The Dilemma of Old, Urban Neighborhoods

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INTRODUCTION

In his recounting of the suburban migration from America's cities, journalist and broadcaster Ray Suarez laments the loss of "the old neighborhood."[1] He extols its virtues while explaining its decline. Suarez's nostalgic examples recall the virtues of the extended family and kinship, neighborliness, and other features of the "urban village." These are often associated with those urban neighborhoods populated by recent immigrants. These urban villages were thought to have peaked in the decades between the American Civil War and the onset of the First World War, when many U.S. cities industrialized and grew very rapidly. However, a continuing movement of migrants from the southern United States, Puerto Rico, and during the past few decades from around the globe has meant the survival of the urban village in many cities. Like their earlier predecessors, these neighborhoods are often characterized by high rates of poverty and substandard social conditions.

In contrast to the old urban neighborhoods populated by the new immigrants,[2] many neighborhoods in the economically and socially distressed areas of U.S. cities have been largely depopulated and have abnormally high rates of abandonment and social problems. These neighborhoods are often highly segregated by race and ethnicity and have high concentrations of poverty.[3] Old urban neighborhoods have been a focus of social policy for the past fifty years. The passage of

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1. RAY SUAREZ, THE OLD NEIGHBORHOOD: WHAT WE LOST IN THE GREAT SUBURBAN MIGRATION, 1966-1999 (1999).

2. *See, e.g.*, NEW IMMIGRANTS IN NEW YORK CITY (Nancy Foner ed., 1987).

3. PAUL A. JARGOWSKY, POVERTY AND PLACE: GHETTOS, BARRIOS, AND THE GREAT AMERICAN CITY (1997).

the Housing Act of 1949 heralded a federal commitment, at least on a limited basis, to provide public housing for the poor and decent neighborhoods for those living in the slums through urban redevelopment, later renamed urban renewal.[4]

In the ensuing five decades, various federal policies and programs have been inaugurated, some later to be either reformed or dismantled, to address the problems presented by these older, urban neighborhoods and their residents. The dilemma confronting policy-makers has been that neglect promises even worse problems, the worst of which have been urban riots triggered by festering social ills. On the other hand, no past active approach has yet solved these problems. After briefly reviewing major federal initiatives, I will focus on the emergence, evolution, and experience of community development corporations (CDCs) based in these neighborhoods.

I. FEDERAL POLICIES (1949-1999)

The use of public housing as a replacement for slum housing has been stymied for several reasons. First, the original production goal of the 1949 act was never realized. The Korean conflict and the subsequent election of the conservative Eisenhower administration combined to kill this hope. Even where there was funding available, there was considerable local opposition to housing solely for the poor. Many localities simply never applied for federal funding and very few chose to proceed to build it in the face of serious political opposition. The real estate lobby was a leader both nationally and locally against public housing, seeing it as a threat to the private market. By the 1960s much of public housing in central cities was becoming a shelter of last resort, with an increasingly poorer population often dependent upon public welfare. As projects aged and operating revenue did not keep pace with operating costs, many older projects were neglected. Eventually, this led to serious deterioration and in extreme cases abandonment.

The demolition of the largely abandoned Pruitt-Igoe project in St.

4. Alexander von Hoffman, A Study in Contradictions: The Origins and Legacy of the Housing Act of 1949 (1999) (Paper delivered at the Fannie Mae Foundation Symposium on the Legacy of the 1949 Housing Act, Chicago).

Louis in 1974 marked the symbolic failure of the public housing program to solve the housing problems of the urban poor. This was true despite the provision of operating subsidies by the federal government and then modernization grants. By the end of the 1990s, many local public housing authorities were demolishing high-rise public housing projects in the hope of replacing them with smaller-scale units. With the adoption of the Section 8 program in 1974, which provides housing assistance to eligible low and moderate-income households and later housing vouchers, the construction of new public housing, except for the elderly or to replace demolished units, all but ended. Finally, despite tenant and civil rights protests and considerable litigation, public housing became highly racially segregated and restrictive in management policies intended to deny admission to or evict undesirables. In 2000 public housing represents a very small percentage of housing overall. What public and subsidized housing does exist does not meet the demand for affordable housing. According to a 1999 HUD report, about one-quarter of renter households (almost nine million) in the United States was at or below thirty percent of median income in 1997 and for every one hundred of these households only thirty-six affordable housing units were actually available to them.[5]

Housing advocates in 1949 envisioned public housing being located on the land cleared of substandard housing in and around downtown areas. However, as the federally-subsidized urban redevelopment and urban renewal programs were planned, there developed local coalitions interested in redevelopment of this land for market-rate housing and commercial and industrial facilities. They generally prevailed. To make matters worse, "blighted" neighborhoods selected for clearance were predominantly populated by minorities, who all too often were unable to obtain the decent relocation housing originally promised and then ended up in other substandard housing. The federal highway program that destroyed many urban neighborhoods in the same era had a similar result.

With the creation of the Federal Housing Administration (FHA) in the Great Depression, the federal government officially espoused the

5. U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, THE WIDENING GAP: NEW FINDINGS ON HOUSING AFFORDABILITY IN AMERICA (1999).

"redlining" and discriminatory housing and mortgage lending policies of the real estate and banking industries. This meant that in the post-World War II housing construction boom, central city neighborhoods were largely ineligible for FHA financing. When this policy was finally reversed in the late 1960s, it soon became evident that abuses of liberalized FHA lending policies in poor neighborhoods were resulting in very high mortgage default and foreclosure rates, which cast a large shadow over these initiatives.

As opposition to displacement from urban renewal and highway projects mounted in the 1960s amidst several summers of urban riots, the federal response deliberately tried to avoid past mistakes. The Model Cities program of 1966-67, launched shortly after the birth of the U.S. Department of Housing and Urban Development (HUD), was intended to promote a coordinated intergovernmental approach to addressing social problems, including housing, without displacing the residents of the poor neighborhoods that were targeted. Local governments were given considerable latitude to determine how to spend federal funds. For a variety of reasons, this ambitious experiment never received the funding originally envisioned; presidential support waned as its patron Lyndon Johnson turned his attention to the Vietnam War and then chose not to stand for re-election. Richard Nixon was elected in 1968, and problems of management and coordination proved difficult to resolve.[6]

In 1974 the model cities and urban renewal programs, among others, were consolidated into the community development block grant (CDBG) program. While aimed at providing federal assistance to poorer neighborhoods and their residents, it was left largely to the discretion of local "entitlement" communities as to how to distribute and use the funding. While considerable CDBG funding has been spent on the needs of old, urban neighborhoods, it has been spread widely and thinly.[7]

Inspired by neighborhood-based activists, Congress enacted two key reform laws in 1975 and 1977: the Home Mortgage Disclosure

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6. DENNIS E. GALE, UNDERSTANDING URBAN UNREST: FROM REVEREND KING TO RODNEY KING (1996).

7. MICHAEL J. RICH, FEDERAL POLICYMAKING AND THE POOR: NATIONAL GOALS, LOCAL CHOICES, AND DISTRIBUTIONAL OUTCOMES (1993).

Act (HMDA) and the Community Reinvestment Act (CRA). While significantly reduced in scope from what urban reinvestment advocates proposed, nevertheless these policies have proved important tools in persuading lenders to provide capital investment in old, urban neighborhoods. The CRA, through the vehicle of Federal Reserve Board review of lender performance under CRA when bank mergers have been proposed, has proven especially critical.

Except for a few modest initiatives forced on the Reagan and Bush administrations by the then Democratically-controlled House of Representatives, the Reagan-Bush period (1981-1993) was bereft of major new programs aimed at revitalization of old, urban neighborhoods. A notable exception was the enterprise zone proposal made by the Reagan administration and actively advocated by Bush's HUD Secretary Jack Kemp. However, after his bid for re-election was defeated in 1992, President Bush vetoed a version passed by Congress in the wake of the South Central Los Angeles riot. It was only in 1994 after the Republican takeover of the U.S. House of Representatives that President Bill Clinton's renamed Empowerment Zone program was enacted. Aimed at six major central cities and one hundred enterprise communities, the Clinton administration aimed to stimulate employment of the residents of the poorest inner city neighborhoods through a combination of social services, business subsidies (including tax credits for employers), and community revitalization.[8] The Clinton administration also initiated a modest effort to clean up toxic "brownfields" often located in inner city neighborhoods in the hope of stimulating economic development otherwise occurring in suburban and rural "greenfields." In 1999 President Clinton proposed a "new markets initiative" aimed at spurring private sector equity investments in distressed urban and rural areas, recalling his administration's early proposal for community development banks to achieve the same goal.

Even as the boom economy of the 1990s continued at the end of the century, pockets of poverty persist. For those residents of the poorest urban areas, another critical Clinton initiative, supported by the Republican-controlled Congress, was the welfare reform

8. GALE, *supra* note 6.

legislation of 1996, which imposed term limits for beneficiaries and allowed the states to impose these and similar restrictions. As the implementation of this welfare reform proceeds, the ultimate impact on the poor, especially single mothers and their children, remains to be fully known. For all too many, it could have disastrous consequences if they are unable to find or hold jobs and do not have benefits previously provided by the federal social safety net.

As the new century begins, what are the prospects for these old urban neighborhoods? For some, revitalization means more employment, better housing and services, and general improvement for the current residents. For others, this may mean "gentrification," leading to the displacement of a significant number of residents outbid by more affluent newcomers. For all too many, however, it could mean stagnation or further decline. An important factor in these outcomes is the extent to which a CDC exists and is effective in addressing issues confronting the neighborhood in which it operates. The remainder of this article will discuss CDCs and their role in the revitalization of old, urban neighborhoods.

II. COMMUNITY DEVELOPMENT CORPORATIONS (CDCS): ORIGINS, EVOLUTION, AND IMPACT

A. Origins

Today's CDCs can be traced historically to the settlement house movement of the Progressive reform era around the turn of the last century.[9] However, a major difference is that these non-profits, while dedicated to the well-being and improvement of urban slum dwellers, were founded by philanthropic outsiders. In contrast, most CDCs have been created by residents of the neighborhoods in which they are located. Some have very broad goals to revitalize their neighborhood, while others have specific goals and a more limited role, for example, the construction and rehabilitation of affordable housing.

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9. ROBERT HALPERN, REBUILDING THE INNER CITY: A HISTORY OF NEIGHBORHOOD INITIATIVES TO ADDRESS POVERTY IN THE UNITED STATES (1995).

A more recent catalyst for the development of CDCs were the efforts of the late Senator Robert Kennedy in 1966-1967 to provide direct federal support for CDCs. He also secured foundation support to launch the Bedford-Stuyvesant Restoration Corporation in Brooklyn, New York.[10] This CDC has often been seen as a model CDC.[11] However, several of the early CDCs have not survived, such as, the Hough Area Development Corporation in Cleveland, Ohio.

B. Evolution

As Schill notes, many of the first generation CDCs engaged in ambitious economic development projects with a high failure rate.[12] He cites a 1994 national survey of CDCs, which indicated that twenty-three percent reported completing industrial or commercial developments and eighteen percent reported being involved in some form of business enterprise.[13] However, the most significant finding was that the twenty to twenty-two hundred CDCs reported producing approximately four hundred thousand units of affordable housing.[14] A similar earlier national survey of selected CDCs produced a similar profile.[15]

The number of CDCs grew over the past two decades, many supported by a combination of local government and "intermediaries" such as local and national foundations. In the latter category the two most prominent examples are the Local Initiatives Support Corporation (LISC) associated with the Ford Foundation and the Enterprise Foundation, founded by the late James Rouse, a developer.[16] In several large cities, CDC networks have formed. In

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10. Note, *The Nonprofit Corporation and Community Development in Bedford-Stuyvesant*, 42 WASH. & LEE L. REV. 1259 (1985).

11. DAVID RUSK, INSIDE GAME, OUTSIDE GAME: WINNING STRATEGIES FOR SAVING URBAN AMERICA (1999).

12. Michael H. Schill, *Assessing the Role of Community Development Corporations in Inner City Economic Development*, 22 REV. OF LAW & SOC. CHANGE 753, 766 (1996-1997).

13. *Id.* at 767.

14. *Id.*

15. AVIS VIDAL, REBUILDING COMMUNITIES: A NATIONAL STUDY OF URBAN COMMUNITY DEVELOPMENT CORPORATIONS (1992).

16. Avis Vidal, *CDCs as Agents of Neighborhood Change: The State of the Art*, *in* REVITALIZING URBAN NEIGHBORHOODS 158 (W. Dennis Keating et al., eds., 1996).

Cleveland, for example, the Cleveland Housing Network consists of eighteen CDCs involved in housing.[17]

C. Impact

While many profiles of CDCs have been done, few evaluations of their impact have been conducted. A recent and disturbing view was presented by David Rusk.[18] Rusk analyzed thirty-four "exemplary" CDCs created before 1980 or 1970. By several criteria (poverty rates, average household income, and neighborhood buying power), Rusk found that, "[t]he thirty-four target areas served by the most successful CDCs as a group still became poorer, fell farther behind regional income levels, and lost real buying power."[19] Rusk raises the question of what would these neighborhoods be like in the absence of CDCs but does not try to answer it. Instead, he asks, "How valid is it to evaluate the effectiveness of relatively small neighborhood organizations against the much larger panorama of the neighborhoods they target with their housing, commercial development, and social service programs?"[20]

Rohe reviewed major evaluations of CDCs. He concluded that there was evidence to support the following claims: CDCs adopt a comprehensive approach to community upgrading; CDCs are able to leverage substantial funding from intermediary organizations, both local and national; and CDCs target their efforts to low and moderate-income areas.[21] However, Rohe was unable to determine the degree to which CDCs can be found to be effective, efficient, and successful in community capacity building.[22]

Given the growth of CDCs and their apparent institutionalization in many communities, what can be said for their future role and

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17. Norman Krumholz, *The Provision of Affordable Housing in Cleveland: Patterns of Organizational and Financial Support*, *in* AFFORDABLE HOUSING AND URBAN REDEVELOPMENT IN THE UNITED STATES (Willem Van Vliet ed., 1997).

18. RUSK, *supra* note 11.

19. *Id*. at 49.

20. *Id*. at 56-57.

21. William M. Rohe, *Do Community Development Corporations Live up to their Billing? A Review and Critique of the Research Findings*, *in* SHELTER AND SOCIETY: THEORY, RESEARCH, AND POLICY FOR NONPROFIT HOUSING 193-95 (C. Theodore Koebel ed., 1998).

22. *Id.* at 196-97.

possible impact on the revitalization of old, urban neighborhoods? Even assuming that Rusk's pessimistic portrayal of statistical decline in key factors affecting the stability of old urban neighborhoods is confirmed by the year 2000 U.S. Census, I believe that almost certainly in most cases the absence of a CDC would mean that their neighborhoods would have experienced even more decline, where that has occurred. As Rusk suggests, it is unfair to expect that these small, modestly-funded organizations could reverse long term trends in the economy, labor markets, education, housing, and health care that negatively impact these neighborhoods.

Given the persistence of the many problems afflicting poor neighborhoods served by CDCs, they must be sustained and whenever possible strengthened. Perhaps the greatest need is for sustained operating support. CDCs are barely able to survive on project funding, which typifies so much of their financing. In a few cities, through the support of intermediaries, selected CDCs and CDC networks are receiving at least some limited long term core support. In Cleveland, for example, this is being provided through Neighborhood Progress, Inc. This is the kind of support that could be provided through federal "set asides," for example, in the CDBG program. Many entitlement communities, including Cleveland, have long used CDBG funds to support CDCs and their programs. Another approach would be to allow tax credits to corporations not only to invest in low income housing but also to generally support CDCs involved in neighborhood revitalization. This assumes that there is no prospect of direct federal operating support for CDCs. Whatever approach seems feasible, it is clear that CDCs cannot sustain themselves and operate efficiently and effectively without such sustained support. If they are to engage in long range comprehensive planning, then this type of support is essential.

The revitalization of these old, urban neighborhoods requires comprehensive planning, both for physical redevelopment projects and also to provide necessary social services. Without sustained operational support and even with funding to do planning, it is not likely that a CDC can engage in comprehensive planning and then effectively implement a strategic plan. What is more likely is that a CDC will continue to pursue targets of opportunity with whatever funding it can find on an ad hoc basis. While these efforts can

certainly produce tangible results and improve a neighborhood, it is not likely to overcome fundamental problems facing the neighborhood.

Certainly, changes in public policy which lead to major improvements, if not solutions, in these older, urban neighborhoods are essential to their revitalization and well being. Given the experience of the past several decades, CDCs are a proven vehicle for the planning and delivery of many such improvements. Therefore, while local governments and specialized public agencies remain the primary provider of critical services and the private market remains the primary source of capital investment and jobs, the non-profit sector represented by CDCs will continue to be a critical component of the revival of many of these neighborhoods. Despite Suarez's lament these are mostly neighborhoods worth saving and many show signs of revival, as he also documents.