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Local Government Spending on Public Housing: Factors of Influence in Metropolitan Areas

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**LOCAL GOVERNMENT SPENDING ON PUBLIC HOUSING:
FACTORS OF INFLUENCE IN METROPOLITAN AREAS**

BY

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**BACHELOR OF ARTS, ENGLISH, 2011
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ABSTRACT

Rent or mortgage payments make up the largest portion of an American family's budget. As there is a limited housing stock in metropolitan areas, low-income families struggle to find housing that is both adequate and affordable. Federal housing programs make funding available, but the provision of housing is left to local governments.

Through the implementation of bold strategies and initiatives, local governments can help their low-income constituents find permanent housing for themselves and their families.

Public housing in the U.S. is associated with dilapidation, overcrowding, and social disorganization. In the past, housing projects have been shortsighted measures aimed at addressing the most critical problems. Instead of providing permanent housing to low-income residents, the focus was to house as many people as possible in one project with high-rise buildings and small units. A strategy of the late 20th century was tearing down high-rise housing projects, which displaced the residents living therein. Now, 21st-century strategies are to proliferate mixed-income apartment buildings, ensuring that the buildings are architecturally sound, are well maintained, are permanent or semi-permanent residences, and have access to occupational and social services.

This thesis evaluates social and intergovernmental factors affecting the provision of public housing by local governments in metropolitan areas across the U.S. The evidence revealed in this thesis provides analysis of data and findings that is useful to local governments, public housing authorities, non-profit housing organizations, federal and state programs supporting housing initiatives, private developers involved in low-income housing projects, and researchers interested in public housing policy.

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CHAPTER I

Introduction

At first blush, housing seems a rather simple premise—it shelters people from the elements. However, the idea and practice of housing is much more complex, especially in the United States in the 21st Century. Housing has become the subject of study for a number of different disciplines from policy, economics, and city planning, to sociology and psychology. It seems the dimensions by which one examines housing, and its effects on human beings, are near infinite. To be certain, no matter which ideological lens one chooses to look at housing, it proves to be much more than just having shelter.

While houses share a few commonalities—they provide privacy from other people, doors that open and close, windows to look outside, water, electricity, and shelter from harsh weather, light, and noise—they also are extremely diverse in size, appearance, and usage. Houses in today's society are both purchased and rented, come in a variety of different shapes and sizes, are each equipped to accommodate a different number of people, are built from a range of different materials, have different layouts, sometimes come with outdoor space, include a variety of appliances, and cost a range of different prices. These are just some of the variations to consider regarding housing.

Some considerations that housing stakeholders—developers, contractors, policy makers, and even prospective home owners—must take into account are: external factors such as zoning laws, neighborhood associations, gentrification, neighborhood-class barriers, land values, etc.; and internal factors such as religion, culture, socio-economic status, familial needs, proximity to work, school, or family and friends, etc. As Pynoos et al. wrote, "When households consume 'housing,' they purchase or rent more than the

dwelling unit and its characteristics; they are also concerned with such diverse factors as health, security, privacy, neighborhood and social relations, status, community facilities and services, access to jobs, and control over the environment. Being ill-housed can mean deprivation along any of these dimensions...." (Pynoos et al., 1973; Foley, 1980, p. 457)

Access to transportation can be a huge determinant in this decision. If a person has a reliable car, they can live wherever they choose, but this comes with a certain level of affluence and privilege that not all people possess. Thus, if a person does not have access to a car, they need to be able to easily access grocery stores, work, and, if they have children, schools.

From an economic standpoint, housing is explained fundamentally by the law of supply and demand. "Housing is a special kind of commodity, and commodities that are purchased by the consumer are for the most part means to the attainment of objectives, not objectives in themselves." (Adams, 1984) When a person purchases a house, they are in search of status, which the house will reflect. In theory, this would mean that the embodiment of the person and the house would match, but that is not necessarily the case. "Housing provides a social stage and social event in which competitive display forms a part. Housing choice and housing use are ways for renters and owners to communicate to society about where they feel they deserve to fit into the social fabric. The awareness of the status that accompanies their tenure reinforces those feelings." (Hicks, 1965; Adams, 1984, p. 518) People can buy houses that they can't afford to appear more affluent, which is quite commonplace as people often take on mortgages that account for more than fifty percent of their income. The idea is to purchase the commodity that gives the façade of affluence in hopes that by appearing affluent they

might attain affluence and, in some cases, this proves true. However, the flip side of that coin is a story with devastating consequences. If the people paying over fifty percent of their income towards their mortgage find themselves unemployed, they could face the dire consequences of being without a home. If a house was just a place to seek shelter, this situation might not be as demoralizing, but the meaning of housing goes beyond its purpose as a shelter.

What then, is the meaning of housing? According to Lawrence, in his study of housing conducted in 1987, housing has cultural, social, and psychological dimensions. Cultural dimensions consist of: cosmic images, kinship norms and rules, house layout and orientation, house construction methods, domestic lifestyle, language—classification categories, social and domestic rituals, implicit rules—conventions and norms, explicit rules—building regulations, shared values—extant and historic. (Lawrence, 1987, p. 157) The home is a means of communicating one's sense of identity, so culture is inexorable. Culture plays a huge role in not only the way the arrangement of the house but also the layout of the house. For instance, many cultures center around the making food and the consumption of food. In such cases, the kitchen and dining room becomes the centerpiece of the house. These must be adequate to serve the purposes of the family, or they will likely not feel satisfied with their housing decision. It could even be as involved as what appliances are available in the home, as to whether or not the house is satisfactory—e.g., gas versus electric stove, oven (or room for an oven), dishwasher, etc.

Considering whether or not families might be satisfied in their home raises the question, what is adequate housing? Solomon in 1974 wrote, "Good housing, as technically defined, meets local building, housing, and health codes; contains hot running

water and private toilet and bath; it is not dilapidated, deteriorated, or overcrowded.” (Solomon, 1974; Foley, 1980, p. 461) Public housing and low-income housing does not fit this definition, as corners are cut during development to save as much money as possible, and contractors are solely interested in providing the bare minimum as far as accommodations are concerned. These are mere snapshots of possible metrics for evaluating the adequacy of housing. “‘Housing’ operates as a combination of space occupied, space for ease of circulation, noise or noise insulation, sanitary arrangements, light and ventilation...” (Chapin, 1951, p. 15) Not only does the housing itself matter, but also so does the land surrounding the housing. A bad neighbor can turn even the most pleasant of housing situations into a terrible situation. There might be lots of traffic, stifling children's' ability to play outside, or too many people inside, making it impossible to find peace and privacy. While some of these metrics are uncontrollable, many of them can be controlled, which is imperative for those involved in the provision of low-income housing to consider carefully.

Social dimensions consist of: age and gender of residents, demographic structure and composition of household, household income, employment status—social class, impact of domestic technology, socio-economic values—spaces and objects, domestic and social roles, domestic routines, social life and routines, religious beliefs and practices. (Lawrence, 1987, p. 159) The identity of the person affects their perception of and needs regarding their housing. If older residents occupy the household, their needs may be more centered around ease of access, including no stairs, step-in showers, windows that open effortlessly, etc. Or, if the family is quite religious, they may need a room solely dedicated to their worship and practice. In low-income housing

environments, residents live among people experiencing similar situations, fit into similar demographic categories, and exhibit similar social roles. This socioeconomic homogeneity creates a toxic environment only contributing to the already cyclical nature and concentration of poverty in a metropolitan area. The unfortunate reality is that low-income families and individuals do not often have a choice in where they live, so must make do with what they find.

Housing choice is a decision one makes to attempt to attain stability for their family. Often purchasing housing is more desirable than renting, as it gives the family almost complete control over their home—barring neighborhood associations and other external factors. Home ownership has several social implications: it is an investment that eases one's financial burden in the later years of life, it displays social status, it encourages the private pursuit of one's activities, it permits customization of the house and its furnishings, and it fosters identification with one's own home. It's little wonder that home ownership is desirable. In contrast, a renter lacks control over customization and may never see their investment returned. They lack the opportunity for self-expression through their housing and may experience what Marcuse calls "residential alienation... the condition of estrangement between a person and his/her dwelling." (Marcuse, 1975; Foley, 1980, p. 474) It boils down to a financial decision between seizing power over the livelihood of one's self and family, versus giving it away to someone else—that person being a landlord. Renters also have very few rights regarding their rental status. The law is on the side of the landlord, as they are the ones who own the property. Low-income populations have the additional challenge of competing with

affluent populations who can afford rent at market price without additional negotiations and supplemental income.

The search for, purchase of, and sale of housing can be a breeding ground for competition and power. “When we see the relations of power that are revealed in the choices of housing and other goods, we can see why a good sound theory of consumption can illuminate social policy. We see why income is a means of access to a social system, why low income restricts such access, and why homelessness has the effect of stripping a person or a family of its place in the social system.” (Douglas and Isherwood, 1979; Adams, 1984, p. 519) Low income does not equate to satisfactory housing. In many cases, people and families with low income must sacrifice reasonable standards and take occupancy in dilapidated, deficient, or small spaces because that is what the market has allowed them to afford. While it might seem like simply having a house would be enough, low-income families and individuals are competitive consumers, who compare their purchases of commodities against others, which strips them of empowerment, self-efficacy, and belonging.

Further forces appear to strengthen the exchange of power, namely zoning laws. “The early zoning laws restricted property uses supposedly to control nuisances, but other goals were intended as well. The main one was protecting the family-oriented residential neighborhood from uses that threatened the quality and attractiveness of neighborhood surroundings. This goal has usually been understood to mean excluding any change in the social or physical environment that would threaten property values.” (Adams, 1984, p. 521) Zoning laws have a cyclical and drastic effect on lower middle class and low-income families, many of which are disproportionately minorities. Since they are not able

to purchase homes in family-oriented residential neighborhoods, they must resort to homes in undesirable zones in which to raise their families. Their children are then exposed to the low-income population and its socially acceptable norms and values that may or may not represent the values of their parents, which in turn contributes to the cyclical nature of low-income. If the children are exposed only to other low-income families and individuals, they are likely to continue to exhibit the social norms and values of that particular population. The idea of stable and reliable housing goes back to the founding of this country. “The Founding Fathers worried about it [housing]. The U.S. Constitution makes explicit reference to protecting people in their homes. The Third Amendment prohibits quartering soldiers without owner consent, and the Fourth Amendment protects the right of people to be secure in their houses.” (Adams, 1984, p. 525) It is innate to want privacy and indeed necessary for proper functioning psychologically and sociologically speaking.

Psychological dimensions consist of: “self-esteem, personal identity, personal space and privacy, aspirations and goals, personal values—domestic space and objects, personal preferences—house form and construction, personal role(s), residential biography, subjective life stages, domestic symbols—symbolism.” (Lawrence, 1987, p. 161) If a person wants to appear affluent, they might buy a house that would suggest affluence regardless of their true financial stability. A person with high aspirations and goals will buy a house reflecting their success in those areas. But low-income families and individuals do not get to choose, they must take what they can find, which may include sacrificing some of the psychological dimensions of housing. What they cannot afford, in the appearance of their home, they might seek to make up for in the interior of

their home—filling it with items that suggest affluence. However, the mismatch between a person’s identity and their home can cause them to either be discontent or begin to alter their identity to reflect their home. In the context of low-income housing, if the home is dilapidated and inadequate, the person will begin to reflect that psychologically.

Housing can have stark effects on a person’s mental state, and it has to do with how humans have historically lived. For the majority of our existence, humans have lived in such a way that affords them access to individual privacy in the open spaces of nature, utilizing caves, or making lean-tos or tents. However, this is much harder to attain in modern society as more and more people occupy the planet and there are fewer open spaces where one might find privacy. “The home is now the last refuge man has from the hazards and rush of street traffic, and from the noise, speed, strain and dust of office and shop. Hence it is all the more important to provide in the home for adequate space, quiet and privacy.” (Chapin, 1951, p. 13) Particularly in a metropolitan setting, it can be challenging to escape the hustle and bustle and find solitary space to decompress. While the rich and privileged find privacy by going on vacations in more solitary places, those with few economic resources have one option: their home. When that space is unsatisfactory or inadequate, it can make decompression impossible. “When living space in the dwelling is too restricted, there is no privacy, and there is a sense of being fenced in, and the too-frequent personal contacts in narrow space are associated with irritation, friction, nervous tension and frustration. In such situations, potential neurotics may become genuine neurotic personalities, and since the neurotic person is essentially one whose habits or response tend toward substitute response systems rather than toward direct response to direct stimuli, escape from too much social pressure is often found in

phantasy.” (Chapin, 1951, p. 13) Not only does unsatisfactory housing deprive a person of their solitary space, but it can also trigger or worsen mental health issues. While humans are social creatures, we are also introspective and need time to recharge. It is surprising that housing and having private space would have such an impact on the stability of the mind.

In 1935 Tietze et al. found that personality disorders were correlated with higher spatial mobility, meaning that the less stable the housing, the more likely the person will develop maladaptive patterns of behavior, cognition, or perception. This correlation has dire consequences for both low-income and homeless populations in that if they did not already have a personality disorder, they will likely develop them due to lack of stable housing. As Chapin writes, “The population in the more mobile households furnished more than its proportionate share of psychoses, neuroses, psychopathic personalities, and other types of personalities, and other types of personality disorder among adults and children.” (Chapin, 1951, p. 14) It is difficult for a person with a personality disorder or mental health issue to obtain and maintain housing. Hence they continue to have unstable housing situations and potentially increase the severity their personality disorder due to lack of adequate intervention and counseling. In theory, this problem is avoidable through the provision of reliable and adequate housing to populations in need. However, in the U.S., the exchange of housing from the rich to the poor is heavily relied upon to assuage housing supply and demand.

The sale of adequate housing, in theory, should allow moderate- and low-income families and individuals to afford residences that they would be unable to purchase brand-new on the market. However, this theory is far from perfect, and may not provide

access to moderate- and low-income families and individuals. “In the United States a ‘trickle-down process’ operates [as such]: new housing is provided for those who can afford it, and successively older housing is passed along to other households that seek to make incremental improvements in their situations.” (Downs, 1977; Foley, 1980, p. 460) If you are affluent, you can live in nice areas with newer housing that is by all definitions pleasant and enjoyable. Then when the housing becomes to be less pleasant and enjoyable, in theory, a family of slightly lesser means can purchase the depreciated residence, and the affluent families can move on to another new, pleasant, and enjoyable residence. “Amenities like lake views and ocean frontage drive prices up, while hazards and nuisances like noise, soot, smells, bad drainage, and objectionable views reduce the price. Then there are neighbors. Socially desirable, high-status neighbors drive up prices, while the presence of social pariahs and people of modest means depresses housing prices.” (Adams, 1984, p. 517) While this seems like a fair process, the lower class or low-income families purchasing the residences cannot afford to make improvements, therefore in these situations, they are moving into dilapidated or inadequate housing, rather than an adequate and comfortable home. On a larger scale, this can decrease the quality of the neighborhood, thereby rendering what used to be an appropriate place to raise a family into an area that is no place at all to start a family and rear children.

“Fresh attention is being paid to the plight of young, often middle-income families that find themselves in the acute bind of not being able to buy houses.” (Foley, 1980, p. 466) Due to the increases in price tags of suitable housing, middle-income families often are unable to keep up with the curve, which is why it is so vastly important that governmental administrators try to ease the burden in whatever ways possible. While

economics are hard to slow down, certainly bringing people up to speed is achievable. There is a power struggle between those that have money enough to afford the newly constructed, desirable houses, and those that cannot. By aiding in the accessibility of adequate housing, the government can divvy up the power, and promote safe environments for middle-income and low-income families, which in turn helps to create a better environment for everyone in a neighborhood, city, state, and beyond.

CHAPTER II

Background

The background chapter of this thesis gives an overview of housing policy in America, an overview of the formation and challenges of the Department of Housing and Urban Development, and provides a case study on one of the oldest and most experimental housing authorities in the U.S., the Chicago Housing Authority.

History of Housing Policy

Housing policies, generally speaking, were nonexistent before 1932, they have since become heavily tied to politics, largely dependent on whichever party has the most power at the time. The Republican policy has leaned towards the use of private interests, mortgage companies, real estate agents, landlords, etc., which has largely become the gold standard of housing. However, Democratic policy has attempted to turn housing into social policy, supplying low-income families with vouchers, ensuring to work with landlords on contracts for public housing, and strengthening ties with nonprofits that provide housing to the low-income and fringe populations. This struggle between the parties has stifled the progress and improvement of public housing.

It all started with the Great Depression. All of a sudden thousands of people became homeless and couldn't afford adequate housing for themselves and their families. "The public housing program of the '30s was then shaped by exceptionally dedicated reformers. After initially trying to direct federal construction and control, the program settled into a viable compromise, federal funding with federal criteria but local control." (Marcuse, 1995, p. 241) This housing program was an ideologically socialist program geared towards curbing the economic downturn and house those who were most affected.

While it was an excellent strategy, the federal government was impinging upon the for-profit housing market, without which they wouldn't be able to execute their strategy. In 1932 Herbert Hoover signed the Federal Home Loan Banking Act in an "attempt at bolstering the housing credit system and rescuing the faltering savings and loan associations." (Bratt and Keating, 1993, p. 4) The Act was an attempt to work directly with the for-profit market to aid people in their acquisition of permanent housing. In 1934, the Federal Housing Administration was created as a part of the National Housing Act under the New Deal. The Housing Act of 1937 created the U.S. Housing Authority. Both the creation of the Federal Housing Administration and then the U.S. Housing Authorities boosted the economy at large by providing affordable housing to populations in need. However, much of the funding went to financial institutions that needed to be bailed out from mortgage defaults. Strengthening the economy was emphasized over the provision of housing. While many new programs were put into place during this era, it is important to note that none strayed from using federal funding for locally controlled projects.

Rather than slums, which had been the standard for housing the low-income population, public housing was known for raising the value of nearby real estate, and as bringing in a 'better' social class with greater buying power as well as social status." (Marcuse, 1995, p. 244) In other words, the creation of public housing in this era was as much for the benefit of homeless as for those in the surrounding neighborhoods. Indeed, the vested interest of all people in cities pushed the issue. "As Catherine Bauer said, "movements are not made ... by a handful of specialists." It was much more the ill-housed themselves; their organized activities, their individual resistance, the fear about

the consequences of inattention to their demands, that produced the immediate actions of the incoming administration.” (Marcuse, 1995, p. 245)

With the cries of the ill-housed temporarily abated, it wasn't until World War II that housing reemerged as a priority for the federal government. “During World War II, a National Housing Agency (NHA) was created as a temporary emergency overseer and coordinator of all federal efforts to produce war-worker housing. It became involved in planning for post-war federal housing and redevelopment policies.” (Funigiello 1978; Bratt and Keating, 1993, p. 4) The agency saw much derision from vested parties such as the National Association of Realtors, as their plans posed a threat to the gold standard of housing, and hence a Republican Congress revoked it in 1946.

After Harry Truman was elected to office, seeing an additional means of attaining the goal of adequate housing for all American citizens, he created a separate urban redevelopment program, called the Urban Renewal Administration (URA), which would work in tandem with the existing Housing and Home Finance Agency (HHFA). The creation of the URA had to do largely with repurposing dilapidated buildings and slums in urban areas for public housing. Then the Truman administration passed the U.S. Housing Act of 1949, which, “articulated for the first time the nation's oft-cited goal of ‘a decent home and suitable living environment for every American family.’” (42 USC § 1441; Bratt and Keating, 1993, p. 5) The passage of the Housing Act created an additional challenge for the federal government—they needed to define their terms. First, who was the population to which they would grant housing? Second, what form of assistance would be granted to these populations? Third, what requirements would be necessary for a decent home? And last, who would be responsible for the administration

of these programs? While these definitions left something to be desired, this was a huge step forward for the public housing cause and was meant to be inclusionary of all who might need assistance in acquiring semi-permanent to permanent housing. However, the Act was curtailed by the following administration.

“The conservative Eisenhower administration, although not committed to the goals of the 1949 housing act, did continue the public-housing program and the renamed urban renewal program, but it provided only modest funding. However, it had no urban policy. The first legislative proposal for a cabinet-level department to deal with urban problems was introduced in 1954. Lacking a supportive constituency and endorsement by the Eisenhower administration, this proposal died quickly and quietly.” (Gelfand, 1975; Bratt and Keating, 1993, p. 5) The momentum generated by the prior administration died out, and so did the majority of public housing and urban renewal initiatives. Funding was the major setback experienced by the URA and HHFA. While Eisenhower may have been interested in providing his citizens with adequate housing, it was not a priority for a Congress intent on cutting social programs in the name of fiscal responsibility. Any further bills introduced by the Democratic members of Congress were shut down or vetoed.

It did not go unnoticed that federal housing and redevelopment policies needed to have a more powerful standing in the federal government. Housing needed to be a cabinet-level agency with a reasonably stable annual budget to ensure its continuation. Dr. William Wheaten was a leader in the National Housing Conference movement for a cabinet-level agency, which he argued that “the primary reason for a Department of Urban Development is to secure a seat at the bargaining table in the White House where

the federal pie is cut up and divided. In Washington, influence is measured by prestige, payrolls, budgets, and only a cabinet officer commanding ample amounts of these can represent urban people.” (McFarland, 1978; Bratt and Keating, 1993, p. 6) Seeing that the URA and HHFA needed a focus to gain any ground in the political arena, Wheaton decided that housing would bear the most sway, as it is a necessity for all people. The focus went to suburban housing to persuade realtors, home builders, and mortgage bankers to support a ramping up of housing in politics.

Then in 1960, “with the narrow election victory of John Kennedy over Richard Nixon... the possibility of a New Frontier cabinet-level agency seemed closer. Kennedy appointed a professional ‘houser,’ Robert Weaver (his highest-level black appointee), as HHFA administrator.” (Gelfand, 1975; Bratt and Keating, 1993, p.6) Appointing Weaver to the head of the HHFA struck a bad chord with the conservative southern opposition, who were struggling to maintain their ways during an era of civil rights movements. Due to this fact, Congress shut down the idea of a cabinet-level agency for fear of Weaver’s influence on the national level.

Lyndon B. Johnson was intent on fulfilling Kennedy’s goal of creating a cabinet-level agency for housing and urban development. In 1965 Congress passed the Housing and Urban Development legislation, which was then signed by Johnson, who appropriately appointed Weaver as the secretary of the Department of Housing and Urban Development (HUD). The broad goals of HUD were to: “achieve the best administration of the principle programs of the Federal Government which provide assistance for housing and for the development of the Nation’s communities; to assist the President in achieving maximum coordination of the various Federal activities which have a major

effect upon urban community, suburban or metropolitan development; to encourage the solution of problems of housing, urban development, and mass transportation through state, county, town, village, or other local and private action, including promotion of interstate, regional, and metropolitan cooperation; to encourage the maximum contributions that may be made by vigorous private homebuilding and mortgage lending industries to housing, urban development and the national economy; and to provide for full and appropriate consideration at the national level of the needs and interests of the Nation's communities and of the people who live and work in them." (P.L. 89-174, 42 USCA 3537a 1965; Bratt and Keating, 1993, p. 7)

Department of Housing and Urban Development

The formation of HUD was a revolutionary development for housing and urban development. However, as with any department whose funding depends upon the two political parties, it has not been able to achieve maximum efficiency and effectiveness. As Bratt and Keating write, HUD has experienced four recurrent problems: 1) lack of consistent presidential and congressional support for low-income housing and urban aid; 2) primary reliance upon the private sector to meet housing needs; 3) HUD's structure, internal conflicts, and shortcomings; and 4) the complexity of housing and urban problems. (Bratt and Keating 1993)

Lack of presidential and congressional support for low-income housing and urban aid stifled HUD's formation and development. Whenever a progressive president or congress gained any ground on behalf of HUD, the next president or congress effectively dismantled that progress through means of cutting funding or complex legislation. However, this was not the case for every change in political administration. "HUD

Secretary George Romney and the Nixon administration in its first term embraced a supply-side housing strategy and, with record levels of funding from the Democratic Congress, HUD and FHA promoted the production of record levels of subsidized housing.” (Bratt and Keating, 1993, p. 9) With this boost in funding, HUD’s subsidized housing programs grew exponentially. In ten years, from 1968 to 1978, HUD produced over twenty-one million houses and mobile homes. Unfortunately, only a small percentage of those were affordable for low and moderate-income families. Lobbying efforts were more geared towards private interests rather than public interests, and so the low-income families suffered. “Weak presidential and congressional support for HUD has been exacerbated by the confused and often-conflicting mandates assigned by Congress. For example, in the Housing and Community Development Block Grant (CDBG) program created in 1974, Congress stated that the principal goal was to benefit persons of low and moderate income. However, it also gave localities discretion to use federal funds for urgent community needs. This type of conflicting purpose has led to recurrent battles between HUD and Congress.” (Keating and LeGates, 1978; Bratt and Keating, 1993, p. 11)

Primary reliance upon the private sector to meeting housing needs, including landlords and property managers, private construction companies, etc., has led to funding of short-term profiteering, rather than the provision of adequate, permanent, and affordable housing for low-income and middle-income populations. “Beginning in 1974 with the creation of the Section 8 housing assistance program and continuing with the Reagan administration’s support for the substitution of short-term housing vouchers for longer-term Section 8 certificates, the federal government has used public subsidies to

strengthen the private rental market for low- and moderate-income tenants, rather than construct publicly owned or nonprofit housing through long-term subsidies.” (Bratt and Keating, 1993, p. 12) The government provides vouchers for rental of a property, but these are not permanent homes. Private market landlords and property owners will sign a contract to accept Section 8 certificates for a period of time. When that contract expires, the landlords are free to do whatever they want with their property—often kicking out the tenants and refurbishing to get higher-paying tenants and to boost their property’s market value. This is not the ideal situation for low- and moderate-income populations, as transience leads to instability, which is devastating for individual people, but especially for families. For this situation to be remedied, permanent housing needs to be offered for low- and moderate-income populations, only to be rescinded upon the volition of the inhabitants. “Although it may be possible to design public-private partnerships for low-income housing that serve the needs of private-housing producers and investors, and also consumers, this has proven very difficult. The best model has been passive investment by private investors in low-income housing produced and managed by nonprofits.” (Bratt, 1989; Dreier, 1989; Bratt and Keating, 1993, p. 13) If philanthropic and investment efforts navigate towards giving to and investing in nonprofits that provide low-income housing, then this would be an excellent strategy. However, without government support, these numbers would pale in comparison to the cost of building such housing or refurbishing existing structures. HUD is influenced by major lobbyists representing the National Association of Realtors, the National Association of Home Builders, and the Mortgage Bankers Association—all vetting for a public-private sector agreement, whereby the public sector provides funding and the private sector makes a profit.

Lobbying efforts have proven to be effective as continues to be the case, especially since there are frequent polar shifts in support for or against HUD in the legislative and executive branches of government.

HUD's structure, internal conflicts, and shortcomings have had overarching effects and consequences for the effectiveness and efficiency of its provision of housing. McFarland argued, "If HUD is viewed as the federal department with primary responsibility for the physical, economic and social aspects of the urban condition...then the incompleteness of its equipment becomes even more striking. Thus, HUD's capacity to deal comprehensively with the plentiful and diverse problems of urban America was far more limited than its proponents had hoped." (McFarland, 1978; Bratt and Keating, 1993, p. 16) Even with the support of the legislative and executive branches, its constraining budget and structure thwart the grandiose nature of HUD's mission.

Considering the sheer number of people who need housing, the resources granted to HUD fall drastically short. It has a great number of issues to address in addition to housing, such as urban renewal and improvement, which could be a department of its own. With the inclusion of this program, HUD has a whole other set of obstacles to overcome with a whole other set of parties with vested interest. Regarding urban renewal and improvement, McFarland states that "Some backers saw it as a plan to improve housing and slum conditions. Others viewed it as a way to attract middle-income families and businesses back to the inner city. Others looked upon it as a means for improving the quality of the inner city. To mayors, it was an opportunity to increase tax revenues. Too many private groups, it was simply a profitable real estate opportunity." (McFarland, 1978; Bratt and Keating, 1993, p. 16) Inner-city residences have become polarized for

either the very rich or the very poor. Middle-income folks tend to gravitate towards suburban areas where they have space for their family (if they have one), can afford mortgages, and, most importantly, can invest in permanent housing.

In addition to these structural and internal conflicts, there are the dealings with local and metropolitan governments, which HUD must undertake. These governments already have enough to deal with as far as federal and state sanctions are concerned, and HUD is yet another piece of an already extravagant puzzle. HUD has no coordinating role and has demonstrated a lack of support for urban development programs and policies—and active lobbyists and vested interests acting for the contrary. “History suggests that prospects are not good for HUD’s becoming the ‘lead’ federal agency to deal with urban problems. The number, complexity, and multiple jurisdictions of federal programs affecting urban areas are a major impediment to HUD—or to any other cabinet-level department comprehensively addressing urban problems.” (Bratt and Keating, 1993, p. 17) Many external forces exacerbate HUD’s challenging position such as crime rates, unemployment, low satisfaction levels, low minimum wage, etc. HUD does not nor cannot control any of these external dilemmas.

External influences relate to last of the four issues explored by Bratt and Keating: the complexity of housing and urban problems. Private, public, and citizen interests all impact the strategies that urban planners and housing analysts might pursue, but because they are so varied, it is near impossible to arrive at a consensus between all stakeholders. Further, “there is no agreement on whether an increase in supply is even needed, with some conservatives arguing against supply-side subsidies. Similar debates have raged over such issues as the scope and impact of displacement and the causes and magnitude

of homelessness and whether the federal government, as opposed to state or local, has the primary responsibility to respond most effectively to such problems.” (Bratt and Keating, 1993, p. 18) As we saw in the prior chapter, homelessness and housing instability has adverse effects on the individuals afflicted. If not a direct influence on mental illness, the transience, and instability experienced by individuals experiencing homelessness aggravates any predisposition thereof. Homelessness not only affects those afflicted, but it also affects neighbors, neighborhoods, and cities at large. Cities spend a fortune attempting to send their homeless elsewhere; however, if such funds were consistently invested in permanent housing for low-income families and individuals, the cycle would be broken. Consistent investment in permanent housing would necessitate a defined objective for HUD, which, considering the number of various purposes it has served and roles it has taken on in the past, could prove to be insurmountable.

As Marcuse writes, the Department of Housing and Urban Development could be broken down into seven separate programs: “a reformer’s program, a war program, a middle-class and veterans program, a redevelopment program, a poverty program, a null program, and a decentralized program.” (Marcuse, 1995, p. 240) The 1930’s were a significant time for the most progressive leaders of the housing movement. The Housing Authority was created, slum clearance increased, and public housing was prevalent. The federal government flooded building projects and programs with funding, yet the flow was cut off after the passage of the United States Housing Act of 1937, thus by 1939, the reformer’s program met its end.

The war program took off in the period between 1940 and 1945. War workers needed housing to remain in their factory and production jobs that helped to supply the

military abroad. “Public housing was not seen as a program to provide new and better housing for the ill-housed but rather as a necessary means of providing shelter for production workers.” (Marcuse, 1995, p. 250) Without the provision of housing for these wartime workers, it is very likely that World War II could have had a much different outcome, especially since these workers were producing arms, ammunition, and machines that were essential to securing victory.

A middle class and veterans program was formed after the war program in 1945. Veterans returning from the war needed housing for themselves and their families. They did not want apartments or public housing, but rather a single-family residence with room to grow, thus the creation of suburbia throughout the country. (Marcuse, 1995)

The redevelopment program occurred from 1952 to 1958. Heavily influenced by Robert Moses, the program “served a variety of ends: an instrument for clearing ‘slum’ sites, a buffer between redeveloped areas and adjacent flight, a relocation resource for low-income displaces, a sop to middle income families dislocated by redevelopment, a political plum to woo voters and assuage opposition, a lure to building contractors and construction unions.” (Marcuse, 1995, p. 250) Public housing was created with minimal effort in high-rise style with the cheapest materials possible, sectioning off the undesirable population, low-income population, and minority population into just a few buildings. The redevelopment era was when public housing first gained a reputation for being a program for lower-class citizens.

The poverty program began in 1958 and ended in 1972. The newly empowered Housing authority sought, rather than shoving citizens into poorly made skyscrapers, to cater more towards the needs of their prospective populations. However, “they [the

Housing Authority] took over in an uncompromising environment, with federal cutbacks and a city administration more concerned with damage control than inspired to move in new directions.” (Marcuse, 1995, p. 251) The cutbacks continued for the next eighteen years. Thus Marcuse dubbed the years 1972 to 1990 the Null Program.

Completely unsupportive federal administrations pigeonholed public housing in the Null Program years. All governmental levels seemed to accept the consequence of improper and unstable housing for low-income populations. As a result, cities all over the country saw, “a major increase in demand in a continuously tight housing market, an explosion of crack and drug use, an exacerbation of race relations, and a major increase in homelessness.” (Marcuse, 1995, p. 251)

The last program Marcuse evaluated was the Decentralized/Community Based program from 1990 onwards to the point of his writing. In 1990 the National Affordable Housing Act was passed, ordering “decentralization of control, with greater freedom of action of local authorities, and the involvement of community-based as well as tenant organizations in various aspects of subsidized housing.” (Marcuse, 1995, p. 252)

Decentralization gave the power of the contracting and implementation of housing programs to state and local governments—particularly local governments, with state governments receiving incentives for their support. The idea was that local governments have a better understanding of the need and potential solutions to aid their particular housing issues. All cities have different needs. Some might be most in need of affordable single-family residences for the middle class, whereas others might have a high need to house the homeless and transient populations. Decentralization makes the provision of housing more flexible. As Graddy and Bostic write, “publicly produced housing was

often not well integrated into neighborhoods, isolating the residents and producing concentrations of poverty, sites of criminal activity, and community eyesores.” (Graddy and Bostic, 2009, p. i82)

Currently, HUD functions as an umbrella benefactor, examining projects and initiatives in state and local governments as well as public housing authorities and other special entities. They financially support useful endeavors to provide low-income housing where it is needed and implement that support through various programs and incentive that Chapter III examines.

A Case Study: The Chicago Housing Authority

This thesis draws on Chicago as a case study for public housing because it is one of the oldest public housing developers in the country and has also employed a fair amount of experimentation in its endeavors. Chicago’s first public housing developments opened in 1938, intended to house immigrant workers, low-income families, and those who had been hit hard by the Great Depression. They were low-rise multi-apartment developments, with no more than four floors. These buildings, planned with great care, were meant to house whole families or even multiple families. They had brand new fixtures and appliances, big windows, and landscaped courtyards with greenery and sculptures.



Figure 1. Ida B. Wells Homes. Completed in 1942. Low-rise construction built as single and multi-family residences. Photo from NBC News, “Suburbs House More Poor Americans Than ‘Inner-Cities.’”

In contrast, high-rise developments of the late 1940s to the 1960s were built to house as many people as possible, with no care or consideration for the people that would become tenants. The main objective of housing people overshadowed any consideration of space, aesthetic, or community. “Chicago’s infamous high-rises, built from the 1940s through the ‘60s, had optimistic beginnings, reflecting modernist idealism and the national trend of urban renewal. Later, clustered as forests of desolate high-rises on the fringes of the city’s more prosperous core, places like Cabrini-Green and the Robert Taylor Homes came to symbolize gross economic and racial inequalities, and the failure of the government to provide for society’s most needy.” (Fixsen, 2015) Due to push back from more affluent communities, Chicago decided to build upward, thus creating a

desolate area with few surrounding resources and amenities. This idea may have benefitted the affluent by keeping low-income populations out of their neighborhoods, but it devastated those assigned to live in the public housing developments. Not only were these developments located in food and resource deserts, but also they were hotbeds for crime and cyclical poverty. “By the late 1900s, Chicago’s public housing contained 11 of the nation’s 15 poorest census tracts, the overwhelming majority of their residents African-American. In 1987, The New York Times published a piece about the West Side’s Henry Homer Homes, called, *What It’s Like to Be in Hell.*” (Fixsen, 2015)



Figure 2. Robert Taylor Homes. Completed in 1962. High-rise construction of 28 16-story buildings. Photo from NewsOne, “The 7 Most Infamous U.S. Public Housing Projects.”

In the late 1990s and early 2000s, Chicago began to change its strategy. Many public housing developments were demolished to make way for updated buildings, which

were far from the developments built in the 1940s and '60s. “Under the \$1.6 billion Plan for Transformation, officially inaugurated in 2000 under Mayor Richard M. Daley and the U.S. Department of Housing and Urban Development (HUD) under Secretary Andrew Cuomo, the Chicago Housing Authority (CHA) promised to return 25,000 units of rehabilitated or new housing to the city, most in the form of low-rise and low-density development, much of it mixed-income. In place of towers at the Cabrini-Green site on the Near North Side, not far from the affluent Gold Coast, there are now neat rows of two-story attached houses.” (Fixsen, 2015) This plan was drafted with the input of current and former public housing residents, and aimed for stability, with plenty of on-site resources for tenants. An additional strategy of the Plan for Transformation was the implementation of mixed-income housing. As formerly discussed, mixed-income housing allows private market developers the ability to take advantage of the Low-Income Housing Tax Credit (LIHTC) program, while still offering a percentage of their units on the private market. Typically, a development must set aside 20% to 60% of its housing units to tenants who make 60% or less of the average annual income. “Studies conducted during the Plan for Transformation’s implementation found that residents who relocated report feeling safer in their new homes and neighborhoods. Other data show that areas around new mixed-income developments have seen increases in housing values and home prices.” (Chicago Housing Authority, 2017, p. 6)



Figure 3. Oakwood Shores. Building started in 2003. Mixed-income housing units for market rate, affordable housing, and low-income housing. Picture from Oakwood Shores Master Plan.

As of 2017, the Chicago Housing Authority provides homes to more than 50,000 individuals and families. Utilizing the Moving to Work agreement, formerly discussed, it has been able to boost the success of its tenants and opened doors to education and employment opportunities. “In 2000, 15% of work-eligible heads-of-household were employed. Now more than 58% are employed. Also, the annual income of employed heads-of-household has doubled to more than \$19,000 a year.” (Chicago Housing Authority, 2017, p.6) That’s an amazing accomplishment, which is unique to Chicago, and undoubtedly due to their consideration of the population to inhabit their developments.

Another strategy used by the Chicago Housing Authority is the Housing Choice Voucher (HCV) program, which allows families to rent housing in the private market with funds provided by HUD. The HCV pays a portion of the rent directly to the

landlord, and the tenant is responsible for the difference. HCV is not a viable option for those in immediate need. However, it has been successful for low- and moderate-income families and individuals.

An important subject for consideration in public housing is race. People of color, the elderly, those with disabilities, and other minorities occupy Chicago Housing Authority developments overwhelmingly, which is not representative of the demographics of the Chicago metropolitan area. This disproportionate representation is due to the poor strategy executed in the 40's and 60's, which put fringe and marginalized populations in one neat place so their affluent white counterparts would be safe from decreases in the value of their homes. Of course, when the housing crisis hit in the late 2000's, these were the populations most affected. "From 2005 to 2009, inflation-adjusted median wealth fell by 66 percent among Hispanic households and 53 percent among black households, compared with just 16 percent among white households." (Bipartisan Policy Center, 2012, p. 20)

The demolition of housing projects in urban Chicago in the 1990's created a tight rental market in Chicago, which was already exacerbated by an increase in population and attractive job opportunities for professionals. Developers were either not interested in or unable to find and apply for LIHTC projects offered by the Illinois Housing Development Authority (IHDA). With the situation growing ever direr, "U.S. Department of Housing and Urban Development (HUD), the Illinois Housing Development Authority (IHDA), CHA, and other public-sector entities and private foundations jointly funded a regional market study to determine the ability of the private market to meet the increased housing need." (Chiem, 1998; HUD, 2016, p. 1) This study found that the Chicago

metropolitan area lost an astounding 52,000 rental units in the late 1990's. During this time, Chicago was experiencing an influx of both population and jobs, which contributed to increased competition for housing and glaring lack of low-income housing. A major conclusion of the study was that there was a lack of accord and collaboration between the various housing authorities, governments, and community-based organizations.

As a result of this finding, “A working group composed of PHAs, policy advocates, practitioners, academics, and other stakeholders... recognized that many of the areas near jobs and transit (“opportunity areas”) were located within the jurisdictions of small PHAs that had very few vouchers available for project basing.” (HUD, 2016) To truly create positive change for low-income residents in the Chicago metropolitan area, housing authorities with excess funding had to contribute to housing authorities with a lack of funding to bridge the gap.

In 2002, the Regional Housing Initiative (RHI) was formed to address the Chicago metropolitan area housing challenges more effectively. RHI began with only three housing authorities, but as of 2017 includes the Chicago Housing Authority, BRick Partners, LLC, Chicago Metropolitan Agency for Planning (CMAP), DuPage Housing Authority, Housing Authority of Cook County, Housing Authority of Park Forest, Housing Choice Partners, Illinois Housing Development Authority, Joliet Housing Authority, Lake County Housing Authority, McHenry County Housing Authority, Metropolitan Planning Council, North Chicago Housing Authority, Oak Park Housing Authority, Waukegan Housing Authority, and the U.S. Department of Housing and Urban Development. “Since 2002, the public housing authorities participating in RHI have pooled a portion of their available rental assistance vouchers to provide long-term

support for the rehabilitation or construction of multifamily, affordable rental homes in opportunity communities across the region. That means RHI can adapt to the changing housing market and economic climate more flexibly than current federal funding flows permit.” (Chicago Metropolitan Agency for Planning, 2015) RHI pools together HCVs that have been contributed by member housing authorities and uses those vouchers to develop project-based housing, connecting developers to incentives and opportunities to build, redevelop, or remodel low-income housing. Neither of these duties is simple. RHI has developed unique strategies to address the complexities involved in both collecting HCVs and utilizing them to attract private market developers.

As already discussed, HCVs are pooled into RHI by various housing authorities in the Chicago metropolitan area. These vouchers give RHI some buying power. They are essentially holding guaranteed rent for developers to take advantage. Contracts are not just handed out. “RHI developed an opportunity index that weighted equally indicators of poverty, housing stability, job access, labor market engagement, school performance, and transit access...RHI used its index to score each census tract in the Chicago metro area on a 1-to-10 scale. Opportunity areas have a rating of 6 to 10. Tracts with a rank of 1 to 5 qualify as nonopportunity or “traditional” neighborhoods, meaning RHI will support proposals in those areas only if they are part of a broader revitalization strategy that leverages support from the private sector and resources from a range of public-sector entities (local, county, regional, state, and/or federal).” (HUD, 2016) RHI through this indicator helps to ensure that funding and projects go to areas in need rather than areas in which the developer would profit most.

“IHDA is the state’s housing finance agency. It allocates Low-Income Housing

Tax Credits (LIHTCs), the primary financing mechanism to support the development of affordable rental housing. IHDA has worked with RHI to create a unified application process for developers seeking both LIHTCs and PBVs [Project Based Vouchers] from the regional pool. IHDA's Qualified Allocation Plan provides extra points for developments that include RHI subsidies, providing an important incentive to encourage developers to reserve units for families on PHA waiting lists." (HUD, 2016) Working in tandem with IHDA allows the RHI to reach broader groups of prospective developers throughout the Chicago metropolitan area and the state of Illinois.

The main priority of RHI, and the reason for its founding is to decentralize the concentration of poverty in large low-income housing properties in the urban areas of the Chicago metropolitan area. RHI does not receive funding on a regular basis. Upon entry into RHI, housing authorities must contribute 10% of their turnover HCVs. In subsequent years housing authorities may contribute few to no HCVs. Hence, RHI must seek more reliable funding. The Department of Housing and Urban Development gave RHI \$1 million in 2011 to pilot new and innovative strategies to support low-income families. The RHI has contributed to "the development of more than 500 apartments in 33 developments in 22 different communities around the region." (CMAP, 2015) Additionally, "RHI partners have committed 546 RHI subsidies to 34 developments, supporting approximately 2,200 total apartments." (HUD, 2016) Not only has the RHI managed to address social context factors by ensuring a mixed-income setting as often as possible, but they have also addressed the governmental fragmentation that once rendered housing authorities and housing providers in the metropolitan area ineffective.

CHAPTER III

Review of Related Literature

Metropolitan areas all have unique public housing needs. The type and kind of housing are entirely dependent upon the particular population in need. Low-income housing and the populations therein are circumstantial to the unique issues that face their local governments. Many other factors come into play, such as state and federal statutes, contracts and commitments, as well as the level of importance of the housing issue. Beyond that, factors such as quality, and quality, as well as government programs alter how, where, when, and why a government engages in the provision of public housing to the necessary populations. However, more frequently in urban housing, there is often a focus on simply housing families in adequate spaces.

In this chapter, this thesis attempts to give a full picture of potential influences in a local government's decision to provide public housing to its constituents. These influences consist of understanding homelessness and the importance of housing, evaluating the need for and type of public housing, funding options and strategies, utilizing nonprofit housing organizations, and spillovers of public housing.

Understanding Homelessness and the Importance of Housing

If an average person were asked to give a snapshot of a homeless person, they would probably describe a disheveled, on the fringe of society kind of person, with dirty clothes on their backs, and a sign, begging for money. While some people experiencing homelessness fit this description, it does not encompass the diversity of people who have experienced homelessness. The Department of Housing and Urban Development has established four definitions of homelessness:

- “Individuals and families who lack a fixed, regular, and adequate nighttime residence and includes a subset for an individual who is exiting an institution where he or she resided for 90 days or less and who resided in an emergency shelter or a place not meant for human habitation immediately before entering that institution;
- Individuals and families who will imminently lose their primary nighttime residence;
- Unaccompanied youth and families with children and youth who are defined as homeless under other federal statutes who do not otherwise qualify as homeless under this definition; or
- Individuals and families who are fleeing, or are attempting to flee, domestic violence, dating violence, sexual assault, stalking, or other dangerous or life-threatening conditions that relate to violence against the individual or a family member.” (HUD, 2013)

Due to their transitory nature, and broad definition, it can be difficult to pin down exactly the population demographics that have experienced homelessness in their time. It is also hard to pin down how long the average stint of homelessness is likely to last. In their 1987 study, Richard Freeman and Brian Hall attempted to answer these questions regarding homelessness: who are they, how many, and permanent or transitory?

As to the first question, the short answer is that the population of people experiencing homelessness is diverse. After studying the correlation between homelessness and a variety of demographic characteristics Freeman and Hall arrived at a few conclusions. They concluded that men between the ages of thirty and sixty made up

the majority of the population. They approximated that the average age of a homeless person is forty, which could be due to high mortality rates, and a majority of young people still living at home with their parents. Children who become homeless are commonly taken away from their family and placed in an orphanage or are given shelter by social services or nonprofit agencies. Compared to national percentages of demographic distribution, blacks were far overrepresented in the homeless population, while Hispanics were underrepresented. Over half of the people that have experienced homelessness did not graduate high school, which may account for part of the reason why they fell into homelessness—they were unable to attain any gainful employment. Although dropping out of high school is not a predictor of homelessness. One in three people experiencing homelessness has a mental illness. This number is based off HUD calculations from 1984. Bear in mind that less than two percent of the U.S. population as a whole suffers from a mental illness.

To the second question, how many, Freeman and Hall found that there were subjectivity and bias in the studies released by HUD and advocates for the homeless regarding the number of people experiencing homelessness each year—advocates reporting an extremely high number and HUD reporting a low number. To be certain, pinning down the precise number of people experiencing homelessness is complex. There are those who may only be homeless for a day, while others can be homeless for years on end. Freeman and Hall did a survey and came close to the HUD estimate. “We asked homeless persons the amount of time they spend in shelters and the amount of time they spent in the street since becoming homeless. Assuming that future behavior mirrors past behavior, the proportion of homeless time persons spend in shelters in the past can be

used to estimate the probability they will be in the shelter in the future. Given separate estimates of time spent in shelters for persons who are currently in shelters and for persons who are currently in the street, we can, in turn, estimate the proportion of the entire population in shelters.” (Freeman and Hall, 1987, p. 5) This study yielded an estimate of 279,000 people experiencing homelessness on any given day of the year. However, this doesn’t take into account HUD’s four definitions of homelessness. There are many people experiencing homelessness that might never enter a shelter or roam a street. This shortfall speaks to the intangible nature of actually measuring how many people experience homelessness in the U.S.

To the final question of whether homelessness is more temporary or chronic experience overall, HUD claims that the majority of people, who experience homelessness, do so for a relatively short period. However, Freeman and Hall argue the contrary. “Far from being temporary, homelessness appears to be a long-term state for large numbers. Moreover, as with unemployment and welfare reciprocity, if we calculate the proportion of homeless person-days contributed by the long-term homeless we find that the bulk of homeless time is contributed by persons who are homeless for long periods.” (Freeman and Hall, 1987, p. 13) Freeman and Hall attribute the inaccurate measurement of homelessness to a few different reasons. First is the particular method that shelters use for reporting—measuring the amount of time people spend in the shelter rather than their total time homeless. There is infrequent communication between shelters to try and sum up the total time of a client, as many of them are individual nonprofits or agencies. The person experiencing homelessness might oscillate between hospitals, jail, and other institutions as circumstances take them to a variety of places. Second is the

assumption that a snapshot is representative of the whole, which is a common practice for statisticians. However, the state of homelessness is often in occurrence far before and far beyond the point of the survey. And lastly, the homeless population is growing with the overall population; snapshots are often disproportionate to the actual number of homeless people.

Since the 1980s, we have made much progress on our measurement of people experiencing homelessness, and the problem has not decreased in magnitude or importance. “Not since the Great Depression have significant numbers of families been on the streets in the United States. In the 1980s, families accounted for less than 1% of all homeless people; over the last three decades their numbers have increased, and they now comprise 32% of the overall homeless population.” (Bassuk, 2010, p. 496) Assuming the same reasoning still exists for homeless individuals, this brings about the same questions that Freeman and Hall attempted to answer in the 1980s, with a particular emphasis on families. Who are homeless families, how many homeless families do we have in the United States, is family homelessness temporary or permanent, and how are the needs of homeless children and families different from those of adults?

“It needs to be emphasized that the extremely poor are in that condition because they are not employed, do not earn much from the little work that they do, or do not receive cash benefits that are high enough to bring them over the 50% poverty level. Underemployed or unemployed single parents with very young children are especially likely to be extremely poor because they are mostly engaged in full-time custodial care of their children. Although single parents are typically eligible for AFDC [Aid to Families with Dependent Children] the payments in many states are not enough to lift them above

the 50% threshold.” (Rossi, 1994) Single-parent families are more likely than two-parent families to become homeless, and women, more often than men, head those families. “Women heading families alone have multiple roles as parents, breadwinners, and homemakers. However, they have inadequate childcare, insufficient child support, and inadequate access to poverty programs, such as Temporary Assistance for Needy Families (TANF) that might improve their circumstances. Given this picture, it is not surprising that 84% of families experiencing homelessness are headed by single women.” (Bassuk 2010, p. 497) Typically these women have multiple children, did not graduate high school, are victims of domestic violence, have a mental illness, and have unhealthy views of life and relationships in particular. An estimated 1.5 million children were homeless in the U.S. in 2009, according to the National Center on Family Homelessness. If most of them are part of families with multiple children, this means somewhere between 500,000 and 800,000 families experienced homelessness in 2009.

Bassuk, in reference to the National Center on Family Homelessness states “92% of homeless mothers have experienced some form of severe physical or sexual abuse, mostly in familial or intimate relationships. 43% of homeless women report being sexually abused by the age of 12—usually by multiple perpetrators. Violence continues into adulthood, with 63% reporting severe physical assault by an intimate partner and 27% requiring medical treatment.” (Bassuk, 2010, p. 497) This history opens up these women to the possibility of developing posttraumatic stress disorder, major depressive disorders, substance abuse, and unhealthy relationships.

The cycle of homelessness refers to the multigenerational condition of homelessness among families. Here is a brief example of what could spur the cycle of

homelessness. A single mother pays rent that is well over half of her monthly income—the rest of her check goes to utilities, food, and transportation. She gets laid off and is unable to find a job within the next two weeks. The family cannot afford rent and faces the threat of eviction. The mother still cannot find a job, within the thirty days allotted before the eviction solidifies. She and her family are removed from their home and seek refuge. If they are fortunate enough, they might take up residence with family or friends. Often the drain on the friends or family becomes too much, and the family must find a new place to stay. With a severe lack of resources, unstable housing, and no social supports, they end up in a shelter. The mother continues to have a difficult time finding gainful employment, as she has no choice but to bring her children to the interviews with her. The interview goes poorly as the children are crying and hungry. Thus the mother is not hired, which continues the cycle.

As her children grow, they suffer from malnutrition, physical illness, behavioral issues, and mental health issues. While the children may be resilient, nothing is done to aid their situation, so they are left feeling helpless and disengaged. They are not likely to finish school since they need to make money for the family, and are therefore less likely to go to college or get a job that pays above minimum wage. Once they are no longer part of the family unit, they pay rent that is much more than thirty percent of their income. They have either not learned money management skills, or the usual means of managing money does not work for their situation. While they might do well as a single person with single income, unforeseeable life events such as pregnancy, drug dependence, behavioral disorders, or mental illness could arise and dismantle any security they might have been able to attain. Hence the cycle continues.

Homelessness is not just the state of lacking housing, but also the state of lacking important social connections and support. There are myriad reasons that help to determine an increased risk factor for becoming homeless: mental illness, substance abuse, socioeconomic status, childhood trauma, domestic violence, etc. However, it is not just important to know what might cause someone to become homeless, but also how to best help them and their families to overcome homelessness. Simply giving people a home in which to live does not solve the problem. In the Tsai et al. study on chronically homeless adults research reveals that those fortunate enough to exit homelessness often do not report improvements in non-housing outcomes, signifying that housing alone does not address issues like poverty, stigma, loneliness, and social exclusion. (Tsai et al., 2011) Success rates are staggeringly poor for individuals and families that try to exit public housing projects in hopes that they will be able to provide for themselves and their families. Frequently, those attempting to exit public housing do not have any social, psychological, or emotional support, as those are all contributing factors to their experience of homelessness.

“Positive social support can contribute to successful pathways into stable housing, with family and caseworker support being identified as important for successful pathways out of homelessness, and with young people nominating positive changes in family relationships as facilitating a move to more stable housing.” (Nebbitt et al., 2007; Wenzel et al., 2012; Johnstone et al., 2015, p. 412) It is important to recognize that the support given to those trying to get out of homelessness is professional and positive. Support found through substance use, or negative romantic relationships, for instance, will cause a

socioeconomic downturn back towards homelessness—these are behaviors that are predictors of homelessness.

The study conducted by Johnstone et al. in 2015 showed that “safe and stable housing is important for people ... those who moved into stable, adequate housing reported better well-being than those that remained homeless. However, we also found that social support was important beyond the effects of housing status ... Consistent with the hypotheses, social support and changes in social support were strong predictors of wellbeing for individuals who had resided in homeless accommodation. Declines in social support were associated with declines in well-being, which improved when social support improved, and the effects were consistent even when controlling for housing status, alcohol use and employment status ... Increased alcohol was associated with worse well-being.” (Johnstone et al., 2015, p. 421) High mobility can lead to mental illness and stress-related illnesses while safe and stable housing accompanied by social support systems can aid low-income populations in changing their socioeconomic status. Further demonstrating the argument for social supports, not only did the Johnstone experiments show that social supports are not just necessary for improving an individual’s wellbeing, but are even more important than the housing itself. Their findings “reiterate the importance of building positive connections for people through both formal and informal strategies that seek to improve positive, community connections.” (Johnstone et al., 2015, p. 423)

Two community organizers from Sisters of the Road in Portland, Oregon, went around to people experiencing homelessness and asked what they needed. “People responded that they wanted to feel safe and to have ‘a place where we can dine with

dignity and work for a meal if we don't have money.' Thus, rather than opening another soup kitchen or mission, they opened a Café, and today, 27 years later, people either pay \$1.25, barter through 15 min of work, or use their food stamp debit cards to pay for a nutritious meal." (Morrell, 2007; Hoffman and Coffey, 2008, p. 209) People experiencing homelessness or a low-income situation want what everyone else wants: a safe place to be, a nutritious meal, and a sense of purpose. Sisters of the Road's Café meets all of these requirements and is an efficient and effective organization. Presumably, Sisters of the Road Café has attained such success because the clients' voices were taken into account. Here is a sample of what one of the clients said in an interview:

"You see it in actions, the way they talk to you... You are not the one giving me the food stamps; you are doing a job that you are being paid for. Do your job. Do not degrade me, and that is the way it is, they look down on you, every damn one of them in there, you know. As soon as you walk through the door you are not a name or you are not a person, you are a number... You can institute all the programs in the world you want, but with the attitude that people have towards the homeless running to these organization, none of them are going to work until they learn a little bit of compassion, you know. They need to understand that we are people, not a number." (Morrell, 2007; Hoffman and Coffey, 2008, p. 214)

While this account could be brushed off as a disgruntled person in a dire situation, it is worth noting that this was one account of hundreds addressing the same issue. There were also accounts on the positive side of receiving services. Here's an example: "They have a place where you can just sit. If you want to just sit for a couple of hours you could

take a book and sit. That is really important to people that are on the street – sit and not being chased off or harassed or somebody trying to buy something from you or sell something to you.” (Morrell, 2007; Hoffman and Coffey, 2008, p. 217) Imagine not having any space at all to just sit down and relax for a moment. That alone could be enough to break a person’s pride or morality. Programs intended to lift people experiencing homelessness and people in low-income situations should do just that. They should not knock them down and scare them off from the resources intended for them. Qualitative analysis is important because it helps organizations reach the populations they intended, and ensure those clients have positive experiences.

Local governments should conduct analyses with both quantitative and qualitative measures, as they are accountable to the state and federal governments as well as their constituents, including homeless and low-income individuals. As Hoffman and Coffey write, “examining the quality of people’s experiences does not in and of itself end homelessness, but it does help us understand how experiencing a lack of respect and dignity may turn individuals away from services intended to help them.” (Hoffman and Coffey, 2008) In today’s world of technology, local governments have been turning to Homeless Management Information Systems (HMIS), which is a requirement for HUD reporting. This is a purely quantitative system aimed at making it easier for social service agencies to track and keep a record of a particular client’s history, status, and services accessed. It also enables communication between agencies to provide a continuum of care. In the eyes of HUD, “numbers, statistics, and audits – rather than the opinions of ‘clients’ or social service experts themselves – become the best method for evaluating the efficiency and effectiveness of a program.” (Hoffman and Coffey, 2008, p. 208) By

utilizing both quantitative and qualitative analyses of public housing programs and services, local governments can ensure they are providing useful aid to their constituents in need, while also ensuring they are within their budgetary and temporal constraints.

Evaluating the Need for and Type of Public Housing

Due to their proximity to their constituents, local governments can be effective and efficient at solving housing issues facing their communities. Since funding comes from federal and state governmental levels, local governments must be strategic in their vying for and application of these funds. Rapid change in population, job growth and decline, and demographics of the population are just a few among the many considerations a local government must take into account when assessing their particular need for housing and the provision thereof. It can be challenging to recognize the changes in housing needs over time, which is why it is imperative for local governments to analyze their community and surrounding communities constantly.

Depending on the size of the metropolitan area, they might face an issue known to economists and developers as ‘residential sprawl.’ Burchell and Shad define sprawl as, ‘low density residential and nonresidential intrusions into rural and undeveloped areas, and with less certainty as leapfrog, segregated, and land consuming in its typical form.’ (Burchell and Shad, 1998) Residential sprawl is particularly noticeable in cities, where outward space is limited. Due to increased demand for single-family residences, suburbs are built on the outskirts of the city. Slowly but surely these suburbs become towns, drawing the economic power of the city, and attracting more families and individuals that want a similar lifestyle with access to the city. Suburbs can either be an asset or a

detriment to a local government. When sprawl occurs, policy priorities and spending must be proactive in addressing it.

In addition to measure of residential sprawl, there are three significant dimensions that could provide further clarity to local governments: “1) the temporal nature of the sprawl process; 2) the ability to characterize urban growth at its atomic level, namely (for residential development) the housing unit; and 3) the utility of sprawl measurement to the planning process.” (Hasse and Lathrop, 2003, p. 1021) As to the first, local governments need to consider the rate at which the sprawl is occurring. Is it happening at a few acres of development per month? Or perhaps even numerous whole neighborhood developments in less than a year? The local government needs to pin down a means by which they will measure the sprawl, and thereby have a metric to look on for comparison. They also need to identify the unit of measurement for the housing. It could be as simple as using single-family residences as a unit or as complex as using the area in square feet, divided by the number of inhabitants, or the number of bedrooms and bathrooms, etc. Local governments need to look at how these numbers and measurements will affect the development of the city. If there are more advantageous means of either restricting or incentivizing sprawl, they need to be aware of and act on those strategies. For instance, if there is a massive sprawl at the site of a smallish aquifer, it could lead to water shortages or drought in that particular area, which would create further problems for the government. However, if the sprawl were contained and directed to a different area, perhaps along city water lines or a larger aquifer, this problem could be avoided. Water shortages are just one consequence among a myriad of potential consequences of a sprawling city.

A tool designed by Hasse and Lathrop takes into account density, leapfrog, segregated land use, community node inaccessibility, and highway strip. This tool is complex but can be hugely helpful in strategizing for urban sprawl. Density is “a measure of the amount of land occupied by each housing unit.” (Hasse and Lathrop, 2003, p. 1022) The measurement is calculated by taking the sum of the land areas for each new housing unit, divided by the total number of units within the municipality. Leapfrog is when “patches of urban growth occur at a significant distance from previously existing settlements.” (Hasse and Lathrop, 2003, p. 1023) Taking time into consideration, as to which housing units were built first, leapfrog can be measured by the distance between the first unit and the new housing units. The final measure of leapfrog is calculated by taking the distance for each new unit, divided by the number of new units.

Segregated land use occurs when large sections of land are zoned by their use, such as shopping complexes, industrial parks, neighborhoods, etc. “Because mixed land-use areas may look segregated on a micro level, the definition of segregated land use employed is new housing units beyond reasonable walking distance to other types of urban land uses.” (Hasse and Lathrop, 2003, p. 1023) 1,500 feet was the number used by Hasse and Lathrop, as it represents the average pedestrian distance, which they used to determine the land use from a particular housing unit. Community node inaccessibility “measures the average distance of new housing units to a set of nearest community nodes. The centers chosen in this pilot analysis included schools, libraries, post offices, municipal halls, fire and ambulance buildings, and grocery stores.” (Hasse and Lathrop, 2003, p. 1024) The index number comes from taking the average distance from residential units to the chosen community node and dividing by the total number of new

residential units. The last measure is the highway strip, “typified by fast food restaurants and retail strip malls but can also include single-family housing units lining rural highways.” (Hasse and Lathrop, 2003, p. 1024) To get the highway strip indicator, the sum of residential units within a highway buffer is divided by the total number of new residential units.

Each of these measures is important to consider as all governments functioning in metropolitan areas may be affected. “Calculating the sprawl indicator measures on a per-housing-unit basis helps to diminish the effect of variations in municipal size because the measures can be re-summarized by subregions such as planning zones or census tracts.” (Hasse and Lathrop, 2003, p. 1026) Smart growth and adaptation are achieved by taking into account these measurements of sprawl. As a municipality grows and changes over time, its patterns can be measured and recognized by these indicators and can potentially provide insight into future trends. On top of growth and change, the local governments must evaluate the effectiveness of their current policies, projects, and initiatives to address their unique housing needs.

Graddy and Bostic touch on two basic measures of housing policy effectiveness: quantity and quality. In places there are not sufficient quantities of housing, the local government faces a basic challenge of providing affordable housing where it is most needed. Not only must housing be provided, but also must be fittingly affordable and decent for the population for which it is intended. However, “the rents and sale prices required to make a residence affordable for lower income households do not support financially feasible projects.” (Graddy and Bostic, 2009, p. i83) If such buildings were built for low-income populations, they would arrive at a net loss if they were to charge a

viable amount for low-income and middle-income families, as costs would exceed the benefits. The local government needs to incentivize such projects to fill the void between costs and benefits. Strategies for this are discussed in the following subsection.

Quality is an enormous concern for state and local governments. With contractors attempting to cut corners and save money wherever possible, the quality of the final project will suffer. Realizing the detriment of their prior skyscraping public housing projects, local governments have increasingly turned to private developers to erect aesthetically pleasing projects in better neighborhoods. However, “developers face incentives to produce smaller units, as it is usually possible to increase the number of units—and, thus, increase revenues.” (Graddy and Bostic, 2009, p. i85) Smaller units mean there will be more one-bedroom and studio units, which are not meant to house families and attract more transient populations. Transient populations can create instability in the surrounding neighborhood and discourage families in their attempts to find permanent affordable housing. It is therefore essential that the government have frequent meetings with the developer to ensure that the project aligns with local needs and is placed appropriately according to its final build.

Regarding local governments that are impacted by a large percentage of low-income and homeless people, a good strategy is to look at their implementation of services for these populations. In a study done by Hoffman and Coffey in 2008, which drew upon a database of over five-hundred interviews, conducted by Sisters of the Road 501 (c) 3, with people who were experiencing homelessness, they found that the manner by which services are administered can make all the difference in whether or not a person can overcome their situation. “Descriptions of interactions with staff and providers were

predominantly expressed in negative terms, with experiences of objectification and infantilization being commonplace. In reaction to these experiences, nearly all were angry, and many simply opted out of the social service system to maintain a sense of dignity and self-respect.” (Morrel, 2007; Hoffman and Coffey, 2008, p. 207) Rather than taking this immediately as a symptom of the effects of low-income or homelessness on an individual, the staggering amount of first-hand accounts on poor service should be a sign that there is something amiss in the provider-client relationship regarding these populations. It is important to remember that the person behind the desk holds the keys to help people experiencing homelessness, which automatically gives them the upper hand of the power dynamic. For some, going in and asking for assistance goes against their sense of pride and morality. When combined with a negative experience this can lead to loss of hope altogether.

Local governments need to account for residential sprawl, maintain the quantity and quality of their public housing projects, and be constantly examining their past, present, and future if they are to effectively and efficiently solve their unique housing needs. In the next subchapter, this thesis will examine funding options and strategies that local governments may employ in their endeavors to provide housing.

Funding Options and Strategies

Mortgage or rent payments make up the largest portion of an individual’s or family’s budget. While in competition for housing with moderate- or high-income individuals and families, low-income families struggle to find housing that is both affordable and adequate. To address this gap, local governments must draw on the federal and state funding and programs. There are three categories into which housing programs

fall: “1) programs that provide deep, gap filling rent subsidies, earmarked either for particular buildings or for individual households; 2) tax credits that produce new housing with moderate rent levels; and 3) block grants that provide flexible support for local affordable housing initiatives.” (Turner and Kingsley, 2008, p.1) These are all resources that local governments can use to bring about more accessible and affordable housing in their communities.

Public housing, either administered by a public housing authority, nonprofits agency, or a private owner, can enter into a contract with both the local government and HUD. These contracts stipulate that tenants will contribute thirty percent of their monthly income and the federal government will make up the difference between the tenant contribution and the actual cost of rent. The contracts carry lengthy time commitments of fifteen to fifty-year terms. It is beneficial for local governments to promote and sign these kinds of contracts because HUD provides a variety of supports, ensuring that the project is well constructed, maintained, and follows up with developers to evaluate the adherence to its policies and procedures.

The main tool used as gap-filling subsidies are housing choice vouchers (HCVs). These give families a bit more freedom as they may use the voucher to rent homes and apartments on the private market. As with the HUD contracts, families must contribute thirty percent of their monthly income towards their rent. Allowing “the recipient rather than the developer to decide where the low-income household will live. Voucher recipients can even receive their assistance in one jurisdiction and take it to another as they search for housing that best meets their needs.” (Turner and Kingsley, 2008, p. 2) However, the flexibility that vouchers offer is contingent upon the landlord/property

owner's willingness to accept them. Vouchers do not aid the situation as far as competition is concerned—prospective low-income tenants have to compete with moderate- and high-income prospective tenants. It is likely that the landlord/property owner would rather have a tenant that pays all their rent in one installment rather than getting a portion from the tenant and a portion from the federal government. As was explored in the Chicago case study, local governments can pool their HCVs to have increased buying power with private landlords and developers.

Block grants provide flexible support for local housing initiatives provided by the federal government. The HOME Investment Partnerships Program (HOME) administered by HUD provides grants to state and local governments to use for the building, buying, rehabilitating, or providing direct assistance to low-income populations. “States are automatically eligible for HOME funds and receive either their formula allocation or \$3 million, whichever is greater. Local jurisdictions eligible for at least \$500,000 under the formula also can receive an allocation.” (HUD, 2017) The allocation formula examines the local government's housing supply, its incidence of poverty, its fiscal distress, etc., while determining how much support the local government needs. HOME funds are guaranteed funding to states, fluctuating in years of low support or tight budgets. Then states can doll out the funds as they see fit, which could cause local governments, who might not know about the program, to miss out on the opportunity to receive such funding. However, in metropolitan areas, with numerous local governments functioning nearby, a powerful strategy is to create a coalition, which gives local governments an increased chance to receive block grant funding as they can initiate numerous proposals for critical projects.

There are two more recently established block grant programs that give local governments more freedom to use ingenuity in solving their particular housing needs: Homeownership Opportunities for People Everywhere (HOPE VI) and Moving to Work (MTW). “HOPE VI funds the demolition and replacement of severely distressed public housing developments, with the goal of improving outcomes for residents and revitalizing neighborhoods. Moving to Work (MTW) essentially deregulates participating PHAs so they can experiment with new subsidy formulas and occupancy rules that offer promise for encouraging and supporting work.” (Turner and Kingsley, 2008, p. 9) If anything is missing from the public housing agenda, besides the lack of support and structural issues, it is the ability to experiment to find the best possible way to implement and manage low-income housing projects successfully.

Established in the early 1990s, the HOPE VI program uses CDBG block grant funding to demolish and replace the inadequate, dangerous, and poorly placed public housing establishments in cities. Large, unsightly, and crime-ridden public housing projects are increasingly being replaced by mixed-income housing. The unfortunate byproduct of which is that not all of the units demolished are replaced by low-income individuals and families. “HOPE VI has built fewer new public housing units than were torn down, and associated initiatives have allowed the demolition or sale of other deteriorated projects without replacement.” (Turner and Kingsley, 2008, p. 5) The theory behind this project is that by removing the high-density low-income public housing and replacing it with mixed-income housing, the project in its entirety will be better integrated with the surrounding neighborhood. Additionally, if high-income tenants

remain in the housing project, the surrounding area benefits from better social environments, services, and better schools.

The HOPE VI program has led to partnerships with Public Housing Authorities, local governments, nonprofit agencies, and for-profit business leaders. As Turner and Kingsley found in their examination of various HOPE VI programs in 2008, “Case studies show substantial declines in neighborhood crime and joblessness and substantial increases in income, property values, and market investment. In several high-profile developments, HOPE VI investments have been accompanied by significant improvements in the quality of the local school and the educational performance of low-income children.” (Turner and Kingsley, 2008, p. 10) While this has arguably favorable benefits for the surrounding neighborhood, only a few residents return to the project after its renovation/completion, and as mentioned before only a portion of the residences are dedicated to low-income households. From their study in 2008, Turner and Kingsley concluded that many of the prior residents turned either to vouchers or other traditional housing projects, due to the length of the construction project, tougher screening criteria, and new occupancy requirements. The need for residents to turn to vouchers or other projects is exemplary of the fact that there need to be multiple programs in place to support the HOPE VI program. If these displaced people did not have HCVs and other housing projects to turn to, they would have become homeless, and potentially permanently displaced. Local governments need to take into account the vast negative consequences incurred when demolishing large housing projects without providing adequate rehousing to its tenants.

MTW is a highly experimental block grant program that allows public housing authorities to implement innovative programs and test various strategies for subsidies and occupancy requirements without losing funding. “PHAs could request waivers of federal statutes and rules governing both public housing and vouchers to design and test new approaches for reducing program costs, encouraging economic self-sufficiency of residents, and increasing the housing choices of low-income families. Some participating PHAs were also granted the option of pooling three major streams of funding from HUD—public housing operating funds, public housing modernization funds, and voucher subsidy funding.” (Turner and Kingsley, 2008, p. 11) A large number of PHAs have chosen to pursue avenues focusing on work requirements, aimed at economic development. In these models, as tenants work steady jobs, their contributed portion of the rent increases incrementally. Some models include a time limit for living in the project. This encourages upward mobility of the tenants who have often proven successful in completing the benchmarks of the program. “An assessment of the first group of participating sites found some evidence of increased employment and rising incomes among affected residents (and no evidence of extreme hardship). Interestingly, however, there was no clear relationship between the types of work incentives and supports introduced and the magnitude of employment gains.” (Turner and Kingsley, 2008, p. 12) Increases in employment without a significant relation to the type of employment suggests that implementing work incentives are effective for raising incomes. MTW is as subject to debate as it is highly experimental. Proponents think PHAs need to experiment, and deregulation is the only means by which this is possible. Opponents argue that PHAs should not be left unmonitored and unevaluated while

simultaneously putting low-income and vulnerable residents at risk for loss of their housing. As Bassuk writes, “we know that housing is essential but not sufficient for ending homelessness. Services and supports responsive to the needs of families and children must also be a part of the solution.” (Bassuk, 2010, p. 501) The precise method for delivering services and supports must be tailored appropriately to the diverse demographics of the low-income and homeless populations. The only way to achieve tailored programs is through research and experimentation.

An increasingly used strategy for local governments is implementing LIHTC. “Virtually all privately financed housing for low- and moderate-income families over the past two decades [1970 – 1990] has received a substantial subsidy through the tax system...almost all through the sale of limited partnerships to investors who are able to use tax credits or depreciation allowances to shelter income from taxation.” (Orlebeke, 2000; Case, 1991, p. 343). LIHTCs are subsidies for developers, which help to incentivize building rental units for low-income families and individuals. LIHTC was created in 1986 and gives Congress the power to allocate funds to states based on population—as of 2007, the cost was \$1.95 per resident. States then give out the funds to developers who have put in an application for a specific project. Developer’s project plans must consider the following criteria: “either at least 20% of the units must be occupied by tenants earning below 50% of the Area Median Gross Income (AMGI) or at least 40% of units must be occupied by tenants earning below 60% of the AMGI.” (HUD, 2017) The AMGI is calculated by HUD and is adjusted for family size. States receive far more project applications, than they could ever hope to fund, which makes this a competitive and exhausting vetting process. Developers, landlords, or property

owners must follow these stipulations for at least fifteen years, but the length can be much longer depending on the agreement between the state or local government and the contractor.

One major concern with LIHTC is the idea of a ‘crowding-out’ effect, whereby reduced interest rates attributed to LIHTC incentives lead to a reduction of investment and spending in the private market. Murray, in 1999, took a look at the concept and formed a new crowding-out theory. He found that “public housing and conventionally-financed subsidized housing are not substitutes for each other, while conventionally-financed subsidized housing crowds out other housing one-for-one. However, public housing does not exhibit a discernable crowding-out effect. Murray’s evidence suggests, in contrast to his earlier results, that in the long run unsubsidized housing and public housing grow together.” (Murray, 1999; Malpezzi and Vandell, 2002, p. 368) The public housing market does not work like the conventional housing market. While there are crossovers and partnerships between the two, particularly where the LIHTC becomes involved, public housing does not crowd out housing on the private market. The LIHTC may only be acquired upon granting rent to tenants at thirty percent of their monthly income. It is not optional. The tenants occupying these units are not likely to displace other tenants who are looking for nicer, more extravagant housing upon demand on the private market.

Murray further found evidence that “the poor do not respond to society’s largess by simply reducing their demand for unsubsidized housing one for one, but rather use the public housing program to reduce their household sizes. Such behavior by public housing beneficiaries is constant with the common finding (e.g., Bane and Ellwood,

1986) that welfare payments to single parents induce them to form separate households more often than they otherwise would.” (Murray, 1999, p. 117) There is an inherent incentive to separate households to get more support and more space. Sometimes families take advantage of the opportunity to suit their particular preference. However, this could also be seen as removing a barrier that households formerly wouldn’t have been able to overcome. Often, in low-income situations, it is the only option to stay in a housing unit, particularly if there is only one breadwinner in the household.

A study done by Baum-Snow and Marion in 2009 found that “LIHTC developments depress local median household income and increase turnover in owner-occupied housing units within 1 km of these projects. Further, new LIHTC units impart a positive amenity effect as they lead to higher housing values in declining and stable neighborhoods. In gentrifying areas, however, there is little or no effect of LIHTC units on housing values. Finally, we show that LIHTC units modestly crowd out rental construction, as each LIHTC unit leads to 0.8 more new rental units nearby. Local crowd out is stronger in gentrifying areas, as each LIHTC unit only increases new rental construction by an estimated 0.37 units in these areas.” (Baum-Snow and Marion, 2009, p. 665) This study shows that, contrary to the former status and reputation of public housing, LIHTC projects either have no effect or a positive effect on the surrounding communities. These are well-crafted buildings, meeting the multiple requirements outlined by the federal government, which may be rented by tenants that meet the stipulations.

In 2010 the US Interagency Council on Homelessness introduced the first strategic plan to prevent and end homelessness. “Over the past five years, the public and private sectors have made remarkable progress in reducing chronic homelessness. By

developing the ‘technology’ of combining permanent housing and a pipeline of support services, there has been a reduction of chronically ill, long-term homeless individuals by one-third in the last five years.” (US Interagency Council on Homelessness, 2010; Bassuk, 2010, p. 500) It is great that the US has made such strides towards empowering some of the most disenfranchised members of society. It is much more a structural problem than one would think. A huge effort needs to go into the pay for unskilled workers. Either they need to receive a housing stipend, or they ought to receive payment, taking the cost of living into account. Landlords should be conscientious of their raises on rent as they could very well impact their tenants more significantly than they imagined. As far as policies are concerned, it is critical that the federal government continue to put funding and support into decreasing unemployment and underemployment, as well as the provision of social support systems for the disenfranchised members of society.

As Rossi writes, “we should not penalize families who want to enter into housing sharing relationships with other families ... in many states AFDC allowances are lowered when a client family shares housing with another family ... we should reward positively those families who are willing to provide aid to their relatives ... it has been found useful to enlist relatives as foster care providers for children who are victims of abuse or neglect ... it is possible to devise arrangements in which some portion of an income maintenance payment is given directly to a host family in recognition that sharing a housing unit is a burden to the hosts and a positive benefit to the state.” (Rossi, 1994, p. 387) These families should have a chance to improve their situations. If they do have the ability to share housing with another family, it only makes sense to continue their allowances at least for a period while they are securing their new jobs, education, other housing, etc.

Families that take in other families and individuals into their home of their own choosing, are doing a service to the state, and similarly to tax-exempt charities and public housing authorities, ought to receive some funding for their philanthropic efforts.

Putting these three programs (HCVs, LIHTC, and CDBG) to use, a local government, or collective of local governments, can effectively and efficiently address public housing needs in their communities. The more diverse the sources, and the more creative the government is in utilizing the sources, the better.

Utilizing Nonprofit Housing Organizations.

Nonprofit housing organizations apply for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. “The organization must not be organized or operated for the benefit of private interests, and no part of a section 501(c)(3) organization's net earnings may inure to the benefit of any private shareholder or individual.” (IRC §501(c)(3)) The idea that no private interest would benefit from the welfare of a nonprofit housing organization is incentive enough to utilize them for the provision of public housing. Many private organizations take advantage of tax credits, and then as soon as they satisfy the contract, turn around and sell off the property, raise the rent on their housing units, or change their requirements for tenancy. Hence much of the public housing in which federal, state, and local governments invest is temporary rather than permanent.

Proponents make three main arguments to support nonprofit provision of housing. Nonprofits are more likely to build affordable and permanent housing, rather than just for the duration of the government contract. (Koebel, 1998) The aim for many nonprofit housing organizations is to build permanent housing for low-income residents. Since

there is no potential motive for profit after a government contract has expired, it is unlikely that the housing will be sold off or rented at market value after thirty or so years. Second, nonprofits, given their community service mission, are likely to serve needier tenants, such as tenants with special needs and those whose incomes fall at the low end of the allowable spectrum. (O'Reagan and Quigley, 2000) Again, due to the lack of profit motive, housing projects administered by nonprofits are more altruistic in their approach to finding tenants. Finally, because of their greater community orientation, nonprofits and housing-based nonprofits are believed to work in more distressed neighborhoods and to pay greater attention to broader neighborhood spillovers. (Crowe, 1996; O'Reagan and Quigley, 2000) Attention to and measurement of neighborhood spillovers is essential for nonprofit reporting. Unlike their for-profit competitors, nonprofits must prove that they are making a positive impact with their projects. Often this includes providing residents with on-site social services, childcare, and job training. "When consumers cannot accurately evaluate the quality of goods and services, for-profit organizations have an opportunity as well as an incentive to economize on costs and shirk on quality." (Ellen and Voicu, 2006, p. 32) Nonprofits might also face such incentives, particularly in times of weak housing market trends. However, nonprofits face damage to their reputation and overall organizational capacity if they seek to cut costs on their projects.

There are more abstract motives involved in a nonprofit successfully administering, building, and managing a housing project. "Although those in charge of managing the organization may not be lawfully able to divert assets to their personal use, they can use the organization's resources to achieve objectives that will redound to their personal benefit such as building projects with high visibility and dispensing managerial

perquisites.” (Schill, 1994, p. 90) While they may not be gunning for a higher paycheck or nicer cars, nonprofit administrators strive for positive reputations in their local government and communities. They want to be the reliable, ‘go-to,’ nonprofit that will accomplish housing goals for the local government and the community. As Schill writes, “only the nonprofit sector combines competition, some insulation from the political process, and a legal guarantee that public largesse will not be siphoned off for private benefit.” (Schill, 1994, p. 95)

Due to wavering support, public housing has not been able to meet the demand and need for housing in the United States. “The federal government in the United States has not implemented a government program exclusively designed to fund nonprofit housing.” (Schill, 1994, p. 79) Since nonprofits do not receive any exclusive funding for their efforts, they must be creative in diversifying their revenue to keep up with their for-profit competitors. Nonprofits must find funding to cover preconstruction expenses, project equity, and debt finance. The Local Initiatives Support Corporation (LISC) has proven to be a great aid in not only helping nonprofits navigate their way towards providing permanent housing but also connects them with some of the largest philanthropic corporations and foundations. “In 1991, LISC provided nonprofit organizations with over \$148 million of capital in the form of grants, low-interest-rate loans, and equity investments.” (LISC, 1992; Schill, 1994, p. 79) LISC helps nonprofits gain some ground in a profit-driven market.

Tapping local governments and vying for LIHTC and HOME contracts can be extremely useful, and provide consistent funding. If the nonprofit is still unable to raise the appropriate amount of funds, there are further options available. One such option is

creating a limited partnership. “As limited partners, the investors have extremely little influence over how the project is operated; yet, they are entitled to their proportionate share of all income and tax losses generated by the property.” (Schill, 1994, p. 80) While there is little revenue gained from low-income housing developments, financing is still an attractive option to investors as tax losses can be used to offset other income. Another option is to sell off low-income housing tax credits. “Because of the passive activity loss restrictions built into the Tax Reform Act of 1986, corporations are the most likely purchasers of the credits... Increasingly, nonprofit housing providers rely upon equity funds set up by LISC and the Enterprise Foundation.” (Schill, 1994, p. 80) The latter is an attractive option to corporations as the pools set up by the LISC and Enterprise Foundation limit the risk in investments made through diversification.

Debt finance is the final frontier in funding nonprofit housing projects.

“Typically, a project will have two or more loans. In many instances, the first mortgage loan will be provided by the state housing finance agency in the form of tax-exempt bond financing.” (Schill, 1994, p. 81) State and local governments can offer incredibly low-interest rates on loans for housing development. There is added incentive in that the housing project will continue to benefit their communities for decades. To offer these loans, they can make use of either tax revenues or community development block grants.

Furthermore, it is essential for nonprofit organizations to make a profit on their projects, thereby ensuring that there are reserve funds to address critical needs, as well as focus their attention on distressed neighborhoods. “While both nonprofit and for-profit organizations developed housing in distressed neighborhoods, nonprofits appear to have worked in somewhat more disadvantaged neighborhoods as well as in more distressed

pockets of these communities. In this sense, nonprofit set-asides may help to ensure that housing is redeveloped in the most distressed areas.” (Ellen and Voicu, 2006, p. 49)

Bratt, in “Challenges for Nonprofit Housing Organizations Created by the Private Housing Market,” argues that challenges facing nonprofits are largely dependent on the status of the housing market. (Bratt, 2009) In a weak-housing market, nonprofits could face pressure from city officials, increased production costs, difficulty renting and selling units, and management problems. Whereas in a strong housing market, nonprofits might experience challenges accessing affordable land and buildings, revitalizing housing without displacing existing residents, neighborhood opposition towards low-income developments, and threats to organizational validity.

Local governments turn their attention towards deteriorated and dilapidated buildings during a weak housing market trend. Nonprofits then face pressure to address the deteriorated buildings and find a solution for low-income housing. “An undeveloped piece of land or a blighted property causes the city problems, including vandalism and lack of security. If the city owns the parcel, it may convince the nonprofit to assume ownership and embark on reconstruction and development. Even more broadly, the mayor may have his or her own political agenda to produce affordable housing, deal with homelessness, and reduce the problems of the inner city.” (Bratt, 2009, p. 69) This push from the government has a few implications for the nonprofit. It could mean that they would be pressured to take on a project of which they are not capable nor have the capacity to complete, leading to corner cutting and ultimately an unstable project. It could also mean that, due to the building’s reputation, the nonprofit’s name would be associated, thus vicariously damaging the reputation of the nonprofit. If they do take on

the project and don't produce great quality, it could mean that they will not receive future contracts with the local government.

Along with the pressure from city officials come the increased production costs, difficulty selling and renting units, and management problems. When dealing with deteriorated and dilapidated buildings, there is higher risk involved for the organization. To compensate for this risk, the nonprofit would need to hire security staff, as the building would be vulnerable to theft and vandalism. There is also a need to hire a site inspector to make sure that hazardous materials are removed before construction began. Any pitfalls in the safety and security of the project and insurance claims could be filed resulting in even higher costs. Housing market declines are ensnared with declines in other areas of the economy. When a neighborhood falls into deterioration due to lack of jobs, or increased costs, nonprofits can experience difficulty selling and renting units. In weak housing markets often a development "may have lost some of its competitive advantage over the available market-rate housing. These problems include higher turnover (with the resulting increases in the cost of screening tenants and preparing units for occupancy), higher vacancy rates, and an inability to raise rents (or, in some cases, the need to reduce rents)." (Bratt, 1994, p. 173) Due to long waits for the new refurbished housing, residents will opt to find housing elsewhere using HCVs. Thus the nonprofit might see decreased interest on the consumer/demand side. The best strategy for a nonprofit during weak housing market trends is to create stability for their existing and new projects. If a nonprofit can successfully manage their project, namely when it comes to security, it is likely that they will avoid many unforeseen costs.

Strong markets also can present challenges. "Rising land and building costs create

a number of problems for nonprofits. Beyond the need for land or buildings for the nonprofit to undertake development, some organizations are also confronting the classic “people vs. place” debate.” (Bratt, 2009, p. 72) Access to affordable land and buildings is crucial for nonprofit housing organizations to build new projects and renovate old. Partnerships with land-rich organizations and governments can help aid in the process of seeking land and buildings. Another challenge in a strong market is revitalizing existing buildings without displacing existing residents. If the length of the project is too long, residents will seek housing elsewhere, perhaps making use of housing vouchers. One way to cut down on displacing existing residents is to shorten the length of the project or work in segments to revitalize the building. Another is to build partnerships with larger or regional organization, which are committed to improving low- and median-income housing neighborhoods.

The effect of low- and moderate-income nonprofit housing on the surrounding neighborhoods is difficult to measure. The effects range from the subtle, such as an improved sense of community, to the tangible, such as lower crime rates. In Ellen and Voicu’s study of “Nonprofit Housing and Neighborhood Spillovers,” they and their team conduct a comparison of spillover effects of nonprofit developers and for-profit developers in New York City. To measure the benefits, they largely rely on neighboring property values, as these are utilized in most spillover effect studies. Ellen and Voicu find that “First the impact of nonprofit housing remains stable over time, whereas the effect of for-profit housing declines slightly with time. Second, while large for-profit and nonprofit developments deliver small similar benefits, in the case of small projects, for-

profit developments generate greater impacts than their nonprofit counterparts.” (Ellen and Voicu, 2006, p. 31)

While nonprofits face many challenges, they prove to be a valuable resource in the provision of public housing. Nonprofit housing is frequently accompanied by strong on-site social services, which is the key to allowing tenants to achieve their employment and educational goals, thereby raising their socioeconomic status. Local governments need to build alliances with nonprofit housing agencies when possible. They have more flexibility to deal with critical needs, as well as support from the community.

Neighborhood Spillovers of Public Housing

As was explored in the background chapter of this thesis, there is a multitude of internal factors contributing to a person’s decision in purchasing housing. In Tiebout’s (1956) model, which focuses on the external influences on this decision, local governments offer different bundles of services and amenities, and the homebuyer selects among them, by proxy, this reveals their preferences. If an affluent person is buying a home, some aspects they might consider is the proximity of the home to their work or school, the convenience of nearby shops, open land spaces, the quality of the surrounding homes, etc. All these considerations would be similar to those driving the decision of a low-income homebuyer. However, they would have the constraint of limited capital.

Tiebout asserts that purchasing a home means purchasing the following five bundles of attributes: “1) the home’s physical attributes (“the house”); 2) the home’s “environmental” or atmospheric attributes, both in the direct spillover range and in the larger daily environment (“the living environment”); 3) the home’s locational attributes relative to other sites of interest (“the commute options”); 4) the services and amenities

offered by the local jurisdiction, including those partially produced by other residents, as well as services and amenities in neighboring or overlapping jurisdictions to which one has access (“local public goods”); and 5) the home’s political and social address.” (Tiebout, 1956; Fennel, 2006, p. 5) The physical structure is somewhat self-explanatory, although, alluding again to the background, the choice of what type of house, how large, with how many rooms, and what different appliances to include can be a very dynamic and complex decision. The neighborhood directly surrounding the home is considered ‘spillover’ in Tiebout’s model, including close neighbors and their contribution to or detracting from the ambiance of the new home. For instance, while a particular home may completely enthrall a family, but if it were adjacent to a fraternity house, it could change their opinion entirely. If the home is far away from any preferred conveniences or necessities, then they might seek something closer to those conveniences. On the contrary, a homebuyer might be excited about a long commute into town, having very few neighbors, and limited choice or no conveniences nearby.

The bundle of public goods paid for through property taxes can be a projection of the quality and value of the houses that go to fund them. While homebuyers use the public goods in their jurisdictions, they also use the public goods in other neighboring jurisdictions. Often the cost and the quality of local services is not just a reflection of the taxable values of the properties therein, but the behavioral characteristics of the jurisdiction’s inhabitants as well. Every homeowner and homebuyer immediately becomes a constituent of the homeowner’s association, school district, local government, state government, regional government, etc. in which their home is located. Closely related to the political address is the social address. Social address refers to the status one

attains when they purchase a home in a particular neighborhood. Social address encompasses all kinds of neighborhoods from affluent neighborhoods to lower-income neighborhoods. Affluent populations tend to get possessive of their social address, and through the usage of their political address can take strides towards maintaining their neighborhood and preventing others from gaining access.

When residents want their neighborhood to be more exclusive and want to ensure that it remains untarnished by unwanted residents, buildings, businesses, etc., they take advantage of zoning laws. “Zoning restrictions can enable communities to overcome tragedies of the commons and to produce aesthetic and environmental results that could not be achieved without some form of centralized coordination and enforcement. As a result, it would not be unusual for a community with a stably fixed population to adopt land use controls designed to prevent individuals from engaging in self-interested behaviors that would generate harmful spillovers for neighbors.” (Tiebout, 1956; Fennel, 2006, p. 10) To keep others out, residents might set square footage requirements, land to improvement ratios, residential only zones, and create building restrictions. These make it difficult for developers to purchase land, build housing, or start businesses.

Homeowners all pay the community tax rate, which covers the cost of extending public goods to that community. However, fiscal concerns come into play as new members enter the community. On the side of those already living in the community, “an influx of lower-income households that increases service costs without proportionately increasing tax revenues would shift larger tax burdens onto those caught owning more expensive homes at the time of the influx.” (Fischel, 2001, p. 69) On the side of the new member, while they are buying their house, they must consider if other new members will

purchase less expensive housing in the future, hence raising the tax burden. If the community wishes to limit newcomers based on their potential for influencing the tax burden, they could enact exclusionary zoning to prevent less-expensive housing from being constructed in the neighborhood.

Some residential areas are concerned not with the type of housing, but rather the type of people consuming the housing. To counter this, housing associations might screen residents before allowing them to purchase a home. It would also be possible to enact land use controls to “attack spillovers directly (for example, by controlling the aesthetics of a residential area).” (Fennel, 2006, p. 13) Screening potential homebuyers tend to promote racism and classicism in neighborhoods. Even if inhabitants do not harbor such prejudices, the idea of negative influences in their community could be enough to change their minds.

Local public goods, principally public safety and education, are imperative for the maintenance of a good neighborhood. It is almost incentivized to ensure that only more affluent people buy more expensive homes, and make positive contributions to the neighborhood so that public safety and education are also better regarded. “If there is a perceived correlation between the quality of local public goods achievable at a particular cost and the socioeconomic backgrounds of the residents, land use controls may be consciously employed to limit entry to households in a certain income or wealth stratum.” (Ross and Yinger, 1999; Fennel, 2006, p. 13). Land controls also promote racism and classicism as it is often minorities and low-income families on the losing side of the equation. Essentially, people in nice neighborhoods want to pump value into their homes, schools, and safety, rather than potentially detract from it.

Voters help to determine what the kind of public goods that are purchased with their taxes. “To the extent that residence within the jurisdiction is both a necessary and sufficient condition for contributing to political outcomes, controlling the entry and exit of residents also means controlling the political apparatus through which decisions are made about local public goods.” (Fennel, 2006, p. 14) If neighborhoods want particular public goods in their jurisdiction, they must ensure that their votes are cast accordingly. They might employ a screening process to ensure that incoming members have similar political views and interests.

Having a monopoly over a valued resource could skyrocket housing values. By limiting more housing units from being built, a neighborhood could see drastic increases in their value. The more unique a jurisdiction is, the more plausible exclusionary zoning becomes a strategy for obtaining monopoly profits. (Ellickson 1977). However, limiting others access to the monopolistic neighborhood also limits the possible development of businesses and resources that would attract new buyers to buy at the increased value.

Local governments need to consider Tiebout’s model when developing public housing as the idea of bringing in low-income families can be undesirable in affluent neighborhoods. The placement needs to be strategic in avoiding risks to successful neighborhoods and school districts, but also providing its inhabitants with the opportunity to access the public goods that they need and deserve.

The relationship between housing and public schools is closely bound. Generally speaking, good schools are in good neighborhoods, and bad schools are in bad neighborhoods. To improve the quality of a bad school and its surrounding neighborhood, the local government must assess the causes of its poor quality as well as potential

solutions. Kane, Riegg, and Staiger (2006) studied the correlation between school characteristics and housing prices in Mecklenburg, North Carolina from 1994 to 2001. It was a particularly special case to examine because “under a court-imposed desegregation plan in place from 1971 through 2001, the district laid out school boundaries so that the typical school drew students from a range of noncontiguous geographic areas.” (Kane et al., 2006, p. 184) They were able to closely monitor a range of outcomes over the course of this study, thus gleaning much-needed information on the relationships between school quality and the quality of the surrounding neighborhoods.

In their study, Kane et al. argue that rather than housing units determining the quality of the schools, it is frequently the case that the quality of the schools determines the value of the housing units. City managers had tried different strategies to bring value to the housing units through improving the schools with satellite zones, mid-pointing, pairing, and magnet schools, yet none of these strategies brought much change or increase in housing value. Kane, Riegg, and Staiger (2006) found that “residential sorting is a key source of the impact of schools on housing prices. With court-ordered busing, the school district was putting constraints on households’ ability to segregate themselves into all-white or all-black schools.” (Kane et al., 2006, p. 209) No longer would rich, white children only go to the rich, white school, neither would the poor, black children only go to the poor, black school. If families wanted to have their children in the public school system, they would send their child to school in one of the four designated choice zones laid out by the local government, in consultation with the local assessor’s office. Contrary to the belief that good neighborhoods make good schools, this study shows that good schools help create good neighborhoods—at least indirectly. As Kane states, “the impact

of schools on housing values appears to be largely indirect through the residential sorting that goes hand-in-hand with school boundaries.” (Kane et al., 2006, p. 209)

If a local government is seeing increasing disparities along racial lines, with particular emphasis on neighborhood zones, it could be that it needs to explore new strategies regarding the attendance of their schools. It seems from this thesis that there is a symbiotic relationship between good schools and good neighborhoods. A good school will attract families to the neighborhood who want their children to get a good educationally. On the converse, a good neighborhood will increase property tax revenues, which in turn fund a good school. By redrawing school district zones, the local government can bring equity to these schools, bringing more funding to the schools that are not sufficiently funded, and better education to students who might not otherwise encounter with such an opportunity. Particular attention should be paid to the funding of transportation for all families, as access should be the very least of these families’ problems.

Metropolitan areas consist of competing local governments that want to provide the best quality schools and neighborhoods to their constituents. Through cooperation between general-purpose governments and public housing authorities, local governments can improve the quality of life for its low-income residents, while also accommodating the wishes of its more affluent residents. Local governments, therefore, should not pursue public housing from a singular dimension, but should also examine current social services and quality of schools.

CHAPTER IV

Hypotheses: Social and Intergovernmental Influences

Influencing Factors on Governmental Spending

Governments are influenced externally and internally by many factors, but what factors influence public spending? Prior research has suggested that governments may react to certain demographic factors when deciding how to spend their funding, while other research suggests that governments react to the funding made available and state and federal mandates. This paper will examine both, side by side, to determine which factors, social or intergovernmental, have more impact on how general-purpose and special-purpose governments spend funds for the provision of public housing in metropolitan areas.

Considering the high incidence of minorities, elderly, and disabled in public housing, the question arises as to whether these factors are simply coincidental, or if the higher rates of each of these particular groups among a metropolitan population affect the way that governments spend their funds. Cutler et al. (1993) attribute the correlation between public spending and demographic (or social) composition to three reasons: 1) demographics may affect the cost of providing public services, 2) the federal and state governments may mandate certain spending that is correlated with demographic composition, and 3) certain groups may gain control of specific elements of the resource allocation process when they represent a larger share of the local population or of the beneficiaries of particular programs. To the first assertion, the provision of public services to accommodate certain demographics is undeniable. If a particular area is experiencing an influx of families with children, either the local government provides

spending for schools, or those families will go elsewhere with their tax dollars. To the second assertion, state and local governments often issue mandates for spending such as the No Child Left Behind Act of 2001, wherein state and local governments were responsible for meeting new federal standards for education. (No Child Left Behind Act of 2001) To the third assertion, groups will often vote according to their self-interest. If a person is retired and elderly, they will vote for programs and services that benefit themselves and their peers. “Members’ individual characteristics often guide their voting. These characteristics include both institutionally relevant factors, such as party affiliation and seniority, and proxies for personal preferences, such as race or age.” (Jackson and King, 1989, p. 1149)

Denzau and Grier (1984) found in their examination of state spending trends that both percent non-white and percent below the poverty line have positive effects on spending. This reinforces the conjecture made above that median income may not be the only income distribution variable that affects spending decision. The relationship between various demographic factors and public expenditures has been shown to have a significant positive effect, a significant negative effect, and no effect at all depending on how the factors are assessed, and how wide a net is cast to determine their effect. This thesis will draw on demographic factors, also referred to as social context factors, as they prove to be useful for contextualizing research and revealing the priorities of general-purpose and special-purpose governments.

Intergovernmental factors have also proven useful in assessing governmental priorities and abilities. “A core theoretical issue informing the analysis of local government is the effect of the number of local governments within metropolitan areas on

the level and growth of local expenditures.” (Schneider, 1986, p. 255) There are positive and negative aspects to this theory. On the one hand, more governments functioning within an area could allow general-purpose and special-purpose governments to more effectively address the specific needs of their constituents. On the other hand, more governments functioning within an area could reduce funding available to any one government and hence increase competition for funds and, depending on the amount of funding received, could encourage governments to pass off responsibility. “There is an incentive to move expenditures off of the budget if it is desired for these expenditures to increase faster than the growth limit.... An incentive for towns to utilize special districts or municipally-operated utilities, reinforcing the demand for local public spending.” (Bogart, 1991, p. 216) Special-purpose governments can reach the particular needs of constituents through the provision of specific public programs and services.

Yet, in *Reflections on Regionalism* it is noted that multiple governments operating in a given area encourages “the removal of resources from the core and the subsequent refusal of the suburbs to share, or fairly distribute, the benefits. This walling-off of the more affluent developing suburbs from the central cities creates fragmentation. The dynamic of sprawl and fragmentation, with its strong racial component, leaves the central cities and older suburbs with growing social needs and shrinking resources.” (Katz and Gore, 2000, p. 219) Thus, fragmentation has been shown to be a potential detriment and potential attribute in metropolitan areas. It is also intrinsically tied to the social context factors described in this chapter.

This thesis explores both social context and intergovernmental factors that play into local governmental spending. These factors are similarly examined in “Social

Context, Institutional Capacity, and Police Services: A Local Public Economies Perspective” (Leon-Moreta, 2016) wherein the author explores how social context and intergovernmental factors influence the quantity and quality of services provided by police agencies and funded for by local governments.

Social Context Factors and Their Influence on Public Housing Expenditures

Public housing, and in particular public spending on housing, is rooted in social policy and therefore a social context. There are numerous contributing factors to this social context. This thesis examines age, disability, racial density and diversity, and income inequality. If these factors are indeed influential, the analysis of local government spending on housing will reflect changes in social context factors and thereby reveal governmental priorities. For the purposes of this thesis racial heterogeneity, income disparity, disability, age under 18, and age over 65 in a metropolitan area will be considered social context factors. These variables were selected because, as was the case with Chicago Housing Authority projects, it is well-documented that these populations disproportionately occupy public housing residences.

Income inequality is becoming more and more concerning as the gap between affluence and poverty has been increasing in recent decades. “Growing income inequality is associated with an expansion in government revenues and expenditures on a wide range of services in U.S. municipalities and school districts.” (Boustan et al., 2013, p. 1291) In theory, as income inequality increases, the services provided by local governments and intergovernmental funds will also increase. Wagstaff and Van Doorslaer (1993) have found that income inequality can lead to worse average health, increased stress, and a decline in quality of life. If income inequality increases, then so

will the rates of affluence and poverty. If there is more poverty, then there will be more need for public housing. If the government is attempting to address income inequality, there will be an increase in governmental spending on public housing. Therefore:

H1: As income inequality increases, local government spending on public housing in metropolitan areas will increase.

Alesina et al. (1999) found that “More ethnically diverse jurisdictions in the United States have higher spending and higher deficits/debt per capita, and yet devote lower shares of spending to core public goods like education and roads. The higher spending in more ethnically diverse jurisdictions is financed in part by higher intergovernmental transfers than by local taxes.” (Alesina et al., 1999, p. 1274) If a population has more ethnic diversity, taxes from more affluent ethnicities will not be enough to support the necessary social services for the ethnicities of lesser socioeconomic status. Therefore:

H2: As the diversity of the population increases, local government spending on public housing in metropolitan areas will increase.

Age is an enormous consideration for how and where to spend public funds. It makes sense that a government would respond to its population’s needs. If the population is aging, then it is likely that their housing policies and spending will reflect the aging population and go towards the development of housing for the elderly. “The elderly population of the United States is large and growing rapidly. In 2000, there were 35 million persons aged 65 and older, making up 12% of the total population. This population is projected to exceed 86 million by 2050, making up 21% of the total”. (U.S.

Census Bureau, 2004; Smith et al., 2008, p. 289) Cities that are already reacting to their aging populations should be spending more on housing for the elderly. Therefore;

H3: As the portion of the population over 65 increases, local government spending on public housing in metropolitan areas will increase.

A disability, for the purposes of this thesis, will be defined as “a physical or mental impairment that substantially limits one or more major life activities” (Steinmetz, 2006, p. 1). Tied to the aging population is the population with disabilities. “Since disability rates increase with age, population aging will bring substantial increases in the number of disabled persons and have a significant impact on the nation’s housing needs.” (Smith et al., 2008, p. 289) Not surprisingly, it is quite difficult for elderly and disabled populations to find housing. Fortunately, the “Fair Housing Amendments Act of 1988 prohibited housing discrimination on the basis of disability; required landlords to allow tenants to make reasonable modifications to accommodate disabilities; and expanded the coverage of federal accessibility standards to include most new multifamily buildings with more units.” (Smith et al., 2008, p. 291) With funding available, it follows that similarly to age, the more people living with disabilities, the more the government would spend in attempting to assuage the gaps in housing. Therefore:

H4: As the percentage of the population with disabilities increases, local government spending on public housing in metropolitan areas will increase.

Intergovernmental Factors and Their Influence on Public Housing Expenditures

This thesis will touch on policy priorities and availability of funding by looking at a number of governments (special purpose and general purpose) functioning within a

metropolitan area, the amount of state aid funding received by local governments in a metropolitan area, and the amount of federal aid received by local governments in a metropolitan area. These factors will be considered intergovernmental factors.

Three main influencing factors are utilized in the evaluation of spending programs of general-purpose and special-purpose governments in a metropolitan area: structure of governments, market of service providers, and intergovernmental assistance.

The first, structure of governments, has been highlighted in numerous papers as affecting the way a government carries out its duties and responsibilities to its constituents. “The presumption that form of government produces differences in operational performance is a staple of the empirical literature on local government management in the United States.” (Carr et al., 2015, p. 685) Structure helps to shape duties and responsibilities as well as priorities. For the purposes of this thesis, metropolitan area, and functioning governments therein, has been chosen as the variable around which the research is centered. Since there is no comparison of the structure of governments in this thesis, beyond an evaluation of roles played by general-purpose governments and special purpose governments, a hypothesis regarding this matter is intentionally left out.

The second factor, the market of service providers, can be looked at from many perspectives but has its basis in the private market. In this model, instead of constituents, the taxpayer becomes a consumer. “The consumer is, in a sense, surrounded by a government whose objective it is to ascertain his wants for public goods and tax him accordingly... the government's revenue-expenditure pattern for goods and services is expected to adapt to consumers' preferences.” (Tiebout, 1956) With this in mind, if an

affluent consumer does not enjoy the public goods and services provided by one local government, they may choose to move to another local government that reflects their values and desires. On the one hand this may be seen in a positive light such that fragmented systems can create opportunities for local governments to cooperate and have more power in achieving shared policy objectives. (Feiock, 2007). If, for instance, two local governments need to provide public housing to their constituents, this could be an opportunity to address issues in both jurisdictions. However, on the other hand, local governments are engendered with a sense of competition, as the more constituents in their jurisdiction, the more capital in their jurisdiction. When there are more governments in close quarters, as in a metropolitan area, the competition becomes fiercer, and governments might seek to cut goods and services or try to get their competitors to foot the bill. Additionally, special-purpose governments and general-purpose governments can be in direct competition for the same funding, which can lead to less funding for all governments concerned. Therefore:

H5: As the number of governments in a metropolitan area increases, local government spending on public housing in metropolitan areas will decrease.

The third factor of functional responsibility is intergovernmental programs of assistance. The federal government funds almost all public housing. Section 8, LIHTC, Hope VI, and HCVs are just a few of the housing programs supported by HUD and the federal government. Funds also trickle down through state governments as many are given in block grants to states to divvy out as needed. Through their funding, they can either help or hinder local governments in their endeavors to provide public housing.

“Intergovernmental forces have eclipsed local autonomy over functional scope. Fiscally, the ability to support increases in functional scope has fallen largely on federal authorities. State influence is limited to statutory restrictions on local autonomy or exhortations for new functional responsibilities (i.e., mandates).” (Stein, 1982, p. 543)

As local governments increasingly rely on federal and state governments for funding, their spending on large projects, such as public housing, will decrease. Therefore:

H6: As fiscal support from the federal government increases, local government spending on public housing in metropolitan areas will increase.

H7: As fiscal support from the state government increases, local government spending on public housing in metropolitan areas will increase.

CHAPTER V

Methodology, Results, and Discussion

Method

Local government spending on public housing within a metropolitan area is the main unit of analysis by which this thesis conducts its examination. As defined by the United States Office of Management and Budget (OMB) metropolitan areas are “Metropolitan Statistical Area—A Core Based Statistical Area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.” (OMB, 2010) This includes local governments established as cities, most boroughs (except Alaska), most towns (except in the northeast), villages, and special-purpose governments within the jurisdiction.

Dependent Variable: The amount of local government spending on public housing per capita delineates the priority of public housing in a metropolitan area. This information has been retrieved from the Census of Governments of 2012.

Independent Variables: The data listed in Table 1 as independent variables are as follows: social context factors (population, population squared, median income, racial heterogeneity, aged below 18, aged 65 and over, gross metropolitan product, and state intercepts) and intergovernmental factors (general purpose governments in a metro area, special governments in a metro area, state aid, and federal aid). For an in-depth description of the variables used in the analysis, see Table I in the appendix.

This thesis draws on ordinary least squares (OLS) to analyze data. This estimation method seeks to minimize the squared vertical distances of data points to the regression line. (Baayen, 2008) OLS was chosen as the method of analysis as it minimizes differences between the collected observations and the linear approximation of the data. This proved to be an appropriate choice of analysis, since the dependent variable is an interval level variable as it may take on any value above zero. Data used in this analysis are taken from the US Census 2010, the US Census of Governments 2012, and the American Community Survey 2008-2012. For further descriptions of the data please see Table I in the Appendix.

Results

The results of the statistical analysis are shown in Table II of the Appendix. The first set of findings, those based in a social context, did not prove to be significant. Hypothesis 1 was unconfirmed in that there was no significant relationship between income inequality and public expenditures on housing. This suggests a consistency with Wagstaff and Van Doorslaer (1993), such that income inequality might lead to higher rates of poverty and higher rates of affluence, rather than an increase in funds spent to address the inequality. (Wagstaff and VanDoorslaer, 1993) This correlation between income inequality and higher rates of poverty and affluence could be due to policy implementation. The affluent have more time and resources to dedicate towards lobbying and policy-making than those in poverty. In the absence of interest in socialism, the affluent will seek to guard their socio-economic status. Thus funds are not spent towards the betterment of those in poverty but for the benefit of the affluent.

Hypothesis 2 was unconfirmed in that there was no significant relationship between racial diversity and public expenditures on housing. This suggests a consistency with Alesina et al. (1999) as racially diverse jurisdictions devote lower shares of spending to core public goods. (Alesina et al., 1999) Metropolitan areas tend to be much more racially diverse than smaller cities and towns. As was cited in the case study of the Chicago Housing Authority, minorities disproportionately occupy public housing projects. Since there was no significant relationship found between racial diversity and public expenditures on housing, this shows that governments in metropolitan areas are more dependent upon funding provided by their state and federal government rather than local taxes. It also suggests that public housing projects are not reactive measures to the needs of their population, but rather proactive measures taken when funding is sufficient.

Hypothesis 3 was unconfirmed in that there was no significant relationship between age (either under 18 or above 65) and public expenditures on housing. While it is a fact that the percent of the U.S. population over 65 is growing rapidly, it appears that the overall trend of metropolitan spending on public housing has not been affected by this trend. This could be simply that most people are turning to private retirement homes to house their elderly family members, and perhaps that need for public housing among this age group is not a pressing issue. It could also suggest, that similarly to prior demographics, that metropolitan spending is dependent upon the provision of funding by state and federal governments, rather than reactive to the unique problems in their constituency.

Hypothesis 4 was unconfirmed in that there was no significant relationship between the percentage of people living with disabilities and public expenditures on

housing. Smith found in 2008 that disability and age are strongly correlated, meaning that there is a higher incidence of people living with one or more disabilities as they get older. (Smith et al., 2008) These results are consistent this correlation in that there was no significance found between either age or disability and metropolitan spending on public housing.

The second set of results, Hypothesis 5 was upheld in that there was a significant negative relationship between number of governments in a metropolitan area and public spending on housing. This holds true to Tiebout's studies on multiple forms of local governments in a metropolitan area. (Tiebout, 1956) That is to say, with more governments providing services to their constituents, it is likely that they will decrease their spending on public housing as that responsibility could be taken up by one of the other local governments in the area. It is highly unlikely that the provision of public housing is unique in this sense. This does not necessarily hold true to Feiock's idea that fragmented governments provide an opportunity for governments to cooperate with each other. (Feiock, 2007) Rather it suggests that the opportunity for cooperation is indeed present, but that local governments do not prefer to seize that opportunity.

Hypothesis 6 was upheld in that there was a significant positive relationship between fiscal support from the federal government and public spending on housing. This holds true to Stein's evaluation of the role of the federal government acting as a major source for fiscal support for local governments. (Stein, 1982) Not all state governments are given the same amount of federal funds depending on their dependence on or independence from the federal government. Additionally, funds may be contingent upon

the number of people living in the state, how many metropolitan areas therein, and current state of their particular need for public housing.

Hypothesis 7 was upheld in that there was a significant positive relationship between fiscal support from the state government and public spending on housing. This also holds true to Stein's evaluation of the role of state government, which divvies out the funds provided them by the federal government to the local governments in their state. (Stein, 1982) However, there is a contingency here in that local governments must vie for these public funds, and not all local government projects will receive state funding for their endeavors.

Interestingly, although not hypothesized, population and public expenditures on housing had a significant negative relationship. As population increases, public spending on housing decreases, or as population decreases, public spending on housing increases. This is contrary to the concept that as population goes up, so do expenditures on housing. However, this could also mean that as populations increase, so does fragmentation of government, thereby also fragmenting revenues and expenditures.

Discussion

This thesis reports findings from an analysis of public spending of municipalities, focusing on metropolitan areas. Prior research has focused on either social context factors or intergovernmental factors using a qualitative approach for the former and mixed methods of qualitative, quantitative, and evaluation of theory for the latter. The primary purpose of this thesis is to evaluate factors that might affect municipalities' spending on public housing. The present research confirms many previous studies of

intergovernmental factors and suggests that social context factors could have a limited impact on governmental spending on public housing.

The lack of significant relationship between the social context factors and municipalities' spending on public housing could be due to non-trending data. For instance, it may be the case that Dallas has a rapidly aging population, but New York City is not experiencing the same rapid aging. These differences could lead to inconsistencies in the data and therefore lead to a lack of a significant relationship. Or on the other hand, it could be that such demographics have little to no impact on a municipalities' ability to spend funds on public housing. While it may be true that racial minorities, impoverished, disabled, and elderly populations make up the majority of those occupying public housing, these factors may have little to do with whether or not a metropolitan area will spend funds on public housing.

Intergovernmental factors were all statistically significant when measured against public housing expenditures. The more funding made available by the state and federal government, the more likely a metropolitan area, and governments functioning therein, will spend funds on public housing. Thus this thesis confirms that local governments are dependent upon external sources of funding and are also subject to statutes, mandates, and other policies passed down from the state and the federal government. The negative significant relationship between number of governments functioning within a metropolitan area suggests that government fragmentation does not promote the spending of public funds on housing.

Theoretical implications of this thesis suggest that it may be more useful to study social context factors solely in a local government context. Each metropolitan area is too

unique to draw conclusions across the board. It would be interesting to look at one particular metropolitan area, its various local governments, and how their spending habits react to the social context factors evaluated in this thesis. A more focused analysis would help address disparities between funding received by local governments, as well as give the researcher an idea of how to pinpoint reactive spending and policies. Additionally, it would clarify the dependence upon the state and local government, the reaction to statutes, mandates, and other policies, as well as the exact usage of state and federal funds in public housing projects and developments.

Practical implications of this research suggest that federal and state housing policies and priorities take precedence over and influence local housing priorities. For effective change in the ways housing issues are addressed, state and federal governments must be consistent with their housing priorities. Public administrators in metropolitan areas must have strategies prepared for inconsistent housing funding and support from their state and federal governments. As with the case study on the Chicago Housing Authority and Regional Housing Initiative, cooperation and collaboration with surrounding general-purpose governments, public housing authorities, and nonprofit agencies can ensure that housing needs are met efficiently and effectively in critical need areas. Mixed-income housing has become the go-to form of public housing as it has shown higher success rates in enabling tenants to improve their socioeconomic status. Social services are as important as the housing itself, so public administrators should ensure their social services are accessible, beneficial, and courteous to those living in critical need areas.

CHAPTER VI

Conclusions and Implications

Among the various contexts by which to look at housing, one thing unites all of them: housing is an absolute necessity for humans. Not only does it provide shelter from the elements, but also it is also a psychological safe-space for oneself and one's family, for celebrations, and to disconnect from the outside world. A person without a home is an unfortunate circumstance indeed, the consequences of which range from physical and psychological discomfort to death. As the population of the United States grows, so does the incidence of people experiencing homelessness. In turn, the need for public housing also grows. Most people in the country are living paycheck to paycheck and hence are just one missed paycheck away from experiencing homelessness. However, if housing becomes a priority on both social and political levels, it is possible to set up social services and supports for people currently experiencing homelessness and at risk of becoming homeless.

The Great Depression pushed the United States to figure out a comprehensive plan for providing aid to people who were most affected. Ever since the provision housing and housing policy in the United States has been complex. With wavering support between the Democratic and Republican parties, the provision of housing has been unstable. The provision of public housing impinges upon the private market; therefore, many compromises have been made to ensure that real estate agents, contractors, developers, and construction workers are able to access funding to provide moderate- and low-income housing. The federal, state, and local government, in conjunction with private market enterprises, have experimented quite a bit with the

provision of public housing. They have tried small housing units geared toward housing families to towering multi-story buildings meant to house as many people as possible, to the current trend of mixed-income housing. Managing the various projects is an incredibly daunting task, which was placed on the Department of Housing and Urban Development (HUD) from its inception.

The formation of the HUD was revolutionary. Nevertheless, wavering support from the federal government has rendered it incapable of achieving efficiency and effectiveness. Implementing a variety of funding options has made housing somewhat easier, but with undependable budgets, the HUD cannot accomplish its multitude of responsibilities. Lack of consistent presidential and congressional support, forced reliance upon the private sector, and structural inconsistencies have led to unreliable housing for those most in need. Due to all the vested interests in public housing, from public, private, and citizens, it is impossible to come to a consensus among the stakeholders. Contracts between HUD and private enterprises last for thirty years on average, which means that after the contract expires, the private enterprises are free to do what they will with the building. More often than not, this leads to low-income tenants being evicted from their housing, to be replaced with tenants that are willing to pay market price. HUD currently functions as an umbrella organization, funding worthy projects and providing financial support to state and local governments in their public housing endeavors. Priority funding goes to projects that address problems in critical need areas.

As explored in the Chicago Housing Authority (CHA), not all housing projects are equal in their effectiveness in addressing critical issues of homelessness. CHA has been experimental in their approach to solving their particular shortages of public

housing. Their biggest mistake, building skyscrapers and housing as many people as possible, will serve as an example for housing projects of the future. Buildings like the Cabrini-Green and Robert Taylor Homes were breeding ground for crime and had negative effects on the surrounding communities. The problem is that if moderate- and low-income individuals and families are only exposed to other low-income individuals and families, the cycle of welfare dependence, crime, and poor education propagates. CHA's turn towards mixed-income housing and employment of the Housing Choice Voucher Program, as well as other experimental programs such as Move to Work (MTW) and HOPE VI, has made a positive impact on both the low-income population, as well as those of moderate-income. Its partnership with the Regional Housing Initiative (RHI) has been successful in ensuring the precious funding and other resources go particularly to areas in need in the Chicago metropolitan area.

It is undeniable that housing is important to the livelihood of people. As explored in this thesis, homelessness and unstable housing can exacerbate and cause mental health issues, can lead to behavioral problems and substance abuse, and can even cause death. HUD has expanded its definitions of homeless to include both those who experience homelessness chronically and those who temporarily experience homelessness in hopes of providing assistance to those that are currently homeless and at risk of becoming homeless. Due to the transient nature of the homeless population, it is difficult to accurately measure the incidence of homelessness in the United States. Homelessness is cyclical by generation. Women with children are more likely to become homeless than men. This is often due to escaping an abusive relationship with their significant other. The children have only their mother as a role model, and since she has become homeless,

they adapt and that becomes their new normal baseline. However, the provision of housing and other social support systems can change this. Utilizing HUD's required Homeless Management Information Systems (HMIS), it has become easier to track those experiencing homelessness and ensure they are receiving the goods and services they need.

Particular need for housing varies in every town and city. Local governments, if they are precise in their application of funding from HUD and work with reliable and altruistic private sector enterprises, can effectively and efficiently address the needs of their moderate-income, low-income, and homeless constituents. Local governments need to consider demographics, changes in population, the job market, the housing market, residential sprawl, segregated land use, territorial zoning practices, quantity and quality of current housing, and current social services. It is important to use a multi-year analysis when examining these factors to be able to observe significant trends, either positive or negative. For instance, if the population is rapidly aging, it might be prudent to invest in retirement homes and other accommodations for the elderly population. Or if there are many families with children, schools and single or multiple family homes should become a priority. If the local government observes a stark contrast between the voting habits of its constituents and the needs of its population, it should take steps to address those disparities.

There are multiple funding options for local governments to explore for the provision of public housing to those in need. Gap-filling rent subsidies like Section 8 and the HCV program allow families and individuals the opportunity to rent homes and apartments on the private market. The Community Development Block Grant (CDBG)

program provides the local government with some tractability in building, buying, or rehabilitation of public housing. HOPE VI and Moving to Work (MTW) give governments and housing authorities the freedom to experiment in their public housing programs. The largest nationwide program is the Low-Income Housing Tax Credit (LIHTC), which acts as a subsidy for developers, landlords and property owners on the private market to build, manage, and maintain low-income public housing. Utilizing all these options, along with forging strong partnerships with public housing organizations and initiatives on the state and local level will allow local governments to positively address their housing needs and shortages.

Nonprofit housing organizations are another useful resource for providing housing where it is needed. Due to their nonprofit orientation, they are not concerned with making a profit from housing projects, therefore are more likely to build permanent public housing. In years when HUD's budget is low, and hence funding for projects runs dry, nonprofit housing organizations can help raise funds for projects and focus their attention on distressed neighborhoods. Since their reputation and chances for further funding are on the line, nonprofits are likely to include on-site social services for their tenants, giving the surrounding area an improved sense of community, lowering crime rates, and effectively aiding people in positively changing their socioeconomic status.

Public housing can have the unintended consequence of pushing out people previously living in the area. If a plethora of people with low socioeconomic status is situated all in one building, it is likely the crime rates in the neighborhood will go up and the quality of the surrounding schools will go down. This problem is assuaged through mixed-income housing, whereby tenants of various socioeconomic status all live

together. These buildings are low-rises, with spacious living areas, and access to transportation, grocery stores, shops, and schools. When people of low socioeconomic status have an opportunity to interact with people of higher socioeconomic status, they are exposed to different ways of living, which allows them to change and adapt their own ways of living their life. The neighborhood spillovers of mixed-income housing show that such projects improve school quality, build community, and even raise market property values.

Influencing Factors on Public Spending on Housing

While there is a disproportionately high incidence of minorities, elderly, disabled, and people of low socioeconomic status, this thesis has shown that demographic factors do not necessarily influence public spending on housing at a metropolitan level. Rather, intergovernmental factors were shown to have a significant relationship with public spending on housing at a metropolitan level. As funding becomes available through state and federal programs, spending on public housing will increase. But if there are multiple local governments competing for funding, such as is the case with highly fragmented areas, spending on public housing will decrease. In years when HUD's budget is tight and funds are scarce, local governments can either decrease spending on housing or turn to nonprofit organizations to help address their housing needs. In the case of governmental fragmentation, it seems that local governments are likely to pass off the responsibility of providing public housing to other governments in their area. The more funding and financial support from state and local governments, and the lower the incidence of governmental fragmentation in the area, the more likely local governments will effectively and efficiently address their public housing needs.

Implications for Future Research

Future studies aimed at determining the extent of social context factors in public housing should focus on individual cities, with a focus on analyzing expenditures of general-purpose and special-purpose governments, to determine a significant relationship with public expenditures on public housing. This research found that social context factors did not have a consistent relationship with local government expenditures on public housing. Nevertheless, considering the number of reports by public housing authorities of the disproportionate representation of minorities, elderly, and disabled among public housing projects, it can be postulated that perhaps the metropolitan area is not an ideal choice of unit of analysis.

An interesting subject for further study would be to look at the effectiveness of the provision of housing by nonprofits versus general-purpose governments and special-purpose governments. Unfortunately, data on nonprofits engaged in the provision of housing as their main function were not available. Data on this topic would have to observe at least a 5-year period to judge whether qualitatively and quantitatively residents of these projects were satisfied with their housing, able to achieve their goals, and able to change their socioeconomic status positively.

Implications for Public Administration and Policy

Governments in metropolitan areas, although often fragmented, should respond and react efficiently and effectively to their population's unique housing needs. RHI, the collective of public housing authorities and general-purpose governments in Chicago, is one example of how a metropolitan area can address their population's housing needs. If public housing projects are not permanent, they need to be implemented in such a way

that their tenants are able to improve their socioeconomic status. Utilizing block grant programs like HOPE VI and MTW, a local government or public housing authority can implement experimental measures to identify the most successful programs and initiatives and take those strategies on to current and future developments.

To better the quality, quantity, and maintenance of public housing projects, it is essential for public policies and funds to enable projects dedicated to providing lifelong, and even multi-generational, residences for low-income populations. As was found in the literature review, mixed-income housing seems to be the most effective at achieving these aims and is a reliable practice for most local governments interested in either renovating or creating new public housing projects in their cities. To aid residents in regaining fiscal control over their lives, social services must be made available on premises to encourage residents in setting and achieving their educational and occupational goals. From first-hand accounts of the Chicago Housing Authority and Sisters of the Road Café, it seems the more integrated the social services at a housing project, the more successful the residents will be in improving their situations.

The provision of public housing in metropolitan areas, as revealed in this study, is not reactive to the demographics of its constituents but rather determined by the funding and incentives made available by the state and the federal government. Legislation and policy-making are major determinants in the provision of public housing as state and federal government policies take precedent. Therefore housing in the United States must become a federal and state priority to provide adequate funding to address housing issues across the country. It is vital that policy-makers understand that public housing is so much more than putting a roof over peoples' heads. Public housing gives people a safe

place to unplug from the stress of daily life, a place for their family, a place to be themselves. It is also a chance to get out of poverty and achieve one's goals and ambitions. Coupled with social services, a mixed-income setting, and funding from state and federal governments, public housing projects are an opportunity to change lives for the better.

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APPENDIX I

Timeline of U.S. Public Housing

- 1933** Creation of the Public Works Administration's Emergency Housing Corporation as part of the National Recovery Act. The program authorizes the federal government to clear slums and to construct low-income housing.
- 1934** The National Housing Act of 1934 establishes the Federal Housing Administration (FHA) to back long-term, self-amortizing mortgages and to offer federal mortgage insurance.
- 1937** Passage of the Housing Act of 1937. The Act establishes the United States Housing Authority (USHA), which offers loans and subsidies to local housing agencies for the construction of public housing projects.
- 1940** The Defense Housing and Community Facilities and Services Act (Lanham Act) authorizes the use of federal public housing funds for defense industry workers.
- 1944** The Servicemen's Readjustment Act (G.I. Bill) provides mortgage loan guarantees for home purchases by veterans as well as funds for higher education.
- 1947** Congress establishes the Housing and Home Finance Agency to consolidate and oversee most federal housing programs, including public housing.
- 1949** Passage of the Housing Act of 1949 authorizing slum clearance, funds for the FHA, and the construction of 810,000 public housing units.
- 1954** The Housing Act of 1954 sets new targets for public housing and jump starts the urban renewal program.
- 1956** The federal government commits to the expansion of public housing for the elderly with the Housing Act of 1956 and creates a pool of relocation funds for people displaced by urban renewal.
- 1959** Section 202 of the Housing Act of 1959 provides direct loans for the first time to nonprofit groups for the construction of low-income elderly housing.
- 1961** The Housing Act of 1961 authorizes the FHA to insure mortgages for privately owned low-income rental housing.
- 1965** Congress establishes the Department of Housing and Urban Development (HUD) as a cabinet-level agency.
- 1966** As part of President Johnson's Great Society, Congress creates the Model Cities program to target federal funds and programs toward local government planning efforts in distressed cities.
- 1968** Under section 235, the Housing and Urban Development Act of 1968 creates a program to spur low-income homeownership through FHA-insured private housing construction and rehabilitation. The program suffers from massive fraud, costing taxpayers billions of dollars.
- 1969** The Brooke Amendment limits the rent paid by public housing tenants to 25% of their income (later raised to 30%), necessitating an increase in federal annual subsidies to public housing authorities.
- 1970** As a predecessor to Section 8, the Housing and Urban Development Act of 1970 establishes the Experimental Housing Allowance Program to subsidize the rents of low-income tenants in privately owned buildings.
- 1973** President Nixon places a moratorium on all new conventional public housing projects except those devoted to elderly residency.
- 1974** The Housing and Community Development Act of 1974 consolidates various U.S. Department of Housing and Urban Development (HUD) funding streams into the Community Development Block Grant (CDBG) program. The Act also establishes Section 8 housing programs.
- 1976** U.S. Supreme Court issues decision in *Hills v Gautreaux*. The court ruled unanimously that HUD contributed to racial segregation in Chicago through discriminatory practices and could be held liable. A consent decree eventually led to relief payments to 25,000 people.
- 1977** After a long fight, housing activists push Congress to pass the Community Reinvestment Act, which requires banks to report their lending practices in neighborhoods where they gather deposits.
- 1983** The Housing and Urban-Rural Recovery Act introduces the Section 8 voucher program, which provides tenants with rental subsidies that are more flexible and portable than the original Section 8 certificates.
- 1986** Congress authorizes the Low Income Housing Tax Credit to spur the construction

- and rehabilitation of low-income housing.
- 1993** Congress authorizes the Urban Revitalization Demonstration Program, or HOPE VI, to provide public housing revitalization grants to local governments. The program seeks to replace high-rise public housing projects with low-rise, mixed-income housing, HOPE VI is ongoing.
- 1995** Moving To Work (MTW). Allows public housing authorities to design and test innovative, locally-designed strategies that use Federal dollars more effectively.
- 1996** Indian Housing Block Grant Program. Federally recognized tribes have access to Federal dollars for housing development, housing services, crime prevention and safety, and conducting creative approaches to solving their affordable housing problems.
- 1998** Quality Housing and Work Responsibility Act of 1998 (QHWRA) aimed to reduce concentration of poverty in public housing, support families transitioning from welfare to work, implement Section 8 homeownership program, create rewards for high performing public housing agencies.
- 2008** Housing and Economic Recovery Act of 2008, authorizes the Federal Housing Administration to guarantee up to \$300 billion in new 30-year fixed rate mortgages for subprime borrowers.
- 2009** American Recovery and Reinvestment Act of 2009, signed into law as a response to the Recession of 2008. This Act modernizes infrastructure nationwide, enhances energy independence, expands educational opportunities, preserves and improves affordable health care, provides tax relief, and protects those in greatest need
- 2015** Affirmatively Furthering Fair Housing Rule (AFFH) is a legal requirement that federal agencies and federal grantees further the purposes of the Fair Housing Act.
- 2016** Tribal HUD-VA Supportive Housing program provides rental assistance and supportive services to Native American veterans who are Homeless or At Risk of Homelessness, living on a reservation or in other Indian areas.

Sources:

American Public Housing at 75: Policy, Planning, and the Public Good Journal of the American Planning Association. 78(4).
Adapted from U.S. Department of Housing and Urban Development. Interactive Timeline.

APPENDIX II

Timeline of Chicago Housing Authority

- 1933** President Franklin Roosevelt Works Progress Administration (WPA) breaks ground on the Jane Addams Homes, Julia C. Lathrop Homes, and Trumbull Park Homes. All open in 1938.
- 1937** CHA is incorporated to build and manage housing for low-income households under the U.S. Housing Act of 1937. Elizabeth Wood is appointed the first Director of CHA.
- 1941-55** CHA builds low- and mid-rise projects across the city.
- 1956-68** More than 19,000 CHA units are built, the vast majority in high-rise elevator buildings.
- 1966** Landmark court decision *Gautreaux v. CHA*, in which a group of residents alleged that CHA engaged in racial discrimination by building public housing solely in areas with high concentrations of poor minorities. CHA is directed to build new properties only in non-African American communities.
- 1989** Richard M. Daley is elected Mayor of Chicago.
- 1992** National Commission on Severely Distressed Public Housing reports that much of the nation's public housing is all but uninhabitable, prompting Congress to enact the HOPE VI revitalization program.
- 1994** Congress invokes a viability test of old public housing to determine if rent vouchers would be more cost effective than repair. virtually all CHA high-rises fail the viability test.
- 1995** Citing general dysfunction, the US Department of Housing and Urban Development (HUD) takes control of CHA.
- 1999** Mayor Richard M. Daley formally proposes the Plan for Transformation, a complete reconsideration of public housing in Chicago, based on HUD's intent to return CHA to local control.
- 2000** CHA and HUD sign a master Moving to Work (MTW) Agreement in order to implement the Plan for Transformation. Demolition of all high-rises and relocation of CHA leaseholders begins.
- 2001** The Partnership for New Communities, formed by the John D. and Catherine T. MacArthur Foundation and The Chicago Community Trust, engage foundations, civic leaders and private sector companies in supporting the Plan for Transformation. CHA and the City launch Service Connector, a referral-based model for services to residents.
- 2002** The Regional Housing Initiative is founded and CHA becomes a member, pooling its funding with 7 other housing authorities in the Chicago metropolitan area.
- 2006** The Partnership for New Communities, CHA, and the City launch Opportunity Chicago, a workforce initiative that's goal is to help 5,000 residents secure jobs by 2010. The Plan for Transformation is extended through 2015.
- 2008** CHA and the City launch FamilyWorks, a new program model designed to improve service delivery to CHA residents. CHA extends its participation in the MTW program through FY2018.
- 2009** In December, the Plan for Transformation 10th Anniversary Symposium takes place to reflect on the successes and challenges of the previous 10 years. Outcomes of the symposium are intended to inform strategies for the future completion of the Plan.
- 2011** Rahm Emanuel is elected Mayor of Chicago; appoints Charles Woodyard as Chief Executive Officer (CEO) of CHA.
- 2012** CHA begins a new, collaborative planning process to reimagine the Plan for Transformation.

Source
Chicago Housing Authority. (2017). Plan Forward: Communities that Work.

TABLE I

Data Description and Sources

What factors influence local government spending on public housing in metropolitan areas?

Dependent Variable:

Local government spending on public housing	Direct expenditures on public housing and community development by local governments including municipalities, counties, townships, and special purpose governments including public housing authorities and planning agencies. Total expenditures are weighted to per-capita levels and transformed into the natural log. <i>Sources:</i> Census of Governments 2012.
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Intergovernmental Variables:

Metropolitan disparities	Fiscal disparities between municipalities, calculated as the coefficient of variation in per-capita municipal revenue. More formally, $coefficient = \left(\sqrt{\sum_m P_m (T_m - \bar{T})^2} \right) / \bar{T}$. In the formula, T_m is the natural log of per-capita tax revenue for a municipality m . \bar{T} is the average per-capita tax revenue of municipalities for the metropolitan area. P_m is a municipality population as a fraction of the metro-area population. Every municipality is weighted by its P_m fraction so that a municipality adds to the coefficient of variation based on its relative population. This weighting allows for comparability of coefficients of variation across metropolitan areas. A lower coefficient indicates lower disparities; a higher coefficient indicates higher disparities among municipalities in the metropolitan area. Please see Rhode and Strumpf (2003) for additional discussion regarding this coefficient. <i>Sources:</i> Census of Governments 2012.
General purpose government	Number of municipal jurisdictions in the metropolitan area, weighted to per-capita levels and transformed into the natural log. <i>Sources:</i> Census of Governments 2012.
Special-purpose government	Number of special-purpose jurisdictions in the metropolitan area, weighted to per-capita levels and transformed into the natural log. <i>Sources:</i> Census of Governments 2012.
State aid	Housing and community development grants from the state government to municipalities. The aid is weighted to per-capita levels and transformed into the natural log. <i>Sources:</i> Census of Governments 2012.
Federal aid	Housing and community development grants from the federal government to municipalities. The aid is weighted to per-capita levels and transformed into the natural log. <i>Sources:</i> Census of Governments 2012.

Social Context Variables:

Population	Municipality population, transformed into the natural log. Sources: Census of Population 2010.
Population ²	Square of the preceding variable.
Aged under 18	Fraction of the municipality population aged under 18 years. Sources: Census of Population 2010.
Aged 65 and over	Fraction of the municipality population aged 65 years and over. <i>Source:</i> Census of Population 2010.
Disability	Fractions of the metropolitan population living with a physical or mental impairment that substantially limits one or more major life activities. <i>Source:</i> Census of Population 2010
Median income	Median household income in a municipality. The income (in historical dollars) is deflated for comparability by the consumer price index of the Bureau of Labor Statistics and transformed into the natural log. <i>Sources:</i> American Community Survey 2008-2012 estimate.
Income heterogeneity	Ratio of mean to median household income in the municipality. Please see Alesina, Baqir, and Easterly (1999) for additional discussion regarding this ratio. <i>Source:</i> American Community Survey 2008-2012 estimate.
Racial heterogeneity	Probability that two residents, when randomly drawn from the municipality population, will belong to different racial groups. More formally, $probability = 1 - \sum_r R^2$. In the formula, R is the percentage of the municipality population that belongs to racial group r . This Herfindahl index incorporates information from each of the racial groups reported by the Census. Please see Jimenez (2014) for literature employing this index. <i>Sources:</i> Census of Population 2010.

TABLE II
Results

What factors influence local government spending on public housing in metropolitan areas?

Dependent Variable:		
Local government spending on public housing	426 metropolitan areas were observed	
Intergovernmental Variables:	Marginal Effect	Standard Error
Metropolitan disparities	0.235	(0.281)
General purpose governments	-0.197**	(0.0739)
Special-purpose governments	0.0445	(0.0577)
State aid	0.0902***	(0.0299)
Federal aid	0.632***	(0.0443)
Social Context Variables:	Marginal Effect	Standard Error
Population	-1.192**	(0.464)
Population ²	0.0449**	(0.0173)
Aged under 18	-2.471	(1.876)
Aged 65 and over	-1.484	(1.199)
Disability	2.495	(2.084)
Median income	0.222	(0.267)
Income heterogeneity	-0.871	(1.475)
Racial heterogeneity	0.16	(0.355)

*** Confidence level 99%, p<0.01; ** Confidence level of 95%, p<0.05* Confidence level of 90%, p<0

TABLE III

Glossary of Acronyms

AFDC	Aid to Families with Dependent Children
AMGI	Area Median Gross Income
CDBG	Community Development Block Grant
CHA	Chicago Housing Authority
CMAP	Chicago Metropolitan Agency for Planning
HCV	Housing Choice Voucher
HHFA	Housing and Home Finance Agency
HMIS	Homeless Management Information Systems
HOME	Home Investment Partnership Program
HOPE VI	Homeownership Opportunities for People Everywhere
HUD	U.S. Department of Housing and Urban Development
IDHA	Illinois Housing Development Authority
IRC	Internal Revenue Code
LIHTC	Low Income Housing Tax Credit
MTW	Move to Work
NHA	National Housing Authority
OLS	Ordinary Least Squares
PBV	Project Based Voucher
PL	Public Law
PHA	Public Housing Authority
RHI	Regional Housing Initiative
TANF	Temporary Assistance for Needy Families
URA	Urban Renewal Agency
USCA	United States Code Annotated