over 4400 as of mid-2006). Other researchers have studied the relocation and the dispersal of public housing residents throughout the metropolitan area during this phase (see, for example, Fischer 2002; Metropolitan Planning Council 2003; National Opinion Research Center 2006; Venkatesh et al. 2004; Williams, Fischer, and Ann Russ. 2003) In this paper, I focus on the second phase of the Transformation: constructing the mixed-income developments, conducting outreach and support to the displaced public housing residents, and marketing the developments to higher-income households (see Figure 1 below). Ongoing data collection that I am conducting along with colleagues will inform future studies of the critical third and final phase of the Transformation: post-occupancy and attempts to foster new communities within and around the completed developments.

Despite the increasing production of publicly subsidized mixed-income housing in the United States driven, in particular, by the federal government's \$4.5 billion Housing Opportunities for People Everywhere (HOPE VI) initiative<sup>3</sup>, relatively little

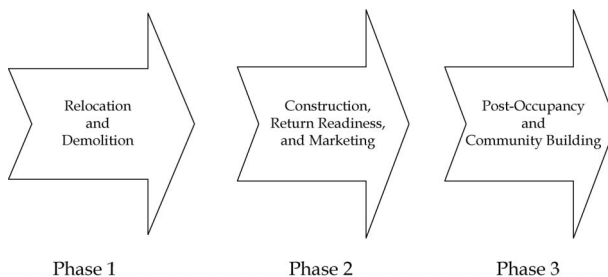


Figure 1. Phases of the Chicago Housing Authority plan for transformation.

<sup>3</sup>The HOPE VI initiative, originally funded for 10 years was extended in 2002, but received decreased funding in recent years and is currently not included in the federal FY2007 budget. The loss of this major source of large-scale funding has serious implications for the future funding of public housing transformation nationwide (for an overview of HOPE VI see Popkin et al. 2004).

is currently known about the process of creating and sustaining new mixed-income developments (Brophy and Smith 1997; Kleit 2005; Rosenbaum, Stroh, and Flynn 1998; Smith 2002; Varady et al. 2005). The scale of Chicago's mixed-income development initiative provides a welcome opportunity to learn about the possibilities and challenges of such an ambitious re-design of public housing.

The research question addressed by this paper is: What have been the key early challenges of the mixed-income development process in Chicago? I explore this by describing the development teams and their strategies, then examining first the key challenges confronted by the developers and then the challenges faced by their social service provider partners. Based on my findings, I then present implications for future mixed-income development practice and policy in Chicago and elsewhere. Given the lack of available research nationally on this particular phase of mixed-income development, and the mixed results and current policy ambivalence about the HOPE VI program, I hope this will be a valuable contribution to policymakers and others implementing and studying public housing transformation.

### ***Why study this transitional phase of the public housing transformation?***

Residents have now begun to move into most of the new developments in Chicago. At most of the developments, the first few years of the Transformation were dedicated to relocating residents, demolishing existing buildings, closing the development deals, constructing the first phases of the development sites, and marketing the units to future residents, including conducting outreach and social services to public housing residents who had expressed interest in moving to each site. While it is far too early to draw any conclusions about the outcomes of the mixed-income development strategy on residents of the new developments, the time is ripe to capture some of the experiences and lessons of the formative process of constructing and populating the new developments. The many decisions made about this pre-occupancy process will shape the ultimate outcomes at the development and thus provide valuable insights to understand the subsequent processes in Chicago and to inform the design and implementation of pre-occupancy work in other cities around the country.

### ***Why focus on the perspectives of developers and service providers?***

This paper explores the perspectives of two principal actors in the mixed-income development process: private developers and social service providers. A key provision in the federal Quality Housing and Work Responsibility Act of 1998 enabled public housing authorities to leverage federal funding with private financing to create mixed-income developments. In implementing the Transformation, CHA has made the most of this new flexibility: all 10 major new mixed-income developments are being constructed and managed by private developers.

Not only are the developers managing the bricks-and-mortar process – land assembly, financing, construction, marketing, and property management – but they are also responsible for social service provision. Support services are being made available to help prepare former public housing residents for a possible return and will also be funded by CHA for a year after families move back to the development. Each developer must therefore contract with local social service agencies to provide outreach, case management, and referral services or, where they have the capacity,

provide those services themselves (Metropolitan Planning Council 2005a). A tremendous responsibility for rebuilding the public housing landscape in Chicago and shaping the futures of thousands of public housing residents has been placed in the hands of private developers.

While other researchers have studied the relocation experiences and perspectives of public housing residents in Chicago (see, for example, NORC 2006; Popkin 2002; Venkatesh et al. 2004) there has been no systematic investigation of the perspectives of developers and their social service provider partners. Given the centrality of their roles in this process, and the likelihood that future mixed-income development across the country will continue to be driven by private developers, this represents an important gap in our knowledge base.

It should also be noted that the developers and social service providers are but two of the many categories of institutional players contributing to the Transformation process (see Table 1) and the voices presented here tell a particular side of the story. Additional research is needed to investigate the perspectives of these other key actors. Furthermore, given the long trajectory of the redevelopment process and the several years it will take to see how life for residents at these developments turns out, it will certainly be worth revisiting the perspectives of these actors after the developments are completed.

### *Organization of paper*

The next section presents the data and methodology for this study. The section after that reviews prior comparative research that has been done on the mixed-income development process. I then provide a summary description of the development teams in Chicago, the developments, the development strategies, and the status of the overall redevelopment. I then analyze respondents' perspectives, focusing on their opinions about development progress and the specific challenges confronted by the respective roles of the developers and social service providers. Finally, I present implications for future practice and policy on public housing transformation and mixed-income development.

### **Data and methodology**

Three research team members conducted in-person interviews with 26 members of the development and social service provision teams working on new mixed-income developments in Chicago. Nine mixed-income developments were represented among the interviewees;<sup>4</sup> in most cases, we spoke with both an executive from the development company and a member of the social service provision team at each development. Each interview was analyzed by two different members of the research team and coded for qualitative analysis. Initial codes were created using deductively derived themes developed by the research team based on a review of the available literature and other information about the local redevelopment process. Additional themes were derived inductively from analysis of the data. For information about developments and strategies, we reviewed available documentation on the development plans and made follow-up contacts with some of the interviewees to collect additional information.

---

<sup>4</sup>We were not able to interview any representatives at one of the 10 developments.

Table 1. Key actors in the CHA plan for transformation.

Actor	Role
Developers	Raise private financing, construct developments, prepare public housing residents for return, and oversee development process.
Social service providers	Contracted by developer to provide services to public housing residents of mixed-income developments pre- and post-occupancy.
Federal Department of Housing and Urban Development	Provide federal funding and accountability.
Mayor Richard M. Daley	Initial vision for public housing transformation and oversight of CHA.
Chicago Housing Authority (CHA)	Design, finance, and manage Plan for Transformation, contract with developers and social service providers.
The Habitat Company	Court-appointed receiver for all new public housing construction to prevent racial segregation.
City of Chicago departments and agencies, including: Chicago Park District Chicago Public Schools Department of Housing Department of Human Services (DHS) Mayor's Office of Workforce Development Department of Planning and Development	Infrastructure and services support.
Local aldermen	Advise and oversee investments in wards in which developments are located.
Working groups	Stakeholders (public, private, community) at each development who work with developer to refine and submit site plans to CHA for approval.
CHAC, Inc.	Contracted by CHA to manage the housing choice voucher program.
Relocation/mobility counselors	Contracted by CHA to relocate families using housing choice vouchers.
Service connectors	Contracted by DHS to provide social service referrals to all relocated residents.
Property managers	Contracted by developer to screen and select residents of rental properties (including former public housing residents), manage mixed-income properties, and collect rent.
Local Advisory Councils/Central Advisory Council	Elected resident representatives in original public housing developments.
Illinois Housing Development Authority	Finances equity and debt in mixed-income developments, issues tax credits for affordable housing.
Banks and private investors	Provide private financing for developments.
Foundations/Funders MacArthur Foundation McCormick Tribune Charities Chicago Community Trust Partnership for New Communities	Provide funding to support post-occupancy and community building strategies, technical assistance, systems design, and research.

*(continued)*

Table 1. (Continued).

Actor	Role
Metropolitan Planning Council	Policy analysis, documentation of progress, convening of developers and other stakeholders.
Independent monitor	Appointed by CHA to monitor progress.
Legal advocates for public housing residents	Advocate on behalf of public housing residents and monitor and advise the process.
Business people for the professional interest	
Legal Assistance Foundation of Chicago	
Shriver National Center for Poverty Law	
Local community-based organizations	Provide services and supports to residents.
Condo/homeowner associations	Governance and decision-making in the new mixed-income developments.
Local universities and research centers	Provide research and data analysis, as well as act as institutional partners to developments in their vicinity.

The data on which this paper is based are primarily qualitative in nature and represent the perspectives of a convenience sample of development and social service provision team members involved with the Transformation. By conducting our interviews privately and committing to confidentiality, we did our utmost to create a safe environment in which the respondents would be comfortable speaking freely and openly. However, the fact remains that the interviewees are very aware of the heavy public scrutiny under which this effort is taking place and the highly politicized atmosphere within which ongoing decisions are being made. In addition, they are aware of criticism from affordable housing advocates and other observers that the public housing transformation, in Chicago and across the country, is a “land grab” by local governments and that the private developers who are involved are simply exploiting an opportunity to make substantial profits from well-located urban real estate. Furthermore, although we do not provide individual attribution and have masked the source of any of the quotes used here, respondents know that they are part of a small cadre, well-known to each other and to the government officials with whom they work closely. The findings presented here must be considered within this context. Despite the variety, candor, and depth of perspectives shared, it must be acknowledged that these conversations took place in a policy environment that is not conducive to complete openness.

The 10 developments examined here are at varying stages of completion: some have yet to have any on-site units occupied, others have had residents of all income levels for over a year, in the case of the Cabrini Green redevelopment, for several years (See Table 2 for planned versus occupied units). None of the developments are fully constructed. Despite the variety of construction and occupancy levels across developments, all of our respondents have had several years of experience with the pre-development, construction, and resident recruitment phase of the Transformation process. This critical pre-occupancy phase of the process is the focus of this paper.

Table 2. Mixed-income developments planned and occupied units.

Development	CHA*		Afford- able*		Market- rate*		Total planned	Total occupied**	
	#	%	#	%	#	%		#	%
Cabrini Replacement Housing	700	25	303	11	1815	64	2,818	261***	9
Hilliard Homes	305	47	349	53	0	0	654	368	56
Jazz on the Blvd	30	22	36	26	71	52	137	60	44
Lake Park Crescent	120	24	122	25	248	51	490	145	30
Legends South	851	32	1,013	38	832	31	2,696	110	4
Oakwood Shores	1,000	33	680	23	1320	44	3,000	212	7
Park Boulevard	439	33	438	33	439	33	1,316	80	6
Roosevelt Square	1,467	46	728	23	966	31	3,161	275	9
West End	264	31	265	31	326	38	855	42	3
Westhaven Park and Village	824	63	133	10	360	27	1,317	404	31
Total	6,000	36	4,067	25	6,377	39	16,444	1,957	12

Source: CHA FY 2006 Annual Plan: Plan for Transformation Year 7.

\*CHA: Units allocated for former residents of Chicago Housing Authority developments.

Affordable: Subsidized rental and for-sale units for households meeting certain income criteria.

Market-rate: Units to be rented or sold at full market-rates.

\*\*As of July 2006 (Metropolitan Planning Council, 2006).

\*\*\*At North Town Village development only, the largest replacement development completed on the Cabrini site thus far.

## Background

To provide background context for this analysis of early challenges in the mixed-income development process in Chicago, I review prior research on the development process, describe the developers and their social service provision strategies, and compare the developments themselves.

### *Prior comparative research on the mixed-income development process*

There are a few existing studies that have undertaken a comparative analysis of the mixed-income development process (Brophy and Smith 1997; Costigan and Quigley 2006; NeighborWorks America 2006; Salama 1999; Schubert and Thresher 1996; Smith 2002; Suchman 1995; Turbov and Piper 2005). The available studies reveal several insights about mixed-income development. It is clearly possible, across a range of geographically diverse contexts, to successfully attract and retain market-rate homebuyers and renters while reserving a proportion of the units for families living in public housing. However, mixed-income development has proven to be extremely risky, costly, and complicated, and requires considerable capacity and persistence on the part of the developer.

A major cost is the amount of time required to establish and manage the high level of institutional coordination necessary to complete a mixed-income project. Collaboration is needed at several levels (Schubert and Thresher 1996; Turbov and Piper 2005). Within the public sector, the projects often require cooperation at the federal, state, county, and city levels of government. At the city level alone, the local



public housing authority must access resources from a variety of departments including housing, buildings, streets, infrastructure, human services, and schools. Furthermore, critical to each project is an effective public-private partnership between the city agencies, the housing authority, and the private developer. Finally, the developer and city must build strong working relationships with local resident representatives, particularly in cases where residents are to be displaced and relocated. Several of the studies suggest that meaningful and broad resident engagement is key to the successful completion of a development (Costigan and Quigley 2006; Salama 1999; Schubert and Thresher 1996; Turbov and Piper 2005).

Previous interviews with developers have revealed a variety of definitions of “success” for mixed-income efforts, ranging from simply reaching and sustaining full occupancy, to promoting economic self-sufficiency for low-income families, to catalyzing revitalization throughout the broader neighborhood (Brophy and Smith 1997). Successful occupancy and sales in mixed-income housing depend, just as in any housing development, on the basics of real estate: location, design quality, strong management and maintenance, and financial viability. Successfully marketing to higher income residents while reserving subsidized units throughout the development requires a cohesive design throughout the property where subsidized units are indistinguishable, to the outside observer, from market-rate units (Brophy and Smith 1997). It appears that promoting positive behavior may depend more on strong property management, social service provision, and resident engagement activities than on the income mix of the tenants (Brophy and Smith 1997; NeighborWorks America 2006; Smith 2002). Finally, several of the studies suggest that the upward mobility of low-income residents in the development requires going beyond simply mixing incomes and instituting good management practices to providing comprehensive social services that can address barriers to self-sufficiency such as low levels of education and weak labor market attachment (Brophy and Smith 1997; Costigan and Quigley 2006; Schubert and Thresher 1996; Smith 2002).

As will be discussed here, the mixed-income developments being built in Chicago are applying some of these lessons in terms of the architectural design and the investment in social service provision and community building. The complexity and costs of the mixed-income development process noted in earlier research have certainly been experienced in Chicago and have been increased by the scale of the effort.

### *Description of the development teams*

Although many of the developers in Chicago are new to mixed-income development of this or any scale, they have vast real estate experience and resources. The development teams include:

- *Brinshore-Michaels Development*, a joint venture of the locally based Brinshore Development and national developer Michaels Development Company, with over 8000 units of mixed-income housing in its pipeline,
- *The Community Builders*, the largest non-profit urban housing developer in the United States, with involvement in 15 HOPE VI projects across the country, which has completed over 20,000 units of affordable, mixed-income housing over the past 40 years,

- *Draper and Kramer*, one of Chicago's oldest real estate companies, founded in 1893,
- *Eastlake Management and Development Corporation*, a major African-American-owned real estate services firm, which manages over 10,000 units in the Midwest,
- *Granite Development*, a real-estate development affiliate of the Target Group, an African-American-owned management consulting firm that specializes in human capital development,
- *Heartland Housing*, the non-profit housing development arm of the Heartland Alliance for Human Needs and Human Rights, one of Chicago's largest producers of supportive housing,
- *Holsten Real Estate Development Corporation*, which led the city's first major mixed-income redevelopment at the Cabrini Green Homes,
- *Kimball Hill Homes*, the largest privately owned homebuilder in the country,
- *Related Midwest*, a major Chicago-based developer of luxury and mixed-use residences, and
- *Thrush Company*, which in the 1990s was the first private developer to do market-rate residential development on Chicago's south side in over 30 years.

While their common feature is significant experience in real estate development and services, the developers have several distinguishing characteristics which make the cohort of developers an extremely diverse group. Two of the companies operate as non-profits while the rest are for-profit corporations. The ages of the companies range from 11 to 113 years, their annual revenues or operating budgets range from \$6 million to \$925 million, and the size of their Chicago-based real-estate and development staff ranges from 7 to 450. Five of the developers are local in scope, while the other five produce real estate across the country. Four of the developers had previous experience in mixed-income development that included units for former public housing residents. Only three of the developers had previous experience working with CHA. Three of the developers came to their Transformation roles already having the capacity to provide social services in-house or through affiliates. The other developers have established new partnerships with local social service providers (see Table 3A and 3B for more details).

### ***Description of the developments***

The 10 major mixed-income developments in Chicago range in size from 137 units to 3161. When fully built out, six of the 10 will have over 1000 units (See Table 2 for more details). Their development costs range from \$35 million to \$600 million. The CHA's general guidelines for how the developers should allocate units in the developments for residents of different income levels were one-third public housing units, one-third subsidized units, and one-third market-rate units (Chicago Housing Authority 2005). However, as a result of separate negotiations at each development site between the private developer, CHA, and local community representatives, the mix of units ranges across developments (See Table 2). Units for public housing residents range from 22% to 63%. Subsidized units for families earning 60% of area median income (for rental units) and up to 120% of area median income (for-sale

Table 3A. Chicago mixed-income developments.

New MI development	Hilliard Center	Jazz on the Boulevard	Lake Park Crescent	Legends South	Cabrini Redevelopments*
Original development	Raymond Hilliard Homes	Lakefront Properties	Lakefront Properties	Robert Taylor Homes	Cabrini Green Homes
Lead developer	Holsten Real Estate Development Corporation	Thrush Companies	Draper and Kramer	Brinshore Development	Holsten Real Estate Development Corporation
Development team partner(s)	None	Granite Dev., Heartland Housing	None	Michaels Development Company Inc.	Kimball Hill Homes, <b>Linn-Mathes</b>
Total units	654	137	490	2,388	261
Name of lead service provider	Holsten Human Capital Development	Heartland Human Care Services	Abraham Lincoln Center Field Museum of Natural History	Changing patterns for families	Holsten Human Capital Development

Source: Communication with developers, developer websites, development websites.

\*Parkside of Old Town, North Town Village.

Table 3B. Chicago mixed-income developments.

New MI development	Oakwood shores and arches	Park Boulevard	Roosevelt Square	West End	Westhaven Park*
Original development	Madden/Darrow/Wells	Stateway Gardens	ABLA	Rockwell Gardens	Horner Homes
Lead developer	The Community Builders	Kimball Hill Homes	Related Midwest	Eastlake Management and Development Corporation	Brinshore Development
Development team partner(s)	Oakwood Boulevard Associate, and <b>Granite Development Corporation</b>	<b>Mesa Development Group, Davis Development Group,</b> and Walsh Construction. Neighborhood Rejuvenation Partners	Quest Development Group, LLC, and Heartland Housing	None	Michaels Development Company Inc.
Total units	3000	1300	3161**	855	755
Name of lead service provider	The Community Builders	The Family Institute	Heartland Human Care Services	National Able Network	TASC

Source: Communication with developers, developer websites, development websites.

\*Westhaven Park is the mixed-income component of the redevelopment at Henry Horner Homes. Westhaven Village, with all 200 units reserved for public housing residents, was built prior to the Plan for Transformation by CHA.

\*\*only 2441 to be newly constructed, the remainder will be rehabbed existing CHA units

units) range from 11% to 53%.<sup>5</sup> Apart from Hilliard Center where no market-rate units are planned, units to be rented, or sold at market-rates range from 27% to 64%.

*Social service strategies.* Each of the developers is working with a different social service provision team and the approaches to outreach and services to public housing residents differ considerably (Metropolitan Planning Council 2005a). CHA has established general criteria for public housing residents to be eligible to return to the new developments, which include issues such as employment, credit history, criminal background, and substance abuse (Metropolitan Planning Council 2005a). As we learned from interviewees, some developments have less stringent criteria, either due to a pre-existing court decree at a particular site or as a result of negotiations between the private developer, the housing authority, and local community representatives at that site. Most notably, there is no drug screening at Park Boulevard or Westhaven Park and there is no employment requirement at Westhaven Park.<sup>6</sup> The social service providers, with whom we spoke reported a ratio of assigned public housing residents to case managers that varied from 40 to 1 to as high as 95 to 1.

*Physical design strategies.* From our interviews with developers, we learned that one area in which the various development teams are taking a very similar approach is in the design of the developments. Based both on their own general real estate experience and on emerging knowledge about what it takes to make mixed-income developments work, the teams are adhering to a common set of principles. First and foremost, the teams are committed to high-quality design. Anxious to break with the institutional, mass-produced look of public housing, and focused on attracting a “hip” urbanite market, developers are investing extra in materials and detailing. Second, from the exterior, public housing, subsidized, and market-rate units are being designed to be indistinguishable from each other. Third, developers are attempting to blend the development into the neighborhood, rather than promoting the sense of a gated community isolated from its surroundings. This is being accomplished through designs that mirror features of existing area architecture, the rebuilding of the street grid to facilitate automobile and pedestrian traffic through the development, ensuring that buildings face outward into the street, and the use of a diversity of designs and housing types to avoid a uniform look. Fourth, public housing and subsidized units are being integrated throughout the development, not clustered in particular buildings or areas as they have been in other cities. In some developments, including North Town Village, Park Boulevard, and Jazz on the Boulevard, public housing units are even included among the for-sale buildings. This creates a major financing challenge, as will be discussed later. Fifth, all of the developments are attempting to create areas of public space – green space, courtyards – that can facilitate social interaction. Some development teams have been deeply engaged in planning for amenities beyond housing and open space, such as local elementary schools, retail space, and transit.

<sup>5</sup>Area median income is based on the standard metropolitan statistical area. For the Chicago area, 60% of area median income is approximately \$45,000 for a household of four and 120% is approximately \$90,000.

<sup>6</sup>The Westhaven Park requirements are governed by a 1995 federal consent decree at that site.

*Current status of the developments.* As the Plan for Transformation ended its seventh year in mid-2006, over 4400 families had been relocated from public housing developments, 66 high-rise buildings had been demolished across the city (including 34 of the 36 buildings on the south side), 61% of the 25,000 public housing units to be rehabbed or built had been completed, 34 mixed-income development deals had been closed, and 3880 units had been completed in new mixed-income developments, including 1940 units reserved for public housing residents (Chicago Housing Authority 2005, 2006; Grossman 2006; Metropolitan Planning Council 2005b; Requejo 2006).<sup>7</sup>

Looking ahead, if one includes the units projected to be completed in 2006, a total of 2269 public housing units were completed or in progress as a part of the new mixed-income developments. This leaves almost 5600 public housing units to be completed to reach the target of 7868 and over 6600 market-rate and affordable units to be constructed (Chicago Housing Authority 2006; author's calculations). In September 2006, the CHA publicly acknowledged that it would need more time to complete the planned units and formally extended the Plan from Transformation from 10 years to 15 years (Chicago Housing Authority 2006).

### **Respondent perspectives on progress**

When asked for their general opinions about the progress of the Plan for Transformation thus far, the majority of respondents had mixed opinions, identifying some areas of progress but articulating some major concerns about the process thus far. Only two of the 26 respondents had a strongly positive assessment of progress thus far. About a third of respondents had mostly negative opinions about the early years of the Transformation. Among developers, the majority had mixed opinions and just two had strongly negative assessments. Among social service providers, perspectives were much more split with almost half expressing mostly negative opinions about the Transformation.

The developers' assessments of progress tended to focus on the pace of the development process. The number of delays and bureaucratic hurdles (to be discussed in more detail later) help explain the absence of any strongly positive assessments from developers. One developer complained:

*[This is going] awfully fricking slow ... If I were sitting over at the Housing Authority, I would want to be cranking the stuff out, because you can only maintain the momentum for so long. You can only kind of set aside resources for so long before they start to disappear as well ... You make a decision to do this, you've got to figure out ways to cut through the bureaucratic layers to get it done. It's really hard.*

On the other hand, some developer respondents, while also frustrated with the some of the delays and hurdles, contended that there was a benefit to not moving the process too quickly. For example, another developer offered this perspective:

*If you go by the CHA's schedule, we're probably behind. I never thought that that was a realistic schedule ... I think this is the right schedule, because everybody's learning stuff*

---

<sup>7</sup>972 of the units for public housing residents were completed prior to the official launch of the Plan for Transformation in 2000.

*along the way. You know, you go too fast, you make the same mistakes and who wants to make mistakes again with this whole public housing redevelopment? So let's just let it go at its own speed.*

As might be expected, service provider assessments focused not on the overall development process, but on how resident relocation and support had been managed. Several of those service providers who expressed somewhat positive assessments explained that their initial expectations were quite low and that the actual process had not been as bad as expected. For example, one social service provider stated:

*A year ago, we were getting into something that we didn't have a lot of experience in ... And I think we had a lot of questions going into it about, "How this process is going to work? And is this going to be working on behalf of the residents or is this just a way to weed people out of CHA?" ... And I think to see where it is right now, with [all the families who are moving back in], I think it's gone as well as any of us in our office could have expected.*

About a third of social service provider respondents criticized the process thus far specifically for the challenges and disruptions it has caused in the lives of so many public housing residents. In the opinion of several, the demolition of the buildings was a higher priority than providing support for residents, and the process was more disruptive than necessary. According to one social service provider:

*The horse is already out of the barn. But certainly, once they started demolishing units, that's when a lot of this could have been dealt with. And I'm not sure the people were particularly interested in getting the masses to return ... I had a lot more faith in the process when I first started ... I can't say I have that same level of enthusiasm now.*

A second oft-cited cause for concern among social service providers was the disorganized and inconsistent nature of the process with policies that seemed to change often, making it very challenging for the development and service provision teams. The following social service provider's comments reflect the frustrations that resulted:

*The process has been extremely chaotic. In my opinion, it's not thought through far enough in advance. It is trying to catch up with what's going on, so it's crazy and not ahead of the curve ... It's just been a frustrating experience for everybody involved. I think anybody would tell you that, even the people working at CHA.*

I turn now to an examination of some specific challenges described by respondents, considering first the experiences of developers and then the experiences of social service providers.

### **The developers' core challenge: structuring and closing the development deals**

Our conversations with developers about the mixed-income development process touched on a wide variety of topics, from marketing the units, to building local partnerships, to construction. In this section, I highlight briefly one topic that has consumed the development teams' time and energy in the first few years of the Transformation, namely the structuring and closing of the development deals. The literature reviewed at the start of this paper described the complicated nature of mixed-income development. The city's decision to launch this scale of mixed-income

development, in this many developments, with this many players, at this pace, made a fundamentally challenging process even more complex. A more in-depth analysis of the technical details of the deals must be left to others with more information and expertise in this area. Here, I share some of the general insights of developers about the particular pre-development challenges they faced.

### *Scale and complexity of the transformation*

Few, if any, of the developers had previous experience with this breadth of responsibilities. Of those few that did, none had been a part of a large-scale public housing transformation of this magnitude. Even for developers with many years of experience working with federal, state, and city agencies to produce affordable housing, the mixed-income development process in Chicago represented an entirely different level of complexity and intensity. And, adding to the level of difficulty, the whole redevelopment process is taking place in the context of diminishing federal funding for public housing, the aftermath of a number of lawsuits against CHA,<sup>8</sup> intense local and national media scrutiny, demands for engagement from a range of community stakeholders, and constantly evolving CHA plans and policies regarding the relocation process.

One developer described the unique challenge presented by the development role in the Transformation as follows:

*The difference in this particular instance is that there are a lot more moving parts . . . the role becomes a little more complicated due to the supportive services aspect particularly, and all the financing, and then all of the stakeholders that you don't typically see in a real estate development . . . [It] really was a big learning curve for us.*

The number of large-scale development deals underway simultaneously across the city created an increased demand for limited resources, in particular financing for the subsidized units. Several developers mentioned the importance of the “queue” for federal low-income housing tax credits that are awarded twice a year by the city. Not only did developers face increased competition for the credits, they also reported confronting an increased lag time to actually close on the credits.

Also adding to the complexity was the multiple institutions with which the development deals had to be negotiated:

*We had to negotiate [the development agreement] with several different entities . . . It wasn't like we had the [Illinois Housing Development Authority], the City, CHA, and the Habitat Company [the court-appointed receiver for scattered site housing in Chicago] together and negotiated with them as a group. You negotiated with Habitat first on a Development Agreement. Then you negotiated with the CHA on the Development Agreement. And they weren't concurrent, they were linear, and they were all at odds with one another because they all had different requirements. It was an absolute nightmare . . . by the time you get to the fifth one, you have to then go back to the first one and renegotiate over again because none of the five [agreed] . . . It's just the most asinine thing I've ever experienced.*

<sup>8</sup>A lawsuit, Wallace versus. CHA, filed in January 2003 on behalf of residents claiming to have been involuntarily displaced and segregated by the CHA was settled in the spring of 2005. A lawsuit filed in 2004 on behalf of residents at the Cabrini-Green development in June 2004, which aimed to delay the pace of eviction and demolition, was also recently settled.



***Challenges of mixed-income construction***

Given the incorporation of the market-rate component in the developments, construction and unit delivery must keep pace with market demand. As one developer explained, “We need to be able to build this thing out as the market allows us to. With strong market demand, we need to keep on building.” But because the subsidized units must be integrated into the buildings with market-rate units, the entire process must be financed concurrently, which means that delays on the subsidies create untenable delays on the market-rate unit production. Several developers spoke of this dilemma and concluded that the only means to navigate it was for the developer to put more up-front cash into the deal.

Another implication of including market-rate units is that the design standards must conform to a level of quality that will appeal to that market. Having set the standard for the entire development, since units must be indistinguishable, the challenge becomes how to subsidize the other units to that level. This is particularly difficult given other increases in development costs, particularly materials, with which developers have been faced.

In their quest to honor the principle of completely integrating the public housing units throughout the development, some of the developers have included CHA units in the for-sale buildings as well as the rental buildings. As the developers are learning, combining public housing and market-rate for sale units within the same buildings adds considerably to the complexity of financing. The requirement that public funds not be intermingled with private funds in the construction of the buildings becomes practically impossible to honor when a portion of the units are public housing, but most of the construction costs – for example, excavation, the foundation, the roof – apply to the whole building.

Above all, in order to successfully generate a mixed-income, mixed-tenure development, the developers have aimed to build out both the rental and for-sale components concurrently. Several mentioned their concern that if the rental component is built out more quickly, it will make the for-sale component harder to market. Yet while the pace of the rental construction depends largely on securing and processing available subsidies, the pace of the for-sale construction depends on pre-sales and the general strength of market demand. This adds yet another dimension to the mixed-income development challenge.

**The social service providers’ core challenge: outreach and service to public housing residents**

As the developers were surmounting the challenges of constructing the buildings, their social service provider partners were charged with the task of locating CHA residents who had indicated an interest in returning to the new developments and helping those residents get prepared for a possible return. This has turned out to be a tremendously difficult process for several reasons. Although some of the residents that the social service providers are charged with serving were still living in CHA family developments, many others had been relocated into the private housing market with temporary housing choice vouchers (of the residents who have retained their right to return to the new mixed-income developments, about half have chosen a temporary housing choice voucher and half have chosen to live in a CHA family development, Metropolitan Planning Council 2003). Service providers reported to us

that, over the period of up to five years since the families had been relocated, some had moved multiple times and often their addresses were not up to date in the CHA database.

Furthermore, quite often the phone numbers for residents had been changed or the residents did not have a working phone. Even once located, the residents were often disinterested in engaging with a social service provider, particularly with the consistency it would take to address the health, employment, and other personal challenges necessary to become eligible for a return to mixed-income housing. In this section, I examine in more detail some of these challenges faced by social service providers and the steps they have taken to address them.

### ***Who is the client: the resident or the development?***

A key role of the social service provider partners at each development is to help the developers fill the new units reserved for residents of public housing as the units come on line (Metropolitan Planning Council 2005a). However, the caseload generated by CHA and assigned to each provider includes far more households than there are units available. We learned from our service provider interviewees that this is intentional since it can be safely anticipated, as will be discussed in detail below, that most of the households on the list either will elect not to take the available units or will be ineligible for them.<sup>9</sup>

Social service providers are charged specifically with identifying and preparing future residents of the development but more generally with helping all of the individuals on the caseload to assess their current situation, their options, and to make decisions about moving their families toward “self-sufficiency” (Metropolitan Planning Council 2005a). The path toward self-sufficiency includes making an informed housing choice, identifying and engaging with any needed social services, increasing the household’s income, increasing the stability of the family, and becoming more integrated into their community of residence.

These dual objectives have created a dilemma for case managers and their supervisors who have limited time to work with a large and varied caseload. On the one hand, many of the families they engage with could likely benefit from some ongoing form of support and assistance (although many might not want it). In a substantial number of cases, intensive support could be provided. But most of those families will not return to the development. On the other hand, a key priority is to make sure that the units in the new development are filled. This balancing act was noted by several providers. One described it as follows:

*My primary goal was empowerment of the residents . . . If that meant that they didn't want to come back to the development and they were happy where they were and they were prospering, that's what I encouraged them to do; and I encouraged my staff members to take that stand. . . I realized that our residents have compounded challenges . . . You can't focus just on economic development or helping someone to get a job when they have substance abuse challenges; when there are familial challenges . . . The problem with that approach is time. If you want to rush someone to move into a unit, you're not worried about all those factors . . . And as a social service provider, you're not a leasing agent. You're a*

<sup>9</sup>Interviewees explained that, initially, CHA was generating lists that had three times as many households as available units. More recently, to increase the chances of finding eligible and interested residents, the caseloads have been generated at a five to one ratio.

*social service provider . . . if I'm a leasing agent, yeah, I'm going to tell them, "This is the greatest place in the world. Check it out." But if I am a social service provider, I'm going to say, "Okay, what are your circumstances? What are your needs? How's your family doing? What fits your profile?"*

It should be noted that the move-in providers are not the only source of social service support provided to residents by CHA. CHA has put into place a "service connector" system of outreach and social service referrals that is available to over 11,000 public housing residents who have been relocated with housing choice vouchers, are living in family developments not slated for immediate demolition, or living in scattered-site units, and serves as an additional, overlapping source of support to those residents who do not engage with the move-in providers (Requejo 2004). The service connector system met with widespread early criticism from resident advocates, developers, and social service providers and has been re-structured and provided with increased funding by CHA (For an analysis on the limitations of the original service connector program and its re-structuring by CHA, see Requejo 2003, 2004; Williams, Fischer, and Ann Russ 2003).

### ***Engaging the residents***

Leaving aside the question of priorities and focus, there were many basic challenges encountered in simply trying to engage residents in the return readiness process. A fundamental problem that many of the social service provider interviewees confronted was locating and establishing contact with residents, particularly because, due to construction delays, so much time had passed since many residents had been originally relocated:

*I think the task that we had was just not something that you could accomplish in the time frame that everybody wanted . . . we were expected to track down residents, interview them and prepare them to be in units within a year. We had the residents that had not been contacted on a regular basis for, on average, three to four years . . . So because of the fact that it was just so difficult to even reach them, that affected our ability to do everything else . . . most of the people that we contacted were very surprised to hear from us . . .*

As one interviewee described it, for some residents, the challenge was convincing them that change was actually going to happen:

*You can only create change in a climate where people believe in you. [We're dealing with] people who have been made wary of change, who resist change, who believe that it will always go back to what it was. And those people therefore are very cynical of any process. In some way, you have to engage folks and get them to the point where they actually believe that (1) change can occur and is going to occur and (2) that they can in some way participate in the change.*

Social service providers were in the difficult position of trying to convince residents to take actions for something that was coming at an uncertain date in the future. Given the daily challenges residents were facing, as this interviewee noted, some residents were dismissive about the vague future opportunity:

*What can you really do for me?" That's the hardest [question for us to answer] and that [presents] a lot of resistance. "How can you make my situation currently better, today?*

*Don't tell me about six months from now or tell me a year from now. Can you move me today? No? Then what are you talking [to me] about?*

Complicating the engagement process was the lack of trust for CHA and other social service providers that had built up among many residents over a period of decades of neglect and poor service. The social service providers with whom we spoke estimated that up to a third of the individuals on their assigned caseload were either not located or, once located, were not willing to engage at that time.

### ***Convincing residents to return***

One of the most unexpected developments of the Transformation is how many public housing residents have decided not to return to the new developments. Originally, almost 90% of relocating residents elected to retain their right to return rather than taking a housing choice voucher to move permanently into the private sector (Metropolitan Planning Council 2003). The providers with whom we spoke estimated that at least a third of the residents on their caseloads have now decided that they do not want to return. As one provider explained:

*... the longer people are out on the vouchers, you know, we're finding that they've acclimated to their new community, then they don't want to move again. They were probably originally frightened to move away but now that they're there it's more freedom, in their eyes.*

Social service providers suggest that there are many reasons why residents are changing their minds. Some simply do not want to move again, either because they have become settled in their new location or because another move would generate too much disruption in their lives and the lives of their children. Other residents do not find the new developments compelling enough as a new location. Some complain that the new units are too small or have too few bedrooms for their family. Others worry that they will not feel welcome in the new developments, especially now that their old support networks of family and friends are gone. For some, as the social service provider below explained, the developments and surrounding neighborhoods are not yet sufficiently built out to provide an appealing alternative to their current location:

*So you try to tell them to come back to a brand new neighborhood. Very little has been done besides the residential development, very few stores, the schools are not necessarily the best, very few options for families to engage and to improve. And then you're telling them, "Okay, come back." You know, we're asking them to forget about all the, the four to five years that they've been gone. Forget about the advancements they've made. Forget about the friends and the new acquaintances that they've made.*

Many providers referred to the tenant selection criteria in the new mixed-income developments as a major deterrent, even to those who are currently eligible. According to the general criteria established by CHA, to be eligible, the head of household must be working at least 30 hours per week (unless they have a disability), most not have unpaid rent or utilities, must not have any recent criminal convictions, and must pass a drug screening (Metropolitan Planning Council 2005a). Respondents reported that given that there is no comparable employment requirement or regular drug screening in the Housing Choice Voucher Program or

other traditional CHA family developments, many residents consider the new developments to be an unattractive option. One social service provider told us:

*There are so many rules and regulations . . . that most people said it was unattractive to them to even come back. It would be easier to survive and to live well away from the development . . . The rules that I'm talking about are mandatory drug testing upon application. A 10-year background history . . . You're almost tactfully saying, "If you have any of these challenges, don't come back." So we know that three-quarters of our residents have these challenges. And then those that are well-off and able to do well without the rules, ask the simple question of, "Well, why should I come back when I'm going to be so heavily scrutinized?" Most of us would ask that question.*

### ***Helping residents who do not meet the criteria to return***

Through persistence, social service providers were able to eventually locate much of their assigned caseload and engage with those who were interested in moving back into one of the new developments. It soon became clear, as anticipated, that many of the residents did not meet the criteria to return.<sup>10</sup> According to the social service providers, the proportion of residents who did not meet the criteria ranged from 60% to 80%. Many residents were not working at all and certainly not the required 30 hours per week (only 37% of residents of CHA family properties and 30% of families with housing choice vouchers reported employment income in 2004, Metropolitan Planning Council 2005a). Residents often had lease compliance issues such as unpaid rent or household members who were not listed on the lease. A problem of unexpected magnitude was unpaid utility bills and other debt such as student loans, hospital bills, cell phone bills, with a substantial number of residents owing thousands of dollars, in some cases we were told, tens of thousands of dollars.

In addition to the official criteria, social service providers reported that individuals on their caseload were struggling with a range of other personal and familial challenges that prevented them from engaging in the return readiness process and would make it difficult for them to maintain eligibility in the new developments. Across their caseloads, these issues included depression and mental health problems, physical health challenges, and problematic personal relationships ranging from domestic violence to exploitative family members to grandparents raising grandchildren. While several providers reported that substance abuse had turned out to be a less significant barrier than anticipated, others suggested that people were simply not yet divulging this as an issue.

### ***Seeking to promote significant changes in people's lives***

On one level, the social service providers' task was to help people with specific issues such as housing decisions, unpaid debt, and seeking employment. On a more fundamental level, the task was to get individuals to commit to making deep changes in how they had been thinking about and living their lives. To understand the challenges that social service providers face in helping residents to prepare for a

---

<sup>10</sup>Families who do not meet the criteria can be accepted into the developments if they are determined to be "working to meet" the criteria. They can then be given one year to meet the criteria (Metropolitan Planning Council 2005a).

possible return to a mixed-income development, it is very important to appreciate the magnitude of what they are trying to accomplish. As one interviewee described it:

*It's all about motivating individuals out of a certain mindset. You know, this negative mindset . . . It kind of keeps people sitting and not doing anything. It's that things look real bleak to them. They're kind of wishing it would go away. You know, that kind of thing, you know, wishful thinking. You know, something'll happen. But nothing's going to happen unless you make it happen. But the fact of the matter is that, you know, "I've got all these bills. What am I going to do?" And that's still the real life issue. You know, that they have these credit problems and they [can't conceive] of making them go away.*

The process of helping individuals to make life changes is familiar to many of the social service providers; however, in this case it had to be accomplished with an especially hard-to-reach population in a short timeframe, in an uncertain environment, and with very limited resources.

### **Implications for the next phase of the transformation**

I now turn to the implications of our findings for the ongoing effort in Chicago and for other similar efforts elsewhere in the country.

#### ***Significant ongoing investment in case management and supportive services***

Over the course of the Transformation, the CHA has substantially increased funding for support services for relocating residents. The social services budget for FY2007 is over \$20 million which is three times the annual amount allocated in the early years of the Transformation (Metropolitan Planning Council 2005a). The additional resources have enabled the reduction of average caseloads in the service connector program from 1 to 139 to 1 to 55 (Metropolitan Planning Council 2005a). In addition, CHA has provided more funding to the development and service provision teams for services to the residents on their caseloads.

A major concern raised by several social service providers and developers is whether there will be resources allocated for longer-term support of the residents who move into the public housing units in the new developments. They explained that it took protracted negotiations for CHA to agree to support post-occupancy services for one year after the residents move in. As they learn more about the residents who are returning, their often tenuous connection to the labor market and other personal and family challenges, social service providers realize that for the residents to maintain their eligibility, support will be required well beyond an initial year. There are currently no resources allocated by CHA for the long-term support of public housing residents in mixed-income developments.

There is also a major question of what happens to those residents who move in but then cease to meet the criteria, due to a loss of employment, presence of an ineligible household member, or other lease compliance failure. Interviewees anticipated that this will not be a rare occurrence and wondered how this will be effectively but supportively addressed. One interviewee described the lack of clarity and anticipated challenge:

*I foresee the problems with enforcing those rules that are in place. . . . because that results in eviction. Once residents lose their right to their permanent housing, where do they go?*

*I've never heard [the answer to] that, and I'm a social service provider ... I can assume they get evicted and they're out on their own, but that hasn't been verbalized by anybody. What happens to the resident that doesn't pay their rent for a year? What happens to those individuals who can't keep up with the light bill and the gas bill and they have to be evicted? Where does that family go?*

Several of the social service providers with whom we spoke pointed out that a much larger issue than the success for the families who move into mixed-income developments is the outcome for the far greater proportion of public housing residents who were relocated from the original developments and will not return. The vast majority of these residents originally elected to retain their right to return to the new mixed-income developments; some have failed to meet screening criteria, others have changed their minds about returning. There were almost 25,000 households in CHA developments at the outset of the Plan for Transformation and there will be almost 8000 units available for public housing residents in the new mixed-income developments. This leaves over 17,000 households in other living situations including rehabbed CHA family developments (100% public housing units), senior housing developments, scattered-site housing, and housing choice vouchers in the private market (Chicago Housing Authority 2006). While continued attention and investment is certainly needed in the new mixed-income developments, major questions remain about future housing and social service policy for the residents who have been dispersed throughout the metropolitan area. The pre-existing conditions of concentrated poverty were untenable, but the current dispersion of residents makes it much harder to maintain contact with them, to offer support, and to help them organize among themselves. Particularly vulnerable resident populations include households that did not meet eligibility criteria; individuals facing physical and mental health, substance abuse, and other family challenges; and non-leaseholders and others who were living unofficially in the old public housing buildings and therefore had no rights to replacement housing (for further analysis of the challenges faced by the "hard-to-house" see Cunningham, Popkin, and Burt 2005).

### ***Facilitate resident input in housing associations***

As the developments are occupied by the new mixed-income population, respondents anticipated the need to facilitate resident engagement and inclusion in decision-making. Given the variety of housing types and tenures in the new developments, each site will have several condominium and homeowner associations. These associations represent the only formal decision-making bodies currently planned. The developers would hold the votes of for-sale units which are being rented. The particular challenge created by the residential mix is how renters, in particular residents of public housing units, will have a voice in the governance of the developments. This is particularly relevant because in many cases renters will share common space and amenities with owners. Although the Local Advisory Councils (LACs) at most sites, elected representatives of the public housing residents, were instrumental in influencing the redevelopment process, there is no stated formal role for the LACs in the new developments, including whether they will continue to exist at all. One developer reflected on the challenge ahead:

*[There are those arguing] that we should just cede our voting authority to the [rental] residents who live there. No, we're not going to do that. I mean, we have fiduciary*

*responsibilities long-term, because we're the managing general partner of the partnerships. We have to control operating deficits, these things are way too thin, and we can't give that to somebody else, and it's not because of the public housing residents. We wouldn't give it to the market-rate renters. But you know, it's something we have to deal with.*

### **Investing beyond the development: neighborhood-wide amenities and partnerships**

Much of the energy and investment at the new sites thus far has gone into the construction of new housing and development of other programs for the residents. Some of the developers have been able to work with local community agencies and other civic actors to plan more broadly for neighborhood revitalization, but there remains much work to be done across the sites to complement the new housing with the range of amenities that will attract and retain residents of all income levels. As a developer explained:

*The bricks and mortar, as hard as that is, and as much of my job that is, that's the easiest part. The other challenge is what are the other amenities that make it a strong physical community? ... [Public housing residents might be] living in better housing, but it doesn't create a neighborhood. And try to make it sustainable over time and work over time and be a positive place for everyone there means you have to have all those other components [like schools and retail] ... created within that community.*

For some developers, the expectation that the construction and management of the new mixed-income developments can end the cycle of poverty among the families in public housing units is unrealistic. They caution that while the new developments might end the physical isolation of a select group of former public housing residents, ending their social and economic isolation is a task far beyond the capacity of the developers alone. Emphasizing the complexity of the challenge, one developer stated:

*It's a difficult task to place just squarely on the shoulders of the developer. It really requires a level of partnership to get it done. For [mixed-income development] to work on the socioeconomic front really is about rebuilding or perhaps building anew, social institutions ... the YMCAs, the Boys and Girls Clubs, the churches, the schools, or whatever it is that kept that community together, they've eroded ... These are the kinds of things that cut across classes and race and economic status. At the end of the day, that is what's going to ... rebuild the community. We can't do that on our own, a) we're not in that business, and b) we don't have enough time and resources to do that.*

### **Promote honest dialogue about the transformation**

There was consensus among respondents that the high pressure, highly politicized environment in which they have been working has made it difficult to engage in constructive conversations about how things are proceeding. Now that development is well underway across the sites, there is a shared hope that the sense of accomplishment and momentum, as well as the increased understanding and comfort among key stakeholders, will allow for more open consideration of areas for improvement. Particularly constraining, as one developer pointed out, has been operating in the shadow of lawsuits against CHA and the resulting caution on the part of public officials:

*I think that [a key] challenge is the "walking on egg shells," litigious nature of the discussion ... I don't want to be 25 years down the road saying, "You know, we made bad*



*policy as we were implementing this stuff because we couldn't have a frank discussion about this issue or that issue.*

A prime example of a topic that developers wish could be discussed more openly is how best to honor CHA's original commitment to reserve almost 8000 of the new mixed-income units for public housing residents who have been relocated. While no developer questioned this original commitment, as it becomes more apparent that fewer eligible residents are interested in returning than expected, some wonder whether other sources of public housing residents, such as the 51,000 households currently on the CHA waiting list, might be considered (Olivo 2005). Having brand new units for former public housing residents sit unoccupied for a period of months, as was the case with some of the earliest units to come on line on the south side, is problematic for CHA, given the demands for public housing throughout the city, and for the developers, who face tax credit penalties if vacancies are sustained. Advocates for public housing residents would point out that another, perhaps more fair, option would be to reduce the stringent eligibility criteria, for example, the 30-hour-hour-work week requirement, to enable more relocated residents to qualify. Regardless of the ultimate decision, the point raised by respondents is that there remain some important issues to consider ahead that will be difficult to resolve without more open discussion.

### ***Sustaining the public and private resources to fully establish the new developments***

As mentioned several times in this paper, despite the progress that has been made, there remains far more to be done to complete and fully establish the new developments. Developers are keenly aware of this and expressed concern that federal and local resources are dwindling rapidly with no additional infusion of resources in sight. One developer explained:

*The question is, "Is everyone going to stay the course?" You know? Is the federal government going to stay the course? ... The federal government continues to cut back on public housing funding ... it's my understanding that CHA is going to get hit pretty hard by that ... This thing is not going to be done in 2009. Let's be clear about that, right? We'll be done maybe Phase 2 out of [multiple phases] ... but we won't finish the whole thing [by then]. So will the CHA stay the course? Will the [City Department of Housing] stay the course? Will the [Illinois Housing Development Authority] stay the course?*

In the first phase of the Transformation, CHA's strategy of engaging private developers in the construction and management of the new mixed-income developments has successfully attracted the participation of major local and national firms that have leveraged millions of dollars in private sector funding for the effort. The opportunity to develop thousands of market-rate and subsidized units on prime inner-city real estate offered developers the potential of revenue that outweighed the anticipated costs of working with a large public sector bureaucracy on a highly visible and contentious initiative. The actual development process, however, rife with delays and mounting costs, has stretched several of the developers to the point of seriously questioning the wisdom of their investment. Raising questions about private developers' continuing involvement was this developer:

*We've had to carry this out of our own pockets for nearly five years now at great cost. No developer in their right mind would ever do this. I mean, the only reason we're doing it is because it's the right thing to do. We ultimately think we're going to make money or we wouldn't be in it at all. But we can make a lot more money elsewhere doing a lot of other things. We just think it's the right thing to do, but it's awfully damn hard. It's very hard and very complicated.*

Moving into the next phase of the Transformation and considering the possibility of expanding the mixed-income development strategy to other neighborhoods in Chicago and around the country, it will be critical to determine how to balance the public-private partnership in a way that protects the public interest but offers enough upside to developers to maintain their participation. For some, the answer is greater public sector subsidies and investment, for others, such as the developer cited below, the answer is a decreased role for government:

*I think that to save these communities, we have to go faster. We have to bring more retail. We have to bring more schools. You have to go faster . . . I think my lesson learned is that, actually if you're a developer here, you're going to have to actually invest more money in this process. So the lesson for me on all of this is that the more we could get government out of this process, the better it would be . . . If we were less dependent upon the public sector to help finance these processes, we would have moved the processes faster. If we're really serious about this stuff, it's got to go faster.*

This raises the key question about the future of mixed-income strategies for public housing transformation across the country: to what extent can the commitment to providing housing for families in need be fulfilled within the context of a market-driven initiative? Clearly, in the current context of decreased federal and local government funding, private investment is essential. The Chicago experience thus far has demonstrated that well-selected private developers can bring not only private investment capital, but also real estate experience and capacity. For those families for whom the move from an environment of concentrated poverty to a mixed-income environment provides the security and stability for them to continue make life changes on their own, this public-private partnership will be a success. For those families with tenuous connections to the labor market and unresolved health and personal challenges, life in a private development will be much more difficult to sustain. It remains to be seen what proportion of families returning to mixed-income developments will require substantial ongoing support, and whether private developers find ways to partner with the non-profit sector, local foundations, and local government to ensure that the necessary supports are in place. We also need the appropriate research to determine what role, if any, mixed-income housing plays in contributing to positive life changes for low-income residents.

## **Conclusion**

The public housing high-rises of Chicago that were a source of much shame and disrepute are now almost completely gone. In their place thousands of units of new low- and mid-rise housing is being built for former residents of the high-rises in mixed-income developments that will also include homes for those who can afford to pay market rents and sales prices. The mixed-income development process thus far in Chicago has confirmed much of what we have learned from earlier efforts across the country. It is possible to leverage public and private sector resources to finance and

construct high-quality residential housing in the inner city that includes a significant proportion of homes set aside for former public housing residents. There has generally been a strong market demand for rental and for-sale housing in these new developments, although the recent slowdown in the national housing market has certainly been experienced by the Chicago mixed-income developers as well. The development process, as in other cities, is tremendously complex, requires a major collaborative effort among public and private entities, and demands persistence and risk-taking by private developers.

In our conversations with developers and social service providers, we heard strong support and high aspirations for the city's commitment to mixed-income development including a hope that beyond providing new housing, the new developments would help rebuild neighborhoods and substantially improve the quality of life for former public housing residents. There is a hope that through broadened social networks and the prevalence of a culture of work, the new developments will provide a fresh starting point for former public housing residents.

There are considerable frustrations with the delays in the process thus far and the multiple shifts in policies and procedures. There is consensus that, for many relocated public housing residents, too much time passed before they were re-engaged to prepare for a possible return to the new developments. Perhaps not surprisingly, many residents have changed their minds about wanting to return, citing the stringent requirements, uncertainty about the new developments, and a lack of desire to put their families through another move.

Critical to the next phase of the Transformation will be advocacy for continued federal and state funding as well as the identification of alternative sources of support for future phases of development and services. Each development team must turn its attention to the broader array of neighborhood amenities that will serve to attract and retain the new residents. Beyond the 10 mixed-income developments, the CHA and its partners must generate the same levels of ingenuity and persistence to the challenge of supporting and raising the quality of life for the thousands of relocated public housing residents who will not return to the new developments.

There are many significant implications to be taken away from the Chicago experience for public housing transformation across the country. Public sector officials in other cities will note the strong civic support and private sector interest in response to the city's bold vision to completely transform the public housing landscape. They will also note the local controversy, legal action, and social service challenges that resulted from the way in which demolition outpaced the capacity to fully support and manage the relocation of thousands of families. Policymakers would be well-advised to consider ways to manage demolition and relocation so that residents who would like to return to the new development can remain in the local community, to provide more intensive support to help those residents prepare themselves to meet the mixed-income screening requirements, and to partner effectively with community-based organizations and social service providers throughout the metropolitan area to ensure that supports are in place for those residents who decide to make permanent moves into the private market.

Although local markets will vary substantially, the early market demand in Chicago bodes well for the future promise of mixed-income development as an urban revitalization strategy. The critical question is whether the revitalization can be sustained, and how broadly its benefits will be shared.

## Acknowledgments

This research was supported by a grant from the Rockefeller Foundation and a post-doctoral scholarship at the School of Social Service Administration at the University of Chicago. Ranada Harrison helped coordinate and conduct data collection and analysis and was assisted by Rachel Boyle, Jessica Feldman, and T Chad Roberts. I thank Cathy Haggerty, Margery Austin Turner, Joseph Hoereth, Roberto Requejo, and two anonymous reviewers for comments on earlier drafts. I am grateful for the time and cooperation of members of the development and social service provider teams who were interviewed and provided information for this study.

## References

- Boston, Thomas D. 2005. *Environment matters: The effect of mixed-income revitalization on the socio-economic status of public housing residents: A case study of Atlanta*. Working Paper 1, Georgia Institute of Technology.
- Brophy, Paul C., and Rhonda N. Smith. 1997. Mixed-income housing: Factors for success. *Cityscape: A Journal of Policy and Development Research* 3, no. 2: 3–31.
- Chicago Housing Authority. 2005. *FY2006 annual plan: Plan for transformation year 7*. Chicago, IL: The Chicago Housing Authority.
- Chicago Housing Authority. 2006. *FY2007 annual plan: Plan for transformation year 8*. Chicago, IL: The Chicago Housing Authority.
- Costigan, Patrick M., and Leo V. Quigley. 2006. *Resident success in economically integrated, socially diverse housing*. Washington, DC: The Community Builders.
- Cunningham, Mary K., Susan J. Popkin, and Martha Burt. 2005. Public housing transformation and the “Hard to house.” In *A roof over their heads. Policy brief 9*. Washington, DC: The Urban Institute.
- Epps, Gayle. 1996. Emerging strategies for revitalizing public housing communities. *Housing Policy Debate* 7, no. 3: 563–88.
- Fischer, Paul. 2002. *Where are the public housing families going? An update*. Lake Forest, IL: Lake Forest College.
- Goetz, Edward. 2003. Housing dispersal programs. *Journal of Planning Literature* 18, no. 13–16.
- Grossman, Kate. N. 2006. *Where did all the people go?* Chicago, IL: Chicago Sun-Times. World Wide Web page <http://www.suntime.com/news/metro/90244.CST-NWSmain10>. article (accessed January 29, 2007).
- Joseph, Mark L. 2006. Is mixed-income development an antidote to urban poverty? *Housing Policy Debate* 17, no. 2: 209–34.
- Joseph, Mark L., Robert J. Chaskin, and Henry S. Webber. 2007. The theoretical basis for confronting poverty through mixed-income development. *Urban Affairs Review* 42, no. 3: 369–409.
- Khadduri, Jill. 2001. Deconcentration: What do we mean? What do we want? *Cityscape: A Journal of Policy Development and Research* 5, no. 2: 69–84.
- Kleit, Rachel G. 2005. HOPE VI new communities: Neighborhood relationships in mixed-income housing. *Environment and Planning A* 37, no. 8: 1413–41.
- Metropolitan Planning Council. 2003. *CHA plan for transformation July 2003 progress report*. Chicago, IL: Metropolitan Planning Council.
- Metropolitan Planning Council. 2005a. *CHA plan for transformation July 2005 update*. Chicago, IL: Metropolitan Planning Council.
- Metropolitan Planning Council. 2005b. *CHA plan for transformation November 2005 update*. Chicago, IL: Metropolitan Planning Council.
- Metropolitan Planning Council. 2006. *CHA plan for transformation August 2006 update*. Chicago, IL: Metropolitan Planning Council.
- National Opinion Research Center. 2006. *Resident relocation survey: Phase III first follow-up findings and methodology*. Chicago, IL: National Opinion Research Center.
- NeighborWorks America. 2006. *Seven strategies for successfully marketing and stabilizing the occupancy of mixed-income/mixed-race properties*. Washington, DC: NeighborWorks America.
- Olivo, Antonio. 2005. *CHA asks status of 51,000 on waiting list*. Chicago, IL: Chicago Tribune. August 2, 2005.

- Popkin, Susan J. 2002. *The Hope VI program: What about the residents?* Washington, DC: The Urban Institute.
- Popkin, Susan J., Bruce Katz, Mary Cunningham, Karen D. Brown, Jeremy Gustafson, and Margery Turner. 2004. *A decade of Hope VI: Research findings and policy challenges*. Washington, DC: The Urban Institute and The Brookings Institution.
- Popkin, Susan J., Larry F. Buron, Diane K. Levy, and Mary K. Cunningham. 2000. The Gautreaux legacy: What might mixed-income and dispersal strategies mean for the poorest public housing tenants? *Housing Policy Debate* 11, no. 4: 911–42.
- Requejo, Roberto. 2003. *CHA takes first step to transform service connectors*. Chicago, IL: Metropolitan Planning Council. World Wide Web page <http://www.metroplanning.org/articleDetail.asp?objectID=1667> (accessed February 7, 2007).
- Requejo, Roberto. 2004. *New service connector program serves 11,000 public housing households*. Chicago, IL: Metropolitan Planning Council. World Wide Web page <http://www.metroplanning.org/articleDetail.asp?objectID=2026> (accessed February 7, 2007).
- Requejo, Roberto. 2006. Housing Associate, Metropolitan Planning Council. *Personal communication April 28*.
- Rosenbaum, James E., Linda K. Stroh, and Cathy Flynn. 1998. Lake Parc place: A study of mixed-income housing. *Housing Policy Debate* 9, no. 4: 703–40.
- Salama, J. 1999. The redevelopment of distressed public housing: Early results from HOPE IV projects in Atlanta, Chicago, and San Antonio. *Housing Policy Debate* 10, no. 1: 95–142.
- Schubert, Michael, and Alison Thresher. 1996. *Lessons from the field: Three case studies of mixed-income housing developments*. Chicago, IL: University of Illinois at Chicago, Great Cities Institute Working Paper.
- Schwartz, Alex, and Tajbakhsh Kian. 1997. *Mixed income housing: Unanswered questions. Cityscape: A Journal of Policy and Development Research* 3, no. 2: 71–92.
- Smith, Alistair. 2002. *Mixed-income housing developments: Promise and reality*. Cambridge, MA: Joint Center for Housing Studies of Harvard University.
- Suchman, Diane. 1995. *Mixed-income housing*. Washington, DC: Urban Land Institute.
- Turov, Mindy, and Valerie Piper. 2005. *HOPE VI and mixed-finance redevelopments: A catalyst for neighborhood renewal*. Washington, DC: The Brookings Institution.
- Varady, David P., Raffel Jeffrey A., Sweeney Stephanie, and Denson Latina. 2005. Attracting middle income families in the HOPE VI public housing revitalization program. *Journal of Urban Affairs* 27, no. 2: 149–64.
- Venkatesh, Sudhir A., Isil Celimli, Douglas Miller, Alexandra Murphy, and Beauty Turner. 2004. *Chicago public housing transformation: A research report*. Working Paper. New York, NY: Columbia University Center for Urban Research and Policy.
- Von Hoffman, Alexander. 1996. High ambitions: The past and future of American low-income housing policy. *Housing Policy Debate* 7, no. 3: 423–46.
- Williams, Kale, Paul Fischer, and Mary Ann Russ. 2003. *Temporary relocation, permanent choice: Serving families with rent vouchers during the Chicago Housing Authority Plan for transformation*. Chicago, IL: Commissioned by the Metropolitan Planning Council for the Chicago Housing Authority.