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By

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Professor Margaret Crawford

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Abstract

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In the 2010s, efforts to increase urban housing production to meet demand were frequently mired in controversies over questions of unaffordability. Even if new buildings were slated to include “below-market” housing, working class and residents of color were wary of this kind of development amid the specter of increased displacement. The opposition was sometimes ironic because gentrification came after decades of concerted efforts at “community control” by neighborhood-based nonprofit groups which had opposed outside government planning in their communities. Within the span of the decades between public housing’s defunding in the early 1970s and the fallout of 2008 economic crisis, the United States had developed a unique approach to the financing and local development of “affordable housing,” one which made it if not vulnerable to, then unable to address many of the effects of gentrification where they arose.

This dissertation examines politics around low-income housing through key moments in the emergence of a nonprofit affordable housing system within the larger social and economic transformations of the United States from 1968–2018. In particular, I focus on the role of housing within racial capitalism in the United States which oversees vastly different outcomes in housing wealth for Black Americans in particular. I follow a focus especially on the rising emphasis on homeownership among low-income and Black people as the answer to a radicalized “urban crisis” signaled with urban uprising in the late 1960s. I argue that this emphasis on homeownership was an ideological response, fostered by the success of New Deal homeownership politics, which had the important effect of undermining the possibilities for a socially democratic form of municipal housing. At multiple moments in the creation of an alternative to public housing, homeownership programs were heralded as the solution, even while less attention was drawn to efforts to also increase financing to the more practical nonprofit management of multi-family or rental housing. I argue the homeownership emphasis has had damning

implications for the ability of tenants to the realize political power necessary to win demands such as rent control in majority-homeowner jurisdictions.

To understand the development of a nonprofit controlled affordable housing industry, I examine two related developments in US political and economic life: the rise of community development, and the increasingly prominent role of a philanthropic sector in designing and administering social welfare programs. Both of these developments are in turn related to a need, on the part of public officials, to find or create alternative sources of funding in the wake of public austerity.

I examine the early efforts of groups like Chicago's The Woodlawn Organization, a prominent Black Power group, to contest urban renewal and create their own paradigm of community-controlled housing development. I argue that the contradictions of these efforts, which lacked capital resources, presaged larger issues with community development corporations (CDCs) as they viewed them as a more appropriate alternative to government development of inner-city housing. This dissertation contextualizes the need to create a funding source for this nonprofit system within a neoliberal political climate which turned to novel sources in the tax code and using issuance of tax credits to solve political and fiscal concerns.

Housing Capital brings housing policy into conversation with politics by utilizing the methods of scholars of social movement politics, racial capitalism, and labor history. Architectural and urban historians, by focusing on discrete places and events, can overlook the role of larger institutions, political tendencies, and ways of organizing politics. I look at the interaction of local groups and specific urban contexts with larger federal policies and national organizations, such as foundations, economists, and other policy advisors, to understand the impact of the later groups in shaping the political possibilities in local contexts. I argue that this approach is necessary to understand how certain modes of housing provision and certain market arrangements achieve dominance, and to understand their implications for community groups and tenants writ large.

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Introduction: New Deal Homeownership & Depoliticizing the Black Housing Question

Throughout the first half of the twentieth century, the production of low-cost urban housing within reach of a wide swath of the working class—and not just the poor—was an animating feature of US urban politics. Between the Great Depression and World World II an acute housing shortage plagued America's growing urban centers. Throughout this period, a number of innovations in upgrading and standardizing building technology led to a revolution in residential architecture, while a majority of Americans still lived in substandard housing, with only the wealthy classes able to benefit. Agitation by labor and tenant groups in many industrial cities, most militant during the depths of the Great Depression, forced municipal governments to take aggressive measures to curb speculation and produce public housing.[1] Responding to the failure of the marketplace to address a basic need for shelter, a wide range of leaders such as New York developer Abraham Kazan, "houser" Catherine Bauer, Chicago Housing Authority Director Elizabeth Wood, and New York City Mayor Robert Wagner saw the development of government-financed collective housing as central to realizing social democracy in urban America.

Their efforts were frequently undermined by internal disagreement, racism, urban business elites, and most especially by the conservative and increasingly anti-urban nature of federal urban housing policy.[2] Most importantly, their vision was ultimately undermined by the adoption of homeownership among large segments of the working class as homeownership came to dominant so much of local American political culture by the mid-twentieth century. Instead of following the European experience of multifamily municipal housing development, homeownership was a central feature of American racial capitalism. Government-sponsored homeownership policies addressed the housing problem facing white ethnic working families in particular, but the resulting color line

[1] Ronald Lawson and Mark Naison. *The Tenant Movement in New York City, 1904-1984.* (New Brunswick: Rutgers University Press, 1986) 95.

[2] On policy: Coming on the heels of the first public housing in the United States built by the Depression-era Public Works Administration, the broader housing programs of the Wagner-Steagall Act of 1937 were by nature meant to appease the interests of a variety of different interest groups, with a decisive compromise that federal monies would be directed to local redevelopment authorities purpose-created to implement them. Historian Gail Radford argues that in the resulting legislation, authored in part by Bauer for New York Senator Robert Wagner, demands by real estate interests and segregationist legislators around local control (and a tight cost-ceiling limit of $5,000/per unit) compromised this vision. Gail Radford, *Modern Housing for America: Policy Struggles in the New Deal Era*, (Chicago: University of Chicago Press, 1996), 82. As Joseph Heathcott points out, the varied different federal development initiatives, subsidizing both suburban decentralization (through massive highway subsidies and mortgage lending) and renewal as a remedy for urban decline, "often worked at cross-purposes" to each other. Joseph Heathcott, "The Strange Career of Public Housing: Policy, Planning, and the American Metropolis in the Twentieth Century," *Journal of the American Planning Association* 78, no. 4 (September 2012): 373.

On race: Arnold Hirsch argues that Chicago elites decisively shaped the national renewal agenda when their pioneering formula for land "write down" created under Illinois' 1947 Blighted Areas Redevelopment Act inspired the Title I approach created two years later. In his accounting, business interests in the Loop (in addition to other powerful actors like the University of Chicago) acted not solely out a desire for modernization, but as a means to blockade the encroaching Black Belt on the city's South Side. Arnold R. Hirsch, *Making the Second Ghetto: Race and Housing in Chicago 1940–1960* (Chicago: University of Chicago Press, 1998) 100–102. As in Thomas Sugrue's subsequent study of midcentury Detroit, public housing subsidies and clearance powers were wielded by the local elite to ensure segregation amid a rapidly growing sBlack population that was viewed as a threat to downtown property values. Thomas Sugrue, *The Origins of the Urban Crisis: Race and Inequality in Postwar Detroit* (Princeton: Princeton University Press, 2005), 22.

increased the dispossession of housing and wealth among Black people. Worse, urban renewal policies, in part the product of the municipal housing vision, could have the effect of limiting the number of low-income housing options, exacerbating urban shortages.[3] By the late 1960s, the failure of the "housers" to realize their vision on a large scale, and a pervasive urban crisis resulted in the near abandonment of this vision. A turn to novel forms of inner-city governance took its place. Faced with its comparative failure in relation to the suburban growth regime, the countervailing vision of urban social democracy was challenged on multiple fronts. Local leaders proved unable to stem the tide of much broader political economic forces that upset the stability of both of these traditions. On the federal level, it was all too easy to abandon a deeply flawed public housing program in favor of a series of more experimental programs. Under the New Deal, public housing was imagined as part of a suite of welfare state policies to remake the American city, a vision never realized on a large scale and mired in contradictions in local implementation. Perhaps most importantly, "housers" never achieved what some—such as Bauer, who helped to author public housing legislation—argued was necessary to achieve social housing: the organization of the working class demanding its implementation.[4]

This dissertation charts a genealogy of the transformation of politics around low-income housing which undergirds many of the growing contradictions of urban inequality since the 1960s. By the close of that decade it appeared the municipal housing vision was essentially irrelevant for addressing the plight of urban residents, especially for a Black working class that bore the brunt of the fallout from segregated housing markets and faced brutal urban renewal campaigns. In a vacuum of welfare-oriented housing policy, alternative political visions for urban housing emerged which, unlike those of the "housers," lacked a cohesive ideology and did not foreground a need for the political organization of urban residents. One such vision, "community control," was formulated amid urban uprisings in Black communities as a way to undertake urban renewal under new terms. Like associated Black Power politics, this "movement" should today be understood as politically ambiguous and contested. By some readings, 1960s community organizing failed to grapple with problems of establishing institutional power and eschewed long-term organization building. Scholars such as Brian Goldstein, Preston Smith, and Cedric Johnson point to a more complicated politics (internal to local urban politics) in the ascendance of urban Black governance, where class tensions within the community predated and were exacerbated by neoliberalism.[5] Smith and Johnson point to a growing divide between the interests of the Black elite—increasingly involved

[3] Roger Biles argues that with the 1949 creation of Title I and III programs, which broadened local redevelopment powers, and the 1954 creation of the Urban Renewal Administration, the reformers' vision for housing largely lost out other center city redevelopment interests. Between 1949 and 1968, for instance, Title I razed 425,000 units of housing, building only 125,000 in replacements. Roger Biles in *From Tenements to the Taylor Homes: In Search of an Urban Housing Policy in Twentieth Century America*, eds. John F. Bauman, Roger Biles, and Kristin Szylvian (University Park, PA: Penn State University Press, 2000), 195.

[4] See for instance Catherine Bauer, "Housing: Paper Plans, or a Workers' Movement" in *America Can't Have Housing*, ed. Carol Aronovici (MoMA exhibition catalog, 1934) https://assets.moma.org/documents/moma_catalogue_2071_300061874.pdf. See also Catherine Bauer, "The Dreary Deadlock of Public Housing," *Architectural Forum*, May 1957, 140–144.

[5] Goldstein sees a generational evolution of the community-control vision from Black Power separatism toward "the cultivation of a mixed-income population and integration into an economic 'mainstream.'" Brian Goldstein, *The Roots of Urban Renaissance: Gentrification and the Struggle over Harlem* (Cambridge, MA: Harvard University Press, 2017), 8.

especially in local governance and real estate—and those of a larger "urban underclass."[6] This dissertation contributes to these studies by examining the changing role of housing production during the era, with the continued failure of working-class Black residents to achieve stable homeownership and the development of nonprofit-managed affordable housing programs. Unlike urban historians who have analyzed these changes through case studies of single neighborhoods or cities, I argue it is important to contextualize the emergence of urban Black governance within larger changes to federal urban policy. If, during the post-Depression era, homeownership policies were responsible for dividing the working class often along racial lines, I suggest that the policies pursued in the wake of the 1960s urban crisis led to a similar point of division between new Black homeowners and what social scientists took to calling "the truly disadvantaged."[7]

Scholars such as Robert Self argue that as a Black establishment came to power in cities from Washington to Oakland, they frequently encountered a lack of resources, especially amid increased public austerity, with which to govern.[8] To help understand this, I focus on other new actors which replaced the earlier urban renewal political regime, and their strategies for addressing urban inequality. A large part of the changed tone of activism around housing inequality was the changing coalitions involved in urban governance, with a diminished role of government officials in directly creating and administering housing and other programs. I examine the role of large philanthropic organizations, such as the Ford Foundation, and the new role of finance experts who advised both nonprofit and government spheres as they relied on market mechanisms to fill the gaps left by diminished government resources. The use of private-capital markets to pick up where public housing programs left off necessitated this shift in expertise. I focus on the transformation of low-income housing after homeownership was liberalized and made to be the aspirational standard even and especially for low-income groups. For policy advisors and philanthropy groups increasingly interested in shaping social policy, the experience of the suburbanization of white, working-class groups gave them two lessons. One, brought to bear in the Ford Foundation's Gray Areas program and President Johnson's War on Poverty, was related to the need to incorporate Black groups into the successful political economy following the example of other ethnic groups. The other was the importance of the success of the *financing system* for private housing, and the need for it to be recreated for urban low-income housing markets. As I show, for civil rights activists and federal policymakers alike, this imperative was related to problems with public housing programs but predated the 1970s rollback of federal housing programs.

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[6] Preston Smith, "How New Is New Urban Renewal? Class, Redevelopment and Black Politics," *Non-site*, September 9, 2019, https://nonsite.org/article/how-new-is-new-urban-renewal-class-redevelopment-and-black-politics; Cedric Johnson, "The Panthers Can't Save Us Now," *Catalyst* 1, no. 1 (Spring 2017), https://catalyst-journal.com/vol1/no1/panthers-cant-save-us-cedric-johnson.

[7] A large part of the debate over the "new urban underclass" was over the role of structural racism versus class segregation as caused by deindustrialization. As Massey and Denton argued, the later theory underplays residential segregation and cannot explain the persistence of racial segregation among all income groups of Black Americans. Wilson, William Julius. *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy* (Chicago: University of Chicago Press, 2012), 45; Douglas Massey and Nancy A. Denton. *American Apartheid: Segregation and the Making of the Underclass*. Cambridge, MA: Harvard University Press, 1993, 11.

[8] Self argues that Black Power's political ascendance in cities such as Oakland came at the very moment of a political effort, through anti-tax ballot measures, to limit the power of urban governments to fund what was seen as profligate welfare spending. Robert Self, *American Babylon: Race and the Struggle for Postwar Oakland* (Princeton, NJ: Princeton University Press, 2003) 314.

These insights are important for understanding the ideological and policy framework which gave birth to what Keeanga-Yamahtta Taylor calls the "predatory inclusion" of Black Americans in mortgage financing, but also for understanding the need to create new funding mechanisms for creating the private capital necessary to replace public housing.[9] Meanwhile, the question of how and under what terms a new generation of community development corporations (CDCs) would finance local services and housing production was largely determined at the federal level and through the guidance of specialists informing federal legislation. It is incomplete, I argue, to evaluate the terms of "community control" and the "emerging community development sector" without understanding the role these institutions play in shaping the broader political project of affordable housing. It is especially important to analyze the sources of capital, which is so influential in determining the trajectory of these more local projects. Rather than an exhaustive examination of the many new policies which replaced the extremely beleaguered public housing program, this dissertation contextualizes many key developments within the broader changes in the welfare state and urban governance in the neoliberal period. As scholars who examined the changing nature of governance have shown, the welfare state was replaced with much more decentralized and heterogeneous planning, at the level of both policy, and in terms of design.[10]

Scholars tend to rely on characterizing the 1970s onward as a shift from a welfare state to neoliberalism, and in housing policy see Nixon's defunding of public housing in favor of vouchers as representative of such a break.[11] Against this characterization, which sometimes presumes an ideological coherence which never existed, I focus on the contradictions in postwar urban liberalism that social scientists and figures in real estate and policy tried to resolve through market-based mechanisms beginning in the 1950s. In place of a coherent ideology, I understand how conflicts of political economy and a decline of a democratic social sphere both led to new techniques of governing and debt creation. With the vacuum left by the defeat of the "housers," who included progressive-economist-turned-administrator Edith Wood, less "ideological" policy figures trained in mainstream economics came on the scene. Beginning with the Kennedy administration, economists and finance experts took on a more prominent role in public policymaking, seemingly supplanting the role New Deal activist had taken not even a generation earlier. Nowhere was this new expertise more clear than in urban housing finance, where early ideas about the inefficiencies of urban housing finance (from the 1950s) were later employed as the need to address racial housing disparities in the late 1960s, this time through liberalizing low-income housing finance. This dissertation charts some of the changing expertise and coalition that privileged professionalized nonprofits and market-based initiatives involved in housing policy from 1960s–2000s. A reliance on technical

[9] Keeanga-Yamahtta Taylor, *Race for Profit: How Banks and the Real Estate Industry Undermined Black Homeownership* (Chapel Hill: University of North Carolina Press, 2019), 254.

[10] David J. Erickson, *The Housing Policy Revolution: Networks and Neighborhoods* (Washington, DC: Urban Institute Press, 2009), 13.

[11] Jason Hackworth's discussion of neoliberalism's acute impact, as an ideology, on public housing's devolution from the 1970s onwards could be said to be representative. He overlooks the local variation and financial innovation of pre-1972 local public housing programs as noted in this work, when he declares, "Gone are the days of the federal government providing direct subsidies to house only the most acutely poor; here, apparently are the days of a complicated local variability in the quantity, quality and access to "public" housing." Jason Hackworth, *The Neoliberal City* (Ithaca, NY: Cornell University Press, 2006), 60.

program-making, I suggest, has sometimes supplanted the need for, and perhaps inhibited the development of, an organized political base to advance address housing justice or tenant rights on a more thorough basis.

This introduction next presents an overview of the two conflicting realms of postwar liberalism, homeownership versus urban social democracy, setting up an important context for the transformation of affordable postwar housing policy and politics. Following many others, I argue the New Deal political economic framework created the potential for both economic growth and gains for the working and middle class in the workplace. In the context of urban social democracy, this possibility was extended to tenant organizing and tenant-centered affordable housing production. The campaign of "housers" was one successful, and exceptional, instance where urban renewal was decisively shaped by organized pressure, such as local labor, in favor of social democracy. These possibilities were, of course, undermined by contradictions of racial capitalism and a rapid change in the United States' overall political economy from the 1960s onward. Under the postwar housing policy infrastructure detailed below, profit was predicated on the creation of a proper racial subject, the white owner, and deprivation of the Black renter. This ideology was reformed during the civil rights era, but in a way which only heightened the degree to which the homeowner as a political subject was defined by its inverse: the renter who lacked formal political rights on any similar scale. That Black Americans were now incentivized to own homes, through "predatory inclusion," helped obscure that the majority of Black residents are in fact renters and without the security of homeownership.

Meanwhile, CDCs, previously associated with Black Power movements, evolved as part of a broader system which increasingly favored more professionalized housing providers who eschew politicization. After the historiographic review, I comment on my methodological procedures, especially in my charting of the transformation of racial capitalism as it related to housing in the wake of the civil rights movement, and I plot a roadmap for the rest of the dissertation. In addition to charting the emergence of community development corporations, I focus on the policymakers who were involved in the creation of the nonprofit sector which today dominates many aspects of urban governance in the absence of state spending. Some of these include liberal political appointees as well as civic-minded leaders and experts from the world of finance and real estate.

New Deal Housing Policy & the Potential for Urban Social Democracy

Housing policies born out of the New Deal reflect the regime's nature as a conflicted and somewhat contradictory framework that bridged pro-development regulation and smaller, beleaguered welfare programs. The New Deal set in place a regime of accumulation that stabilized the United States on an upward economic trajectory, enabling middle-class growth and, at least in theory, bolstering the state's ability to administer a patchwork of welfare programs. This drive for sustained economic growth especially cemented the power of the private sector even as it was forced, in response to labor militancy and government, to grant limited concessions to the working class. This militancy had won permanent and crucial protections, especially in the realm of labor law.[12] Still, the limitations of the American welfare state reflected, especially compared to European social democracies, the persistent weakness of the left in the United States. As Mike Davis writes, the "signal absence of working-class organization and consciousness comparable in scope to that represented in every other capitalist country by the prevalence of laborist, social-democratic or Communist parties is the specter that has long haunted American Marxism."[13] In both workplace and housing politics, racism, coupled with a turn away from social democracy potential amid corporate consolidation and anticommunism, were crucial in dividing the working class on a broad level. The overall impact, of course, was that the white working class was divided both internally and from the Black working class, and had no connection to municipal politics beyond what many describe as the inherent localism of suburbia.[14] These divisions, in large part, help explain why Peter Marcuse came to the conclusion that, in the United States, "no organization focused on housing issues ever achieved broad mass membership, support, or independent power."[15]

The US housing system is unique among developed nations in relying on extensive government involvement, in the forms of subsidies and government financing institutions, to stimulate what is now a middling level of homeownership.[16] Gail Radford argues that New Deal legislation created a "two tiered" housing market, funneling generous "indirect" subsidies to middle- and upper-class homeowners through Federal Housing Administration (FHA)-insured mortgage markets, while direct subsidies to public housing were publicly contested and never attained the level of funding policymakers hoped for.[17] This system was the product of warring proposals created in the New Deal to determine whether the United States would be a nation of landed homeowners or citizens housed in communal developments inspired by the municipal "social housing" projects erected in Europe. In the depths of the Great Depression, leaders from across the social and political spectrum in the United States acknowledged that circumstances called for decisive government intervention in housing. Few Americans lived in housing with internal plumbing or electricity, and the growth of the working class in industrial cities created a huge shortage of available units. Most of the recent technical improvements were found only in suburban houses that were prohibitively expensive, increasingly financed through unregulated lending that helped

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[12] Keith Brower Brown, Jeremy Gong, Matt Huber, and Jamie Munro, "A Real Green New Deal Means Class Struggle," *Jacobin*, March 21, 2019, https://www.jacobinmag.com/2019/03/green-new-deal-class-struggle-organizing.

[13] Davis argues that the failure to organize a viable left electoral front was related to the division between the relatively small scope of the labor movement in relation to the disorganized masses of working-class tenants. Mike Davis, *Prisoners of the American Dream: Politics and Economy in the History of the US Working Class* (New York: Verso Books, 2018), 1–2.

[14] On localism and housing as dividing along racial rather than class lines, see Becky M. Nicolaides, *My Blue Heaven: Life and Politics in the Working-Class Suburbs of Los Angeles,1920–1965* (Chicago: University of Chicago Press, 2002), 5–6.

[15] Peter Marcuse, "Housing Movements in the USA," *Housing, Theory and Society* 16, no. 2 (July 1999): 81.

[16] A 2011 study by the IMF noted that the US government has the highest rate of "participation" in housing finance of many industrialized governments save one, Singapore. Their metric "combines information on subsidies to home purchases, government funding or guarantees for mortgage loans, preferential tax treatment for mortgage interest or capital gains on housing, and the existence of a dominant state-owned mortgage lender. Charting the IMF's findings reveals the paradox of the United States' middling rate of homeownership: that although the main goal of so much of government "participation" is ownership, a huge percentage of the US population rents. John Y. Campbell, "Mortgage Market Design" (working paper, National Bureau of Economic Research, 2012), http://www.nber.org/papers/w18339.

[17] Radford, 2.

lead to the 1929 market crash.[18]

It was in this context that two different proposals, both utopian in different respects, were floated. One, modeled after the massive government rebuilding campaigns in many cities of Europe, called for the government to issue low-cost loans to nonprofit, cooperative, and local public housing agencies for the purpose of creating modern apartment housing. The other sought to create a totally new kind of mortgage lending system, with federal insurance underwriting it, so as to expand the previously unreliable and marginal lending practice to a broad swath of Americans. Both of these proposals called for massive government intervention into housing and a large government subsidy, even if indirect. Both courted a broad swath of the working class suffering from substandard housing conditions and underemployment. The ability to muster support from this class—as well as powerful construction and banking industries—would prove crucial in determining which proposal succeeded.

The victor was the mortgage solution, which had the backing of the "community builders" who made suburban homebuilding into one of the most profitable industries over the course of the 1920s. It also had the support of the banking and business communities whose ranks would populate FDR's Federal Housing Administration. Following this close alliance, government officials worked to remake the volatile mortgage market, prone to speculative over-investment, a more functional part of social policy. Over the next two decades, the FHA decisively beat out the public housing option, which was undertaken by the severely underfunded Public Works Administration, as its mortgage underwriting created ten times as much housing.[19] This in turn only increased the power of real estate, which was then a significant, if not yet dominant, force in urban growth coalitions. The asymmetry of real estate's power over liberal political establishments in industrial cities, not to speak of a Congress dominated by suburban and rural interests—has only grown more remarkable, and in large part through the success of the New Deal's mortgage solution as it rippled into the ensuing decades.

The Great Depression was exacerbated by speculative lending that led to a massive foreclosure crisis. While many hoped to replace the private market with social housing, the creation of the mortgage solution replaced an unregulated system with excessive regulation and institutional support designed to ensure and protect middle-class growth. A series of interlocking government actions constituted every step of the creation of the mortgage solution. Until the New Deal, suburban homes were considered prohibitively expensive to all but the upper classes. Banks offered limited financing, demanding large down payments and extracting high interest rates from loans they demanded be paid off in a matter of a couple years. The debt structure was unsustainable for both lenders and borrowers, and when the bubble burst it led to a drastic halt to all home construction. How did officials remake lending to restart development? On the demand side, the government created and marketed the thirty-year low interest rate amortization scheme,

[18] During the early 1900s "bungalow craze," homebuyers trended away from Victorian ideals and bought smaller houses in order to pay for technological improvements and fashionable home design (disseminated through pattern books, for example), on a mass scale. Gwendolyn Wright, *Building the Dream: A Social History of Housing in America* (New York: Pantheon, 1981), 166. For critiques of the failure of the market in the 1920s, see Radford, 55.

[19] Louis Hyman, *Debtor Nation: The History of America in Red Ink* (Princeton, NJ: Princeton University Press, 2011), 71.

ensuring that—for the first time ever—a large number of people could buy homes. To do this, the FHA launched a national campaign to promote the virtues of homeownership. On the supply side, appraisers codified and disseminated housing standards, as well as lending standards and protocols, and the FHA set up the insurance system and took great pains to ensure bankers, previously averse to consumer lending, that they would not lose money. Most crucially, government officials worked to set up a national secondary marketplace (the concept for which lives on in Fannie Mae and Freddie Mac) where financiers could buy up mortgages packaged en masse, therefore creating the liquidity to ensure banks nationwide had the necessary capital to underwrite mortgages at any given time to meet consumer demand.[20] In sum, the government took all the steps—and there were a great many, involving a number of new instruments and institutions—to create a new "marketplace" to finance mass homeownership.

The "homeownership complex" had the effect of brutally dividing the urban working classes, especially along the lines of anti-Black racism among white workers, helping shape political identity along the lines of racial identity.[21] This was in part because homeownership helped produce an upwardly mobile middle class mostly comprised of ethnic whites. One of the consequences of the unique public–private hybrid that emerged is that it obscured the role of government programs in constituting, at every step of the way, what was thought of as a "free market" for housing. As David Freund shows, the FHA undertook a concerted and deliberate press campaign meant to convince business leaders and the American public that the agency's role was merely to aid the private homebuilding industries and the private sector generally.[22] Perhaps the biggest consequence of the public–private partnership is that government regulators readily adapted, endorsed, and promulgated the standards that developers determined necessary: most notably racial segregation. While some (but by no means all) public housing officials struggled to develop integrated projects, government regulators at the public Homeowners Loan Corporation created the maps, based on existing real estate appraisal practices, that legally enshrined the segregation that had become the industry standard (redlining). They endorsed private lenders' views of who was worthy of owning property. Fruend demonstrates this led Americans to believe that unequal housing conditions reflected the natural outcome of naturally occurring markets that rewarded those with the ability to properly oversee property while denying it to those who could not. Thus, homeownership policies had the effect of creating a kind of welfare program for the white working classes, while consigning Black people and other groups to unregulated rental markets that often became sites of speculative profit.

Working class advocates spent decades leading up to the New Deal on their own

[20] "Depression era foreclosure was as much a result of consumer poverty as it was the lack of bond financing available to issue mortgages and therefore refinance short term mortgage." By 1933 the mortgage market was effectively dead. Hyman, 48.

[21] Davis argues that starting in 1890, industrial cities such as Chicago, Detroit, and Pittsburgh developed a "tripartite spatial division" between newer, outer suburbs (middle class), older suburbs (largely single family, within the city limits), and an inner-city tenement core. Unlike the dual nature of European cities, "expanding ethnic differentiation" was mapped on this spatial patterning. Davis, 44–45.

David Freund argues that over the course of the subsequent period from 1920–60, the deciding factor in Detroit's racial segregation was not urban form (he points to the persistence of prewar plats or suburban lot forms similar to "Old Detroit" into new midcentury suburban developments) but rather whites' perceptions of race and their identities as homeowners. David Freund, *Colored Property: State Policy and White Racial Politics in Suburban America* (Chicago: University of Chicago Press, 2007), 29, 89.

[22] Freund, 22.

solution to the housing crisis, largely through political agitation against the morbid failure of the status quo. One example is found in Catherine Bauer, most remembered for her largely failed campaign to bring European-style, modernist social housing to the United States. After years circulating in elite circles such as with Lewis Mumford and the Regional Plan Association (RPA), Bauer eschewed these professional circles in favor of working with groups that built market alternatives at sizable scale; these groups were part of the labor movement. Bauer came to understand that "technicians" such as herself, had to work directly with the "ultimate beneficiaries," rather than waste energy on "the morass of social workers, liberals, municipal politicians, saviors of real estate and philanthropic bank presidents."[23] Bauer's position reflected her acknowledgment that though these aforementioned groups increasingly agreed on the need for a structural solution, only organized labor could present the demand sufficient to break a decades-long stalemate, as she saw in the example of municipal-worker movements in Europe. As executive secretary of the American Federation of Labor's Labor Housing Conference, she joined the milieu of activists who had worked with unions to build demonstration projects and lobby for national political solutions to finance further worker-controlled housing.

These efforts did result in the creation of public housing, a means-tested and paternalistic program which, through no small efforts of its capitalist opponents, never matured into a mass program as did the FHA solution. Recent work on the flaws of public housing policy in the United States have focused on the program's underfunding and highlighted the importance of management—and especially financial acumen—in the success of housing models. Gail Radford's study of how Catherine Bauer's ideals translated into public housing legislation illuminates some of the option's basic flaws, focusing on overall inadequate program funding. The 1937 legislation, authored in part by Bauer for New Dealer Senator Robert Wagner of New York, was compromised in acceding to demands by real estate interests and segregationist legislators around local control (and a tight cost-ceiling of $5,000 per unit). Historian D. Bradford Hunt, meanwhile, emphasizes divisions within progressive housing circles—between Bauer's expansive vision and the more limited vision of slum clearance emphasized by Elizabeth Wood and others—arguing these did more to undermine the funding and trajectory of public housing creation than private interests or racist intent ever did. This debate over who urban renewal legislation was for—and differing visions among reformers and businessmen interested in clearing valuable land—reappears again and again in the literature. Hunt and Bloom point out that this question was centrally related to public agencies' success, which was determined by management prowess given constrained circumstances.[24] New York City Housing Authority, NYCHA, succeeded in this respect where others did not, by restricting tenancy to only the most creditworthy of the working poor, highlighting the importance of financial management given limited resources.

[23] Quoted in Peter Oberlander and Eva M. Newbrun, *Houser: The Life and Work of Catherine Bauer* (Vancouver: UBC Press, 2011), 104.
[24] Hunt also argues that given the liberal intentions of renewal administrators, "neglect is more systemic than racist in origin." D. Bradford Hunt, *Blueprint for Disaster: The Unraveling of Chicago Public Housing* (Chicago: University of Chicago Press, 2009), 13.
See also Nicholas Dagen Bloom and Matthew Gordon Lasner. *Affordable Housing in New York: The People, Places, and Policies That Transformed a City* (Princeton, NJ: Princeton University Press, 2016).

Despite the disagreements over why the program was flawed, the outcome was that public housing's funds were spent overwhelmingly on the poor and did not reach the much broader mass of working and middle classes Bauer envisioned. The narrative of the program's limited success has more recently been tweaked to emphasize that one of the key reasons for the boom of the private market was the public–private creation of a highly capitalized mortgage market. As Radford demonstrates, what emerged as a result of the government's dual approaches was a highly unequal two-tiered marketplace for mass housing, composed of underfunded government housing for the poor, and FHA mortgage lending for those many working class families poised to ascend into the middle class.

The history of public housing's failed implementation is by no means monolithic. Instead New York's singular success in affordable housing production vindicates the importance of the labor movement to fulfill the promise of social democracy and the welfare state.[25] This success came about through the mixed production of a sizable amount of public housing, subsidized private housing with strict rent controls, and the only large-scale cooperative ownership development program in the history of the United States. In the quarter century after World War II, 30 percent of the nearly eight hundred thousand new units built in the city were subsidized or public housing (and a much larger number remained under rent controls), an amount which begins to rival similar campaigns in social democracies in scale.[26] Labor historian Joshua Freeman, among others, has argued that New York City frequently operated more closely to a social democracy because of the density of unionization and connections of working class institutions (frequently arranged around white ethnic affinities) to electoral politics. A project like Stuyvesant Town demonstrates that the midcentury middle-class housing impulse for a typology centered around the white, nuclear family was here incorporated into apartment living.[27] Racing furiously against the threat of suburbanization, city elites worked proactively and aggressively with developers—as they did elsewhere, such as in cities like Chicago—to encourage middle-class apartment development. By the mid-1960s city leaders realized their most successful means to do so was through subsidy programs. The most successful of these, the Michell-Lama program, has recently been praised by contemporary scholars as a forerunner of elements of contemporary public–private development financing.[28]

This approach was important because it united diverse social and political interests across the city's body politic. Many market-rate developers, such as Fred Trump, Donald Trump's father, made use of the program, but so did labor groups.[29] Abraham Kazan stood at the helm of a several decades-long initiative of labor unions to build demonstration projects, and later, projects of a substantial size. North America's largest subsidized housing project, Co-op City in the Bronx, was financed as a joint venture

[25] Davis argues that the strength of local working-class institutions held the best potential for overcoming ethnic divisions that undermined social democracy and allowed for regional exceptionalism along the lines I am arguing for here. Davis, 42.
[26] Joshua B. Freeman, *Working-Class New York Life and Labor Since World War II* (New York: New Press, 2001), 124.
[27] Samuel Zipp, *Manhattan Projects: The Rise and Fall of Urban Renewal in Cold War New York* (Oxford: Oxford University Press, 2010), 79.
[28] Adam Tanaka, "Why Co-op City Confounds Stereotypes About Big Housing Projects," *CityLab*, January 3, 2019, https://www.bloomberg.com/news/articles/2019-01-03/how-co-op-city-s-affordable-housing-in-nyc-has-survived.
[29] Samuel Stein, *Capital City: Gentrification and the Real Estate State* (London: Verso, 2019), 129.

between the state—using Mitchell-Lama to reduce the complex's mortgage financing to 1 percent interest—and the United Housing Foundation, Kazan's foundation set up by the garment workers represented by Amalgamated Clothing Workers of America. Known for its support for progressive causes, the Amalgamated had many decades of experience backing subsidized housing development in the city. Robert Moses is today frequently invoked as a stand-in for the failure of top-down government planning, but even he, while critical of organized labor (and a devout anti-communist), worked with Kazan and understood the power of the labor coalition in galvanizing support for mixed-income housing. He was too pragmatic to not work with them.[30]

As detailed in Chapter 3, New York's embrace of the alternative to single-family homeownership was the product of and helped reinforce a unique political culture. Urban social democracy was, however, supported by a fragile coalition, and showed signs of wear by the mid 1960s. Liberal republican John Lindsay's election as mayor highlights many of the contradictions which the city could not sustain, as he had more in common with the city's increasingly influential professional middle classes, not working-class labor.[31] His administration was beset with a turbulent series of managerial crises and most especially urban unrest in the city's predominantly minority neighborhoods, as decades-long underinvestment came to a head. New York serves as the best example of the relatively small sphere of influence that the labor movement and leftists were able to carve out in service of social democracy, following the vision of Bauer and other "housers." As in most cities, New York's urban renewal program had an abysmal record on race. The development regime (especially under Moses's large clearance projects) razed neighborhoods predominantly occupied by Black people, displacing low-income people and replacing them with disproportionately white, middle-class tenants. In this sense, New York was not atypical, as the city's elite made concerted efforts to use urban renewal to retain white, middle-class residents, who were fleeing other cities en masse.[32]

A focus on the two competing government housing solutions obscures the broader development of an organized real estate industry which by the 1960s was highly functional on a scale beyond the ambitions of the FHA housing program. Government programs seeking investment were characterized by Keynesian ideas of "market multipliers" created through a combination of public and private spending. And both solutions worked within an environment characterized by laissez-faire economics where the state infrastructure to realize their ambitious agendas did not exist. An irony of the FHA experiment is that it required much more institution-building than economists initially realized: at several turns the market had to be "induced," or rather created, through increasing government intervention into the national banking system. What exactly made the market for middle-class suburban housing function where the low-income market did not? Marc Weiss's study of the establishment of suburban

[30] Freeman, 124.

[31] Daniel Rogers, "Management versus Bureaucracy," in *Summer in the City: John Lindsay, New York, and the American Dream*, ed. Joseph Viteritti, (Baltimore: Johns Hopkins University Press, 2014), 107–108.

[32] Robert Caro, *The Power Broker* (New York: Vintage, 1974), 837–850. Martha Biondi, in *Robert Moses and the Modern City*, eds. Hilary Ballon and Kenneth Jackson, (New York: W.W. Norton, 2008), 117–120. Marta Gutman pushes back against a totalizing narrative of Moses by contextualizing his civic works, such as pools, within a larger emphasis in New Deal public works on integrating civic spaces into the urban fabric, a tendency reflective of the Progressive-era ethos of urban reform; Marta Gutman, in Ballon and Jackson, 83.

development practices, demonstrates that the industry worked to create government regulations (such as zoning) and standard business practices that were geared toward mitigating investment risk. He argues that the expansion of mortgage-lending practices in the 1920s was instrumental in developers' success: "The single most important change in urban property development after 1900 was in the area of real estate finance."[33] By the 1920s the cost of supplies and labor had made homes too expensive for most (leading many developers into apartment-house production) and revamped mortgage financing was crucial in expanding access to homeownership. Banking liberalization in that period allowed commercial banks to underwrite mortgages, a change that helped compel a flood of investment undergirding the 1920s real estate boom. As part of a large-scale community building industry, the Federal Housing Administration's mortgage system was so successful because it focused on developing industry standards. The FHA assembled the elements—from the standardization of design specifications and construction to uniform lending practices backed by government insurance—necessary for single-family housing development to function as a true national marketplace that investors and consumers alike could gain mutual wealth creation through.

Moreover, development of affordable suburban housing on a mass scale was enabled by the creation of a highly functional financing marketplace. Specifically, the creation of secondary markets allowed housing debt to function as something akin to a commodity, creating the necessary liquidity to fuel a national homebuilding spree. The Public Works Administration reliance on direct government expenditure, as Radford found, was, by comparison, a public-policy albatross. Even where legislation spelled out ambitious numbers for the public housing pipeline, a conflicted Congress was often lobbied by real estate interests to limit the funding for it in appropriation. While the PWA created twenty-five thousand units through its efforts, the FHA underwrote ten times that amount. "Only the FHA charted a course in concert with capital," Louis Hyman writes, "thus taking advantage of tremendous productive abilities, but in doing so limited the scope of its programs to what business believed was important."[34]

This did not mean that urban centers did not see any private-market housing investment—quite the opposite was true. Urban renewal programs had mutated over the 1950s to function as hybridized public–private redevelopment schemes. By the 1960s, federal monies created under urban renewal programs had multiplied several times over with the help of private investment, and these funds undergirded a massive municipal bond-writing spree.[35] Commentators on urban renewal have readily recognized the co-opting of programs to the ends of the business community; what is less frequently acknowledged is that through these programs, cities regularly took out huge amounts of debt on municipal bond markets. Importantly, redevelopment agencies learned to use federal housing subsidies as a down payment on urban redevelopment, quickly retiring restricted government loans in favor of bank-funded municipal bonds that were available

[33] Marc A. Weiss, *The Rise of the Community Builders: The American Real Estate Industry and Urban Land Planning* (New York: Columbia University Press, 1987), 31.
[34] Hyman, 46.
[35] Cities increasingly turned to low-interest municipal bonds to deal with declining tax bases. Jon C. Teaford, *The Rough Road to Renaissance: Urban Revitalization in America, 1940–1985* (Baltimore: Johns Hopkins University Press, 1990), 68–72.

in larger sums and with greater flexibility than direct expenditures from federal programs.[36] But if urban renewal programs undergirding this borrowing bonanza had their basis in slum reform, it is clear that they became an entirely different beast, one which produced little affordable housing. Between 1949 and 1968, for instance, developments created by the Title I program razed 425,000 units of housing, building only 125,000 in replacements.[37] The trend of urban renewal policies (at least until the mid 1960s) was to decrease the stock of low-income housing. Scholars have recently contextualized this insight understanding the "landlord power" that local elites cultivated as a means to use federal policy—such as killing renewal projects that would increase public housing supply—to strengthen their exploitative power over highly profitable and segregated rental markets.[38]

A focus on discrete building typologies, public versus private development, and urban versus suburban development has obscured many of the common processes that shaped the success of housing models during this period. For instance, many critics who fault public housing on the basis of design ignore that middle-income multifamily apartment buildings (often financed through urban renewal, and later, FHA funding) were successful despite their using the same designs and having the same financing constraints. This is clear in Lasner's study of the FHA's successful building of multifamily apartment buildings, an example previously invisible to scholarship because it did not fit in the binary of public urban density versus private single-family suburban housing. "Paying more attention to processes of production," Lasner argues, "including financing; the multiple, often conflicting, effects of housing policy; and the role of professional values," allows a deeper understanding of the actually existing built environment.[39] Moreover, attention to management and to how developers and architects iterated different development models helps us move beyond oversimplified distinctions among building paradigms. Sara Stevens calls for researchers to attend to how architects and developers operate to refine models that work in the market and that serve as the basis for repeatable development types.[40]

By the mid 1960s government housing programs had shown modest growth but were now dwarfed by new flows of private investment into urban real estate. Stevens suggests that this was in part enabled by real estate expertise, as the industry brought its innovations in commodifying suburban land to the central city. New institutional investors, such as life insurance companies, provided the liquidity and capacity for financing long-term that was well matched to financing large projects. Both liberal and

[36] Martin Anderson details how, over the course of the 1950s, as urban renewal projects accelerated, the main source of financing shifted from government loans to government-secured private loans issued by banks. As a conservative critic of renewal, Anderson was opposed to the use of government debt at below-market interest rates, but does not question the role of private institutions in helping create the debt. Martin Anderson, *The Federal Bulldozer: A Critical Analysis of Urban Renewal, 1942-1962* (New York: MIT Press, 1964), 27.

[37] Roger Biles, "Public Housing and the Postwar Urban Renaissance," in *From Tenements to the Taylor Homes: In Search of an Urban Housing Policy in Twentieth Century America*, eds. John F. Bauman, Roger Biles, and Kristin Szylvian (University Park, PA: Penn State University Press, 2000), 195.

[38] N. D. B. Connolly, *A World More Concrete: Real Estate and the Remaking of Jim Crow South Florida* (Chicago: University of Chicago Press, 2014), 8.

[39] Matthew Gordon Lasner, "Architect as Developer and the Postwar US Apartment, 1945–1960," *Buildings & Landscapes: Journal of the Vernacular Architecture Forum* 21, (2014): 27.

[40] Sara Stevens, *Developing Expertise: Real Estate and Architecture in Metropolitan America* (New Haven, CT: Yale University Press, 2016), 103.

conservative critics alike promoted the narrative that the complex of urban renewal policies transforming cities was emblematic of the failures of state planning and inefficient subsidy allocation. These characterizations ignore that by the 1960s, as one economist and policymaker points out, government money was increasingly only "lurking in the background" of a much larger investment market. Louis Winnick, then the chief of research at the New York City Housing and Redevelopment Board and future Ford Foundation official argued that, "unlike" the mortgage markets, investment was increasingly not tied to government inducement. "The revolution in the mortgage market, traceable to the advent of FHA in the mid-thirties, has been succeeded in the last ten years and particularly the last five by a revolution in the sources, uses, and terms of equity money," this time in cities rather than suburban developments. The boom in urban investment should be understood as part of an "extraordinary upheaval" of how investors thought of the viability of urban real estate.[41] Renewed investment suggests that urban real estate was, by the early 1960s, already becoming an important aspect of the local economy, presaging the greater role it would take on amid deindustrialization. Winnick, trained as a real estate economist, was part of a new era of public officials who found a ready home in the John Lindsay mayoralty, arguing for the professionalization of city governance and new alliances with the burgeoning FIRE industries (finance, insurance, and real estate), while downplaying the city's historic laborist segments.[42] He did not question the city's failure to tax office space, nor the generous subsidies granted for their development, as much as he did other forms of municipal spending.[43] This approach pragmatically cut across the ideological spectrum, but in it was the germ of a much harsher oncoming regime which helped undercut the social democratic promise of American cities.

The Demise of Urban Social Democracy

By the late 1960s the interlocking crises of the inner-city proved unsustainable, and a spate of cities reliance on municipal-bond financing left them vulnerable to what some called a "creditors' intervention." As Kenneth Jackson and Jon Teaford argue, urban governments throughout the postwar era turned to a series of "fixes" to address the continual political and economic crises caused by the overinvestment in suburbs, and later, the loss of manufacturing on a large scale.[44] In many ways, New York City's near bankruptcy and its government's imposition of an austerity regime most dramatically exemplifies the problems posed by an overreliance on debt spending and its harsh consequences for the welfare state. The 1975 fiscal crises represented the fracturing of the city's larger political coalitions, most acutely a break between finance and labor. The biggest losers were the city's public, union employees, who took pension cuts. The debt

[41] Louis Winnick, "Financing the Rebuilding of Our Cities," *The Journal of Finance*, 17, no. 2 (May 1962), 371.
[42] Lindsay made heavy use of consultants and study from research groups like the Ford Foundation, establishing a revolving door between these groups and his administration. See Rogers in Viteritti, 107–108.
[43] On Lindsay's generosity, via the tax code, to commercial real estate owners, see Kim Moody, *From Welfare State To Real Estate* (New York: New Press, 2007), 58–62.
[44] Kenneth T. Jackson, *Crabgrass Frontier: The Suburbanization of the United States* (Oxford: Oxford University Press, 1985), 140. Jon Teaford, *The Rough Road to Renaissance: Urban Revitalization in America, 1940–1985* (Baltimore, MD: Johns Hopkins University Press, 1990), 5.

crisis was readily blamed on the city's welfare rolls and led to a rollback in social spending to pay out the city's creditors. In reality, the crisis reflected a much more complicated situation, implicated with longstanding fiscal deficiencies amid deindustrialization and an overall shifting urban political economy.[45] Several successive mayors, as well as Governor Nelson Rockefeller, who served for sixteen years, had relied on a vast run-up of debt created through tinkering with the bonds market, creating several billions of dollars of largely unsecuritized municipal debt, which led bankers to refuse to issue new debt amid the recession that started in 1972. The economic challenges that presented in the 1970s persisted in later responses to try and recover the promise of a multiracial social democracy.

If New York City was the canary in the coal mine for this kind of crisis, there are several heretofore underexamined legacies of the postwar era that have contributed to the broader demise of urban social democracy. This section summarizes these challenges as they manifest throughout the histories chronicled in this dissertation. First, Black Power politics constituted a complex if somewhat incoherent challenge to state governance, one which dovetailed with a transformation of racial capitalism and neoliberal urban governance which persists to this day. Second and relatedly, both urban governance and aspects of housing policy in general were beset by a semi-permanent form of crisis management which relied on market based techniques to address long term fiscal austerity. Both of these changes reflect the unsustainable nature of social democracy in the US, which I argue is inevitable when the interests of multiracial working class life are, in many situations, directly opposed to the needs of organizing capital which does not require an industrial urban working class. The structural instability of urban social democracy in the post-industrial era led to new forms of crisis management that thrive on economic inequality which it seeks to address through increasingly technical and rhetorical means. In reality, the hollowing out of the civic sphere is both cause and consequence of the fact urban governance today thrives on the insulation of budget making and decision making from actual democratic accountability.

Scholars have now long debated the conflicting legacies of the 1960s New Left and civil rights movements, nominally understood as a rebuke of the stultifying effects of postwar segregation. A thorough examination of debates internal to and outside of Black Power thought are outside of the scope of this introduction, but the highly diverse strains of left thought of the era have had important implications for housing under racial capitalism in the ensuing decades. Groups like the Black Panther Party (BPP), Chicago's The Woodlawn Organization and the Puerto Rican-dominated BPP offshoot the Young Lords were marked by varying degree of internal division, between Saul Alinksky's non-ideological vision of community organizing and a Black Marxist vision which rebuked cultural nationalism in favor of revolutionary party politics. Similarly, at the level of public policy, officials viewed inner city poverty as a culmination of different issues, emphasizing both structural unemployment as well as a culture of poverty thesis. In the

[45] Kim Phillips-Fein attributes NYC's debt crisis broadly to deindustrialization and a rise in the city's social spending to meet the needs of Black and brown communicates. New York banks, who were increasingly called up to finance the city's debt were also shifting their mode of profit making in oversees investment and less interested in continued domestic municipal financing. Kim Phillips-Fein, *Fear City: New York's Fiscal Crisis and the Rise of Austerity Politics* (New York: Henry Holt and Company, 2017), 74–75.

ensuing decades, however, it is clear that the Moynihan Report's emphasis on culture and pathology has dominated policy approaches and dovetailed with an abiding focus in housing policy around the creation of social capital through family homeownership.[46]

One of the effects of Black Power's short-lived and conflict-ridden ascendency has been the integration of the more moderate elements of the civil rights movement into urban governance. This has happened in part through the incorporation of groups like The Woodlawn Organization into the creation of new institutions like community development corporations, which help to shift their focus from community organizing to housing development. Neoliberalism only heightened the contradictions in a racial capitalism that maintained the Black ghetto in light of the persistent liberal impulse toward the creation of a Black leadership class as a solution to racialized poverty. The political economic regimes that have led to gentrification have created highly uneven opportunities in Black communities, often pitting Black homeowners against Black renters. Black Power itself was the product of a racialized approach to understanding urban poverty which Preston Smith argues, often not challenge the basis of class inequality. Especially in the realm of housing, Black Power drew on an approach (previously favored by members of, for instance, Chicago's Black elite) which tended to valorize self-help for Black people and communities over government intervention to address a structural political–economic problem.[47] I contextualize these contradictions within the movement for "community control" which was instrumentalized by community development corporations following the failure of most structural attempts at community participation during President Johnson's short-lived War on Poverty. This evolution helps understand how social-movement politics today is ridden with the conflict of invocation of Black politics despite the glaring absence of a "singular Black interest" around which to constitute a politics.

As I discuss in Chapter 3, the problem of poverty among Black people is continually invoked as a means for maintaining programs that privilege property ownership. This argument obfuscates the actual political–economic condition driving contemporary racial urban inequality. Policymakers and philanthropic structures since the 1970s have favored this more integration-based idea of "corrective capitalism" over structural antagonism. As Cedric Johnson writes:

> In retrospect, the Black Power movement was a transitional stage where black popular discontent diversified the nation's governing class. . . . Liberal anti-racism, with its core assumption of black exceptionalism, helps enable these social management dynamics because it overlooks the integrated nature of contemporary governance in many American cities and the crucial role that black elites can play in legitimating the current neoliberal order.[48]

[46] For critique of the role of the "culture of poverty" thesis in guiding public policy see Wilson, 14.

[47] Preston Smith, *Racial Democracy and the Black Metropolis: Housing Policy in Postwar Chicago* (Minneapolis, MD: University of Minnesota Press, 2012), xv.

[48] Cedric Johnson, "The Panthers Can't Save Us Now," *Catalyst* 1, no. 1 (Spring 2017), https://catalyst-journal.com/vol1/no1/panthers-cant-save-us-cedric-johnson.

This project of elite Black leadership, which was prevalent before, during, and especially after Black Power, dovetailed with a politics that positioned entrepreneurship and property ownership as necessary for overcoming poverty. Homeownership as the means to address poverty draws on social and human capital theories dominant in the neoliberal era. They are also discourses which are employed, as Preston Smith argues, as a means to justify the class interests of the Black elite benefiting from gentrification—a racial uplift through demonstrating the success of homeownership.[49] As I discuss in Chapters 1 and 3, the liberal political impetus to create and protect homeownership for Black people exemplifies the contradiction of the reality of what Taylor calls "predatory inclusion" and the centrality of myth-making around the American middle class in an era of declining wealth across identity groups.[50] The abiding goal of housing policy was the creation of a homeowner to resolve the contradictions of declining wage power and weak government with welfare programs under assault.

Methods for Understanding the Professionalization of Housing Politics

To understand the evolution (or devolution) of affordable housing policy in the U.S. I contextualize it with scholarship on the weakening of political organization in the past several decades. Most tenants, I argue in Chapter 3, lack the level of organization necessary to win even a fraction of the protections from dispossession that homeowners enjoy as an organized political constituency that is highly integrated into the economy. This is especially true in homeowner-majority cities and states. In this section I look to understand changes in American political life and governance that help explain how economists and professionalized advocates have taken on a large role in defining affordable housing politics.

Returning to Catherine Bauer's belief that social housing could only be achieved through organizing the working class in favor of it, it is clear that the structural nature of racist FHA policy foreclosed on class solidarity around housing by pitting upwardly mobile white Americans against disempowered Black residents. In the decades since the height of the civil rights movement, this fracture has found its analog in concerted efforts to expand homeownership for Black people, which have deepened class inequality among Black Americans. The failures to address urban inequality through expanded homeownership have been exacerbated by political tendencies which eschew the kind of mass political participation that was once part and parcel of urban social democracy. "Community empowerment" happened in the context of a declining welfare state and the emergence of new forms of governance, driven by increasingly narrowed policy imperatives and often administered by government-funded nonprofits and powerful

[49] Preston Smith, "How New Is New Urban Renewal?"
[50] Taylor, 254.

foundations. Theda Skocpol describes a diminished civic realm that is conditioned by a professionalization of politics disconnected from mass politics. She writes that, because foundations are the major source of funding, associational groups “lack incentive and capacity to mobilize in large numbers,” resulting in “yawning gaps between local volunteer efforts and professional advocates.”[51] From the standpoint of economic inequality, her findings are damning. She shows that identity-centered groups avoid issues of economy and labor unions, which are in steep decline despite being the only mass organizations with a vested interest in cultivating working-class leadership and mobilization. While many like Skocpol have suggested a connection between civil rights and the decline of social democratic politics, this dissertation shows that the role of foundations in shaping the trajectory of Black community organizing was decisive. For both foundations and emerging political organizing models, such as those advocated by Saul Alinsky and Reverend Arthur Brazier, advocacy on behalf of Black tenants seemed to replace deeper power building.

The transformation of civic culture shown by Skocpol was compounded by a parallel phenomenon during the same time period: the reliance on market-based solutions to discipline welfare programs in the neoliberal era. This includes the rise of the Virginia school of “public choice” economics as a force in public policymaking. A wide range of welfare state policies have been reformed around notions of economic utility, which Melinda Cooper shows to be a deeply ideological project very often shaped by moral notions of the family, asset ownership, and social capital as means to address declining wage power.[52] Market-based innovations took hold throughout many areas of urban governance—from the rise of punitive policing to the securitization of user fees to issue municipal bonds, to generous corporate tax breaks. This policy imperative relied on increasing urban property values as a means of resolving contradictions of postwar urban political economy. Housing policy today is suffused with similar notions of creating wealth through homeownership in mixed-income projects, a goal facilitated by community-based nonprofit corporations and bolstered by market efficiencies offered by tax credits rather than public-housing subsidies.[53]

I argue that a new policy apparatus, including institutions like the Ford Foundation, looked to fill the vacuum left by the failure of public housing. Officials at these organizations were often not necessarily opposed on ideological grounds to government spending. But amid the perceived failure of government programs they saw their own expertise, often invested in the efficiency of the market, as the best solution to resolve political logjams. But more broadly, policy today often prioritizes homeowners as superior political subjects, with the ideological project of low-income homeownership reflecting the driving investment in social capital.[54] Questions around low-income

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[51] While Skocpol continually suggests a loose, in no way causal, connection between civil rights and the decline of social democratic politics, this dissertation shows that the role of foundations in shaping the trajectory of Black community organizing was decisive. Theda Skocpol, *Diminished Democracy: From Membership to Management in American Civic Life* (Norman, OK: University of Oklahoma Press, 2003), 231.

[52] For instance, Cooper argues that stagflation posed a threat to the political order for the way it threatened the Fordist family wage (by eroding the value of assets in favor of workers’ wages) and was therefore a threat to the moral economy. Melinda Cooper, *Family Values: Between Neoliberalism and the New Social Conservatism* (New York: Zone, 2017), 29.

[53] Susan Saegert, “Inequality of Forms of Capital: Crisis and Opportunity in Low Income Housing Policy,” (working paper, RC-43 Conference: Housing and the Built Environment, International Sociological Association, Amsterdam, July 11, 2013).

[54] Saegert summarizes the social-capital approach as it was applied to an expansive policy focus on homeownership. Saegert, “Inequality of

housing that were one site of struggle in Black Power politics at the height of the urban crisis have increasingly been posed as problems of technical management, not of political governance. This shift came about with forceful efforts to allow Black community members ascend the rings of local political governance at the very moment that local government was being gutted on an institutional level.[55] Low-income housing politics offers one important and underexamined strain of this story because of its troubled relationship to the welfare state and its radical remaking after the apparent failure of public housing by the late 1960s.

An example of the crisis of urban social democracy examined closely in the Chapter 1 is the ascendance of new modes of channeling social resistance to urban disinvestment through the paradigm of "community control." I follow the approach of scholars, like political theorist Barbara Cruikshank, who take a critical and ambivalent stance toward what Cruikshank calls the "will to empower." Cruikshank argues scholars should understand concepts such as "citizen empowerment" as moves to cultivate citizens as certain kinds of political subjects.[56] This approach is useful for contextualizing new institutions like community development corporations within a much more nuanced set of power relationships that implicate institutional forces and the disempowered alike. Chapter 1 examines the emergence of a model of local housing development undertaken by CDCs as part of a new managerial framework for managing urban racial inequality in a post-welfare state context. As part of the overall genealogy, I loosely trace how the larger politics of the welfare state and urban governance transformed, necessarily professionalizing and bureaucratizing CDCs, moving them away from their roots in Black Power to their current place in a broader system of increasingly influential foundations and their financing institutions. As Chapter 1 details, the underinvested and politically contentious War on Poverty approach, out of which the notion of "community control" grew, was largely abandoned in favor of President Nixon's embrace of a much more moderate homeownership-centered capitalism to address racial inequality. The "community development sector" can be understood as part of a broader political economy where questions of democratic control or social mission can be limited by the demands of funding and the need to meet the demands sufficient outside investment.

On the local level, municipal and state governments have grown evermore reliant on the issuance of municipal-bond financing tied to securitize revenue streams, raising questions of the politics of this particular model of political economy.[57] Affordable housing finance policy has largely mirrored this development, looking for sources of indirect spending (through tax offsetting) or private financing to solve political problems. What is the ideology of this reliance on debt financing as a form of public policymaking? It points to certain continuities of urban politics that privileged the role of elite

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Forms of Capital."

[55] For an accounting of the incorporation and moderation of Black leaders in local governance see Keeanga-Yamahtta Taylor, "The End of Black Politics," *New York Times*, June 13, 2020. https://www.nytimes.com/2020/06/13/opinion/sunday/black-politicians-george-floyd-protests.html.

[56] Cruikshank argues that "self-help," "empowerment," and other participatory programs are a prime "technology of citizenship" meant for "correcting the deficiencies of citizens." Barbara Cruikshank, *The Will to Empower: Democratic Citizens and Other Subjects. United States: Cornell University Press, 2019* (Ithaca, NY: Cornell University Press, 1999), 4.

[57] On the rise of municipal debt issuance as a form of public financing, see Gail Radford, *The Rise of the Public Authority* (Chicago: University of Chicago Press, 2013), 5.

institutional investors, in a less public and diffuse way, than was frequently derided by community activists during the urban renewal era. Rachel Weber and Sara O'Neill-Kohl's study of the successful use of Tax Increment Financing (TIF) in Chicago points to the endurance of elements of urban renewal manifest in contemporary gentrification. TIF—which allows officials to use the promise of future tax revenues as the means to pay off a long-term, large-scale loan or bond—has become one of revenue-starved local governments' most effective tools in encouraging gentrification. Following Neil Smith's arguments about the role of renewal powers in spurring early 1970s gentrification, O'Neill-Kohl and Weber show that TIF usage represents a tight collaboration between the city's political elite, planners, and powerful city financial institutions, a model that thrives on insulating development from public input. They find that the repeatability of TIF financing also led planners to normalize certain design features and strategies in large-scale redevelopment projects throughout Chicago.[58] This is not a right-wing project as emphasized in many accounts of neoliberalism, but instead reflects the problematics of the need to limit the possibilities of urban planning to that which can meet local tax revenue needs. Discussing the cohort of mostly businessmen who came on to steer New York City through its dismal 1975 bankruptcy, historian Kim Phillips-Fein notes the contradictions of their liberal and civic minded dispositions. Their,

> desire for [budget] cuts, was not the result of abstract ideology, or [a] carefully planned political program to slash the state and promote the market. . . . But now the dynamic of the crisis made the upper echelons look to each other. They might not know exactly what to do, they might not know exactly how to do it, but they were sure that the only hope lay in giving greater power to people like themselves.[59]

This politics suffuses an era where capital needs seemed impossible to address through large, structural means, and were instead brought about by the continual refinement of techniques tied to private-market debt financing. The sense of an increased need of private market expertise, and the establishment of a revolving door between public agencies and private development, were both cause and consequence of privatization, and resulted from the reliance on private market and tax policy to halt urban decline.[60] Such professionalization, I argue, constitute a transformation of housing politics as a project to be managed by nonprofit and industry groups, rather than membership-based groups with a mass constituency and civic orientation.

In the realm of housing policy, professionalization involved the creation of a new layer of foundation-based expertise that was envisioned as providing support to community-based nonprofits who after the 1960s would not necessarily have any experiences in public governance. This includes those who made a living on Wall Street

[58] Rachel Weber and Sara O'Neill-Kohl, "The Historical Roots of Tax Increment Financing, or How Real Estate Consultants Kept Urban Renewal Alive," *Economic Development Quarterly* 27, no. 3 (2013): 193–207.
[59] Phillips-Fein, 161.
[60] Tom Angotti, "The Real Power in City Planning," *Gotham Gazette*, October 4, 2010, http://www.gothamgazette.com/index.php/development/616-the-real-power-incity-planning; Stephen E. Barton, "From Community Control to Professionalism: Social Housing in Berkeley, California, 1976–2011," *Journal of Planning History* 13, no. 2 (May 2014): 160–82.

or as real estate developers, who provide key pieces of the logic of new programs. One example is the role of officials like John G. Heimann, a former investment banker who was hired as a consultant very briefly by the Department of Housing and Urban Development in 1966 to create a study of mortgage financing which served as the basis for the Government National Mortgage Association, or Ginnie Mae).[61] Heiman offered crucial expertise for a new macroeconomic approach (rather than direct agency investment or subsidy), describing what he called a "necessary revolution in housing finance."[62] This revolution would include the 1960s-era experiments in debt-based financing that involved advisors to HUD and foundations, as well as developers like the famed "festival marketplace" developer James Rouse. Rouse was among a cohort of those in the philanthropy world in and around the Ford Foundation who were responsible for finding new means to create the debt necessary for housing production.

Chapter 1 of this dissertation picks up the thread of these events by examining the series of conflicts facing postwar liberal governance in the depths of the late 1960s "urban crisis." As in this introduction, the dissertation eschew focus on a single place, instead showing how many of the same institutions were involved in shaping local-housing contexts. I work to show the interplay between federal-level policy, national institutions, and individual urban struggles within specific metropolitan contexts such as Chicago, New York City, and the San Francisco Bay Area. Observing change at multiple sites over time shows how new investment strategies were facilitated or resisted in different local social and political contexts. This introduction has focused on New York in part because of its singular renter culture, uniquely dominant across class and race lines, which illustrates how housing tenure and political power are related. Other case studies, which focus on Chicago and California's urban areas, where homeownership dominates the housing landscape, further demonstrate this relationship while bringing in other local aspects that have shaped different housing outcomes in each. In each case there is a sense of the increasing standardization of certain kinds of capital flow, dictating what is and isn't possible in the local context. This is a politics which drifts away from the empowerment of local communities and ties the fate of housing finance to increasingly financialized markets, rebuffing coordinated opposition on the part of tenants.

Plan & Argument of the Dissertation

Building on the new historiography of the postwar housing system summarized above, the remaining chapters proceed from the late 1960s moment of its initial dissolution. Chapter 1 addresses the 1968 crisis moment from the standpoint of ongoing debates over fair housing and suburban integration versus "gilding the ghetto." This split related to the diversity of thought within civil rights ideology and evolved drastically in relation to the

[61] Hobart Rowen, "The Man Behind 'Heimann Report,'" *Washington Post*, August 19, 1977, https://www.washingtonpost.com/archive/politics/1977/08/19/the-man-behind-heimann-report/a4130973-bc5d-4310-98da-a81808e2530c/.
[62] John G. Heimann, address, January 17, 1967, Urban America, Inc. Development Forum, MS 85/61C, Carton 54, Folder 6, Edgar F. Kaiser Papers, Bancroft Library, UC Berkeley.

difficulties in administering War on Poverty-era changes to federal urban governance. I examine Chicago's famed The Woodlawn Organization as an example of the contradictions within Black Power groups over "community control" and the legacy of the Saul Alinsky model of community empowerment. I show how, under Alinsky's guidance, TWO eschewed more antagonistic tactics, such as targeting large landlords, and did not appear to have a viable theory for organizing long-term power. Under the Model Cities program, TWO was encouraged by federal finance programs to move directly into the provision of low-income housing. TWO leaders later regretted doing so, finding that unworkable financing had saddled the organization with unsustainable debt.

The second half of Chapter 1 examines the Ford Foundation (one of TWO's most active funders) and its heightened role as a kind of a crisis manager of the embattled urban welfare state. Examination of one of its partner organizations, the Urban Coalition, shows that elite policymakers were increasingly focused on addressing the urban crisis through federal-level macroeconomic tools such as increased private lending for urban housing development. This approach dovetailed with integrationist calls for increased homeownership among Black people.

Chapters 1 and 2 both look at the role of the Ford Foundation in shaping urban policy as the federal government struggled to address increasing urban poverty caused by deindustrialization. Experts looked primarily at two different remedies: first, community and ethnic "empowerment" in a model quite compatible with Alinsky's, and second, the development of macroeconomic expertise for creating solutions to problems such as urban housing deficiencies. Focusing on the late 1970s and 1980s, in the context of continued and now enshrined devolution of public housing policy, Chapter 2 examines the vacuum of urban housing solutions in depth. I examine the rise of the role of economists and social scientists in leading policymakers away from beleaguered policies such as rent control toward housing vouchers.

Parallel to this move was the creation of a signal new housing program, the Low-Income Housing Tax Credit, which became a key element of institutional architecture as policymakers attempted to fill the void left by the Federal government's exit from direct provision of housing finance. Along with other policies outlined in this dissertation, I attempt to contextualize this somewhat peculiar program in the longer history of postwar private-market solutions that paved the way for the implementation of financial solutions at a moment of crisis in public governance. The LIHTC solution drew on the expertise of housing economists, such as Louis Winnick, who over the course of the postwar era began to fill the ranks of government and philanthropic agencies focused on technical fixes to the nation's housing problems. Foundations such as Ford, and developer James Rouse's Enterprise, helped marshal the liberal expertise that provided the institutional foundations and logics of the new "affordable housing industry." Moreover, LIHTC emerged as a solution that policymakers saw as viable given the lack of other politically palliative alternatives. It echoed the logic of financialized securitization of housing finance debt driving programs in the Housing Act of 1968, in that it provided policymakers a way to finance housing debt without impacting balance sheets. LIHTC represented the culmination of an effort to solve the vexing problem of a lack of capital for affordable housing. But it attempted to do so through policy and professional expertise and thus explicitly avoided the political conflicts associated with direct government subsid. By many accounts LIHTC endured precisely because it was so popular among policymakers and elected officials of both political parties.[63]

In Chapter 3 I suggest some of the implications of the depoliticization of low-income housing policy, and its corollary of homeownership ideology, as they are related to the ability of tenants to achieve real or lasting political power. This chapter examines the present context of housing politics with a comparison between the two very different urban states most plagued by gentrification: New York and California. Battles over rent control in 2018 form the basis for comparison in understanding the political structures that shape the possibilities for tenant protections in a climate of exploding inequality and homelessness. The argument here is that the problems of a financialized affordable housing system are exacerbated in a new era of heightened gentrification and urban inequality that could not have been foreseen in the depths of the 1980s fiscal crises. The diminished or conflicted role of the state, and political incentives for encouraging rising land values makes it extremely difficult to intervene in housing markets. The struggles of Californians to implement renters' protections demonstrates that a focus on homeowners, long the dominant group in the state, not only hampers tenants' ability to build political power, but also gives politicians and real estate interests cover to pit the interests homeowners against renters. Given the divide in the racial compositions of housing markets, this can result in situations where the needs of relatively fewer Black homeowners are marshalled, sometimes cynically, against the interests of renters, a group among which Black renters are overrepresented. This dynamic raises questions about the possibilities of achieving justice in situations where real estate and homeowners find themselves politically aligned, especially when many homeowners are incentivized to rely on homeownership as a means of maintaining financial security. Chapter 3 therefore contextualizes debates around issues like rent control within a larger political economy which not only values asset creation, but given economic instability, posits homeownership as a necessary means of individual economic stability. In doing so, I return to some of the questions raised in this introduction about the legacy of homeownership in shaping the political possibilities for developing alternatives such as social democracy.

[63] John N. Robinson, "Race, Poverty, and Markets: Urban Inequality after the Neoliberal Turn: Race, Poverty, and Markets," *Sociology Compass* 10, no. 12 (December 2016): 1097.

Chapter 1: Greenlining the Ghetto: Housing Liberalism, the 1960s Urban Crisis, and the Institutionalization of Community Development

At a January 1967 meeting of the steering committee of The Woodlawn Organization, a Black Power community group in Chicago, some leaders argued for the need to bolster their work by hiring a "director, assistant, secretary, and consultants."[64] They envisioned creating an advisory board under the direction of Charles E. Silberman, the journalist and commentator on race relations, and Jane Jacobs, the activist critic of modern architecture and planning. The full-time staff would act as a translator between the community's planning needs and the city's technocratic agencies. "We have the power base," one TWO leader said, "Now we need the technical knowledge." The proposal spoke to TWO's broader ambitions of wielding enough power to have a say in the city's urban renewal plans, as Illinois Institute of Technology, the University of Chicago, and other institutions did.[65]

The vision TWO leaders articulated on that day is emblematic of some of the tensions they and other groups faced during the 1960s urban civil rights movement. Should they shed the rhetoric of Black Power and follow, as many urged, the path of institutionalization, working with their one-time foes in city agencies to help oversee ghetto redevelopment? What would that redevelopment look like with community groups at the reins? This chapter examines the conflicting impulses of Black Power within a longer strain of racial self-help and property ownership as a form of racial uplift.[66] TWO rose to national prominence as an emblem of the movement for community control during President Lyndon B. Johnson's War on Poverty, but the group's larger ambitions went unrealized. It had found early success in its battle to defeat the University of Chicago and Mayor Richard J. Daley's urban renewal machine, stopping a plan that would have cleared large swaths of their South Side neighborhood. This victory, however, belied the many challenges they faced in realizing an alternative plan for the site, one that emphasized not just physical renovation of slum blocks but also social services-based approach to urban renewal through social services and public resources. After years of direct conflict with Mayor Daley's Chicago machine and the federal Department of Housing and Urban Development, TWO found itself locked out of President Lyndon Johnson's War on Poverty program money, funding intended for community groups just like themselves. Unable to receive federal grants, TWO sought ought private capital, working with University of Chicago leaders and the Ford Foundation to try to obtain operating funds. But the "Black capital" they pushed for never materialized, and TWO eventually teetered toward bankruptcy.

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[64] Meeting Minutes, January 1967, The Woodlawn Organization Papers, Box 2, Folder 218, Chicago History Museum. "TWO" was the adopted moniker following the group's original name: Temporary Woodlawn Organization.

[65] Ibid.

[66] Preston Smith, *Racial Democracy and the Black Metropolis: Housing Policy in Postwar Chicago* (Minneapolis, MD: University of Minnesota Press, 2012), xvii.

As Barbara Cruikshank argues, scholars should consider concepts such as "community control" and "citizen empowerment" through a critical lens, understanding them in context of the cultivation of citizens as political subjects. Who has the ability to formulate the "empowerment" of marginalized groups? Why is self-help so often framed as the solution to the problems of poor people when poverty is a feature of the existing power structure?[67] This approach is useful for understanding the complexity of "the will to empower." I contextualize TWO's ambivalent approach to tackling housing within Chicago's tumultuous racial politics and specifically their work with famed community organizer Saul Alinksky. Due to Alinsky's influence and the War on Poverty framework, I suggest they eschewed taking on fights, such as large and institutional landlords profiting from segregation, in favor of undertaking their own urban renewal redevelopment projects. Following Cruickshank, I examine the War on Poverty and subsequent community development framework as part of an effort to manage urban racial inequality especially in the face of a beleaguered welfare state.

The effort to cultivate a response to urban uprisings took on other forms, including efforts, examined in the second half of the chapter, to position the expansion of homeownership among Black people as a civil rights project. One advocate of this approach was a new organization, the Urban Coalition, which received generous financing from the Ford Foundation and held institutional connections to the liberal policymakers responsible for key programs under President Johnson's War on Poverty. The Coalition's work included lobbying Congress for experimental programs intended to increase access to low-income homeownership. I argue that in the realm of housing, liberal elites looking to manage growing urban unrest increasingly turned to economists to understand the role of finance in shaping housing markets, and that their experiments ran hand-in-hand with efforts to move away from what they saw as failed public housing policy.

This chapter first contextualizes the emergence of community development corporations, or CDCs, as part of a new governmental approach for low- and middle-income housing development. Meanwhile, the business community and liberal policymakers alike agreed on the need for a larger structural push at wealth integration that prioritized homeownership among Black people. Against this backdrop, I examine a transformation happening at the level of federal policymaking, in which financing for housing was increasingly posed as a problem at the macroeconomic level. In examining liberalism's solutions to growing social unrest I focus on two key realms—macroeconomics and some strains of civil rights organizing—in which the Black homeowner was marshalled as the solution to a crisis of racial capitalism and sometimes as an empowering alternative to public housing. This "necessary revolution of housing finance," (as one policymaker called it) reflected a political fix for a broader social problem and foreshadowed the application of new technocratic tools for reforming

[67] Cruikshank argues that the impulse toward "empowerment" endemic within liberal societies, and are a power relation, the goal of which is to make the "powerless" the object of power: "During the War on Poverty, 'the poor' were not excluded by power from participating in the definition and provision of their own needs so much as they were transformed by that definition and provision." Barbara Cruikshank, *The Will to Empower: Democratic Citizens and Other Subjects* (Ithaca, NY: Cornell University Press, 1999), 71.

welfare policy to resolve social crises. [68] Many advocating the reforms saw ownership and new housing development as a way to solve the urban crisis and allow Black Americans to follow the path of white ethnic groups toward the middle class. In sum, they sought to reform the welfare state, extending its promise to previously excluded groups, as the political economy which enabled the welfare state was quickly changing. Even at the time, many of the assumption of the integrationist approach were naive and foreclosed alternative forms of politics that might have tackled inequalities of property ownership and power more directly.

Black Power's Uncertain Aims

TWO was first created in 1959 through the efforts of four local pastors including Pentecostal pastor Arthur Brazier, who became the organization's longtime leader. At the urging of the Catholic Church, the group hired Chicago-based community organizer Saul Alinsky. In Brazier's telling, the Catholic Church suggested Woodlawn needed its own Back of the Yards Neighborhood Council, the Chicago community organization founded by Alinsky, and committed $50,000 to the project following a commitment by Presbyterian and Lutheran churches to match.[69] (It was Alinsky's practice to require significant funding before agreeing to take on a campaign.)[70] In this short sketch of TWO's founding, one can already understand some of the contradictions of the group, which merged Black-led organizing of the poor with the interests of outside funders and organizers. In funding TWO, the churches and Alinsky noted the neighborhood's rapid demographic changeover as the neighborhood burgeoning postwar Black population led to rapid flight of the area's white ethnic population. Many Woodlawners were themselves migrants of displacement from adjacent South Side neighborhoods, which had been razed by the city's brutal redevelopment machine. As part of TWO's victory against the University of Chicago, Mayor Daley brokered a compromise plan that allowed TWO input on selective redevelopment. Through the successful fight to oppose the university's urban renewal plan, as well as Alinsky's national profile, TWO gained media attention and figured prominently in the sociologist Charles E. Silberman's 1964 book *Crisis in Black and White*.

Scholars examining TWO have often presented the group as unique in eschewing easy labels of separatism or integrationism, the two poles typically used to characterize Black Power politics in this tumultuous era. Saul Alinsky—who was adamantly, if quietly, an integrationist—was critical of TWO's later turn away from neighborhood organizing and toward self-help service provision.[71] This trajectory, however, put TWO in league with

[68] John G. Heimann, address, January 17, 1967, Urban America, Inc. Development Forum, MS 85/61C, Carton 54, Folder 6, Edgar F. Kaiser Papers, Bancroft Library, UC Berkeley.
[69] Arthur M. Brazier, *Black Self-Determination: The Story of the Woodlawn Organization* (Grand Rapids, MI: William B. Eerdmans Publishing Co., 1969), 21.
[70] Beryl Satter, *Family Properties: Race, Real Estate and the Exploitation of Black America* (New York: Metropolitan Books, 2009), 123.
[71] Mark Santow, "Self-Determination: Race, Space, and Chicago's Woodlawn Organization in the 1960s," in *"We Shall Independent Be": African American Place-Making and the Struggle to Claim Space in the United States*, eds. Angel David Nieves and Leslie M. Alexander (Boulder, CO: University Press of Colorado, 2008), 93.

other forerunners of the community development movement, now responsible for the bulk of local nonprofit housing development and management (as addressed at greater length in Chapter 2). Despite his disquiet at the move away from organizing, Alinsky continued to influence TWO's commitment to non-confrontation and a self-described "corrective capitalism."[72] Their mission was often framed, in the Cold War context, as pragmatic and non-ideological. Alinsky's Industrial Areas Foundation—which in 1969 received over $50 million from the Catholic Church to do organizing work in impoverished urban communities—helped to shape the work of TWO and other groups.[73] Scholars have contextualized how Alinsky's ideas, like the Ford Foundation's Gray Areas Program and others later adopted as part of the War on Poverty, echoed an earlier era of philanthropy, influenced by the ideas of the Chicago school, which emphasized an ethnic leadership model as a precondition to integration.[74] While TWO achieved a highly representative form (at least in the early 1960s), it constantly wrestled with the contradictions of trying to build power within a broader political economy dominated by the city's white elite, including the real estate interests invested in continued residential segregation.

Before the University of Chicago urban renewal fight, TWO's first campaigns focused on issues that cut across the Black community, specifically the discriminatory credit practices of local merchants and pervasive issues with housing. The group found early success forcing some merchants to abandon their practice of selling customers' debts to unscrupulous debt collectors, an example of what Brazier called a "a small and winnable issue," exactly the sort Alinsky prioritized.[75] In 1961 and 1962, TWO launched a series of rent strikes targeting small landlords who Brazier had determined could not sustain the loss of rent payments. Alinsky pushed TWO away from targeting larger landlords, which could prove divisive within the city's power structure. In response to a rent strike, one of the small landlords expressed a willingness to turn over his building to the tenants in order to rid himself of the problem. One of Alinsky's partners suggested that this signaled a much broader problem with "winning" on the issues: "I said, 'Saul there aren't any more slumlords, there are just people stuck with turkeys.' So we knew early, but we didn't know what to do about it."[76]

The historian Beryl Satter argues that Alinsky's focus on obtaining sufficient funding must have influenced his desire to avoid "divisive" issues as it "left him vulnerable to pressure by wealthy donors."[77] The profitability of the segregated housing market, which

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[72] Labor organizer and scholar Jane McAlevey has recently summarized decades worth of criticism of Alinsky's appropriation of the communist in the CIO's organizing techniques for explicitly non-communist aims. "His obsession with pragmatism and non divisive issues," she writes, "resulted in decades of well-meant efforts that often undermined the very people who need good organizing the most—the poor, the working class and people of color, whose issues could hardly be characterized as non divisive." Jane McAlevey, *No Shortcuts: Organizing for Power in the New Gilded Age* (New York: Oxford University Press, 2016), 45.

[73] Ibid.

[74] Alice O'Connor, "Community Action, Urban Reform, and the Fight against Poverty: The Ford Foundation's Gray Areas Program," *Journal of Urban History* 22, no. 5 (1996): 586–625; Sam Collings-Wells, "From Community Action to Community Policing: The Ford Foundation and the Urban Crisis 1960-1975," *The Metropole* (blog), July 16, 2019. https://themetropole.blog/2019/07/16/from-community-action-to-community-policing-the-ford-foundation-and-the-urban-crisis-1960-1975/.

[75] Brazier, 38–39.

[76] Horwitt quoted in Satter, 423.

[77] Satter, 131. In the case of TWO, it may have been problematic that among Alinsky's wealthy funders was someone who was on the Board of Trustees of the University of Chicago; Satter, 126.

even some members of the Black elite were invested in, was surely incompatible with Alinsky's beliefs in "small, winnable" campaigns that were also explicitly lacking controversy. In his thorough study of Chicago's postwar housing politics, Preston Smith found that Black civic leaders and elites increasingly adopted a pro-business attitude which benefited their own interests. Though theirs was a different form of politics than that of TWO, Smith suggests they informed a "racial pluralist" view of politics that undermined the possibility for more radical, social democratic demands in the Black Power era.[78] In the end, Brazier wrote, rent strikes were most effective to "dramatize the issue," but the "real power in confronting [it] would have to come from the city."[79] Thus TWO's focus remained within the paradigm of urban renewal, at least as a means of accessing funding to initiate their own projects. This impulse reflected, to some degree, the aims of the Model Cities Program, but TWO's hope for a more expansive political program eventually led to disappointment.

TWO's War on the Chicago Machine

In this section, I examine The Woodlawn Organization's evolution in relation to the War on Poverty approach to reforming urban renewal, with its rhetorical and programmatic emphasis on grassroots organizing. In particular, I examine its use of new housing subsidy programs, which were aimed at nonprofit and non-governmental developers, to understand some of the challenges facing federal level housing policymakers at the height of the urban crisis. These challenges compelled new approaches, resulting in today's federal affordable housing finance programs. I argue that, in the housing programs created throughout the 1960s, we can see a rather technocratic approach to community development. Crucial aspects of decision-making were not available to community groups under the rationale that private debt should be used to finance nonprofit development of housing. This analysis of TWO's venture into housing development builds on existing scholarship on the mixed legacy of community organizing associated with Saul Alinsky, a model that sought to manage racial integration rather than address structural elements of housing segregation. These accounts confirm Beryl Satter's characterization of the organization's confused prioritizes: "beneath TWO's radical surface lurked confusion about goals and tactics that sabotaged its effectiveness."[80]

To some degree, it was precisely this radical surface that led to TWO being courted by institutional and government programs working to address the urban crisis. TWO was one of roughly a dozen similar community groups to receive Ford Foundation financing through their Gray Areas Program, an initiative examined in greater detail in Chapter 3. Through the program, TWO received operational funding to build capacity, funding it

[78] Smith, posing "racial democracy" or a liberal view of racial equality over that of social democracy, writes: "Arguably, black power activists' inability to shed the racial pluralist models of politics that reestablished the predominance of racial democracy contributed to their failure to development a more thoroughgoing radical politics among the black population." Smith, xvii.

[79] Brazier, Black Self-Determination, 43; Satter argues that Brazier's proclamation of the need to focus on politics on the city level following their failed neighborhood credit campaigns is a "a tacit admission of TWO's lack of strategy." Satter, 130.

[80] Satter, 129.

would not have been able to obtain through government grants.[81] Recognizing criticism of TWO's move from direct community organizing into its own development projects, Ford Foundation official Mitchell Sviridoff called it "the natural extension from fighting against urban renewal."[82] TWO's move to focus on community development was surely also influenced by the work of federal programs aimed at involving community groups to reform urban renewal development schemes. Indeed, the Gray Areas Program had inspired the federal Model Cities Program with its emphasis on cultivating Black leadership by funding community groups. In the final years of the 1960s, TWO found itself in a protracted battle with the city's planning agencies over funding from the Model Cities Program.

Created in 1965 after President Johnson instituted the Department of Housing and Urban Development as a cabinet-level department, the program was intended to concentrate resources in "demonstration" or select neighborhoods in select cities. Building upon the direct concerns of community groups like TWO, the legislation's most infamous provision emphasized "maximum feasible participation" of community residents. The program was intended to address inequality in the distribution of federal resources, which for decades had been allocated disproportionately to suburban areas, amounting to extreme urban disinvestment. After learning of the Model Cities Program, TWO took initiative to formulate their own plans as eligible, though they quickly realized that city agencies had already submitted a planning program including a proposal for the Woodlawn site. TWO worked to create an alternative to the city's proposal, convening a task force and holding dozens of community meetings. It was at this point that TWO came to emphasize the need for hiring its own technicians. This included hiring Whitley and Whitley, a Black-owned planning firm based in Cleveland, as well as a local architecture firm to consult on the project and advise neighborhood residents seeking to rehabilitate their own homes.

Design was not the main focus of TWO's proposal for the Model Cities Program funds, which grew into a fight with City Hall over funding and political power. TWO's plans aimed to link housing, jobs, and medical care to focus on cultivating Black self-determination as part of urban reinvestment.[83] Over the course of the process, the city took steps to undermine TWO by recruiting community members to join its own board, and later incorporating TWO proposals into the city's own Model Cities Program application. After months of back and forth with HUD over who would get control of grant funding for the South Side, President Johnson basically directed the agency to take the city's side, forcing a compromise with TWO. The move allowed Mayor Daley continued control over virtually all federal funds, including new programs, which were supposedly designed to circumvent that very top-down control. As one TWO leader bemoaned at a committee meeting, "Massa Daley is in control, we are the field hand on his plantation picking his political cotton."[84] While the scuffle over the funding

[81] Mitchell Sviridoff, ed., *Inventing Community Renewal: The Trials and Errors That Shaped the Modern Community Development Corporation* (New York: Community Development Research Center, New School University, 2004), 95.
[82] Sviridoff, 9.
[83] For more on TWO's "human needs programs" beyond housing see Brazier 21.
[84] Undated meeting minutes, Box 2, folder 620, TWO records, CHM.

illustrated many weaknesses in the Model Cities Program legislation, the bigger issue was how little funding the program was allocated. The first batch of Model Cities funding called for $38 million to be dispatched over four cities. While Whitney Young and the National Urban League had estimated a "Marshall plan for cities" would require $250 billion in investment, Congress would only budget $2.3 billion in total, an amount the liberal Senator Robert F. Kennedy called a "drop in the bucket."[85] The failure to garner larger congressional appropriations reflected how conservatives saw the program as potentially fueling the flames of urban rioting. As New York Congressman Paul A. Fino argued, "I can just imagine what kind of city demonstrations Black Power has in mind. They will demonstrate how to burn down shops and loot liquor stores. They will demonstrate how to throw Molotov cocktails at police cars."[86]

After this experience, TWO looked for new sources of money. Arguing for funding independent from government financing, TWO's leadership explained, "We want Black ownership, we want $15 million which we control."[87] They worked with University of Chicago professor Julian Levi attempted to establish a fund of private investment, which appears to have never garnered the millions hoped for.[88] At other points, TWO leaders recognized they were in a double bind, needing to generate their own sources of capital while being cognizant of, as one TWO leader argued, "the fallacy of Black capital," noting a figure that 50% of all Black-owned businesses go bankrupt.[89] "Black capitalism," later cravenly embraced by President Nixon, was increasingly proposed as a pragmatic way to encourage outside investment and was encouraged in place of direct government spending. TWO's battle with the city over Model Cities funding reveals important dimensions of the War on Poverty's rhetorical embrace of community control. Despite TWO's national prominence as an emblem of the community control movement, urban renewal would still be driven by City Hall in the political machine of Mayor Daley's Chicago. "If we fail," one TWO leader said, "social scientists will say, 'See it can't work under the best circumstances. Negroes can't organize.'" "If we can't get results," the leader realized, "it reflects on us, not Mayor Daley."[90]

Woodlawn Gardens: An Architecture of Empowerment?

Though TWO ultimately lost its battle over the Model Cities funding to Mayor Daley's City Hall, it did realize its vision of constructing an alternative project on the land the University of Chicago intended to develop. Plans for TWO's housing project, named Woodlawn Gardens, were wrapped up in a larger attempt to remake Chicago's heavy-handed approach to public housing design. At the behest of the Chicago-based Kate Maremont Foundation, which was advising community groups on building rehabilitation,

[85] Quoted in Roger Biles, *The Fate of Cities: Urban America and the Federal Government, 1945–2000* (University of Kansas Press, 2011), 136.
[86] For more on the Model Cities Program and TWO's prominent testing of its participation framework, see Biles, "The Fate of Cities."
[87] Meeting Minutes, November 1969, The Woodland Organization Papers, Box 2, Folder 218, Chicago History Museum.
[88] Albert Jedlicka, "$15 million trust planned for Woodlawn." *Chicago Daily News*, November 21, 1969; The Woodland Organization Papers, Box 1, Folder 218, Chicago History Museum.
[89] Undated meeting minutes, Box 2, folder 620, TWO records, CHM.
[90] Undated meeting minutes, Box 2, folder 620, TWO records, CHM.

Yale-trained architect Stanley Tigerman was hired to lead design. Tigerman was likely identified as a good fit after authoring a 1964 report made to the Chicago Housing Authority, finding that low-rise public housing design would cost only as much as CHA's preferred high-rise towers. The report, commissioned at the moment that groups like TWO were actively protesting CHA's razing of neighborhoods for high-rise developments, led architects to an interest in alternatives to the modernist towers-in-the-park paradigm. Tigerman asserted that Arthur Brazier asked him just such a design scheme for Woodlawn Gardens: a more suburban-style low-rise profile that eschewed features, such as shared corridors, common in CHA public housing.[91] Despite Tigerman's focus on middle-class ethos, the overall scheme for Woodlawn Gardens was meant to be a showcase for the group's whole-person approach to development. The project's 502 units represented a mix of housing: some public, some owner-occupied townhomes, and a modest high-rise including housing for the elderly. In the site's commercial corridor, a supermarket would be operated by a subsidiary corporation of TWO. The diversity of forms and uses in Tigerman's plans might be said to exemplify many of the qualities of "Black Power postmodernism" urban planning tendencies, to use Brian Goldstein's term.[92] The whole-person approach emphasized community, commerce, and different kinds of housing for different family groups and income levels. In this way, the design rejected the approach of CHA and other public housing, which followed the modernist, functionalist schema of segregated uses and standardized forms.

TWO employed a designer from Tigerman's firm to staff an "architectural clinic" at TWO's headquarters, which was meant to serve the broader community. The designer worked both with future residents of Woodlawn Gardens and with other community members, who were rehabilitating housing elsewhere in the neighborhood. TWO circulated a flyer for the clinic under the bold heading "Fix Up Greater Woodlawn," advertising "do-it-yourself" instruction on renovation projects and aiming to organize "local improvement programs" undertaken by residents and "clubs."[93] As described by Tigerman and Brazier in a short newspaper article, the clinic positioned design as serving three different purposes: enabling engagement between a project designer and users, empowering residents in "do it yourself" projects, and, more speculatively, allowing residents to become designers themselves. Of the second goal, Brazier said, "Woodlawn has block after block of basically sound building," and, as the article put it, he believed "small homeowners can do their own improvements if they have expert help." [94] As to the more ambitious goal, the article read, "Tigerman said he wants to eventually recruit young Woodlawn residents who have studied drafting in school."[95] Though lacking further elaboration, this aspiration reflected a late 1960s sentiment of the need to empower Black residents to become involved in design professions from which they had

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[91] Marisa Angell Brown, "Integration by Design: Bertrand Goldberg, Stanley Tigerman, and Public Housing Architecture in Postwar Chicago," *Journal of the Society of Architectural Historians* 76, no. 2 (June 1, 2017), 235.
[92] Goldstein, Brian. "'The Search for New Forms': Black Power and the Making of the Postmodern City. *Journal of American History* (2016)103 (2): 375.
[93] "Fix Up Greater Woodlawn," TWO Papers, Box 3, Folder 117, Chicago History Museum.
[94] "Architect Clinic Aids Woodlawn Residents," *Chicago Sun-Times*, April 22, 1963, The Woodland Organization Papers, Series X, Box 1, Folder 718, Chicago History Museum.
[95] Ibid.

been previously excluded, especially because their communities were disproportionately subject to the violence of urban renewal.[96] The Maremont Foundation, which had led to Tigerman's involvement, had previously funded Tigerman's work on several ghetto rehabilitation programs. As Tigerman said, "We did a lot of work of rehabbing buildings in African-American communities with a group that I put together in this office of largely African-American architects."[97]In all his accounts of Woodlawn Gardens, the focus of Tigerman's attention seems to have been the low-rise units. He asserted that "the model of this [lower-income urban] community now is the white middle-class lawn, and the townhouse."[98] In her analysis of late-1960s public housing design in Chicago, Marisa Angell Brown argues that Woodlawn Gardens was novel in its focus on integration. She notes Tigerman's use of middle-class design references, such as differentiated facades and faux chimneys. She posits Woodlawn Gardens as a signal early project in the evolution of public housing, presaging the New Urbanism of the Hope VI model. Later generations of New Urbanist housing plans continually emphasize the social and cultural benefits of "mixed income" housing as tied to the middle-class aesthetics of low-rise townhomes.[99]

If Woodlawn Gardens's multifarious design produces ambiguous readings, this might be related to the contested claims to its authorship. Angell notes that Brazier worked to downplay Tigerman's role, stating, "A community should decide within itself what's best for it, then stand together. Don't let anyone tell you what's best. Not Tigerman, not Mayor Daley, not anyone."[100] There were elements of the design process that allowed community input, as residents were allocated money from the production budget to purchase playground equipment or decorations for open spaces.[101] It seems difficult to take in Brazier's ownership of the design process without qualifying it with the project's ultimate failure—not in terms of design, but in nearly bankrupting TWO.

Professionalizing Community Development

Conflict over the management of Woodlawn Gardens emerged as a larger issue and one that signals issues that ultimately led to the demise of The Woodlawn Organization itself. The main causes were distinct but related: the increasingly insular nature of TWO from the larger community, and demands by the Department of Housing and Urban Development and the Ford Foundation for more professional competency. This latter issue signaled, however, the larger structural problems the organization faced in financing projects on its own, lacking a substantial capital base. Both of these larger issues—community input on the one hand and professional competency on the other—suggest the inherent conflicts which came about as to the nature of the community

[96] Tigerman says he was influenced by his experiences designing projects in postcolonial India, and lumped Woodlawn among a series of socially-relevant designs that he views as less about formalism than the social implications. Tigerman interview, 34–36.
[97] Tigerman interview, 34.
[98] Brown, 232–233.
[99] Brown argues that Woodlawn Gardens is among the handful precursors build in this era to New Urbanist designs.
[100] Brown, "Integration by Design," 236.
[101] Brown, "Integration by Design," 232–233.

development corporation favored increasingly technical projects accountable to outside institutions (including funders) and which abandoned the often conflict ridden issues with the ambiguous "maximum participation feasible" issues with Model Cities programs. In the early days of TWO, for instance, its projects included anti-slumlord organizing and its structure spanned grassroots block clubs. As TWO institutionalized its service provision, there is little evidence that similar projects continued. Much more attention was demanded by the need to make good on its significant mortgage debt.

After its completion, Woodlawn Gardens quickly became a financial and administrative headache. By the early 1970s, the project was already on a path to bankruptcy, owing to a number of factors but apparently largely to maintenance costs wildly exceeding the original budget. Woodlawn Gardens was financed using Section 221(d)(3), a new program created in the early 1960s to enable nonprofit and private development of low-income housing project. TWO quickly found that in order to pay back the mortgage debt it would have to charge higher rents than most of the target population could afford. As Brazier later reflected, while Section 221(d)(3) was billed as "the kind of housing poor people could afford, it has since been discovered it is not the panacea everyone thought at that time."[102] HUD was exploring foreclosure if TWO were to fall behind on its debt payments. At the behest of its foundational supporters, an outside consulting firm did a thorough audit of Woodlawn Gardens' operations and staffing to understand the issue. The resulting report noted that despite the discrepancy in TWO's income projections, its financials were "substantially" in alignment with ten "randomly selected" other 221(d)(3) projects. [103] The report concluded that TWO had a mission to keep its rents at current levels in order to serve the real housing needs of the community. The consultants suggested that HUD refinance Woodlawn Gardens' mortgage using newer programs with lower borrowing rates and that TWO focus on an extensive management training program of all of the project's staff and hire additional security guards. The training program included, for instance, lectures on interpersonal communication and "tenant conflict management."[104] The overall effect of the report was therefore contradictory, as it casts no blame on TWO for management while at the same time arguing that TWO needed to manage the project differently. TWO's massive debt issue prefigures the widespread problems that 221(d)(3) programs had with achieving profitability as a whole. When discussing these programs, it seem difficult to separate policymakers' dilemmas with financing low-income housing from the political legitimatization crisis they faced with respect to public housing programs. Urban historians have largely ignored this key element of the devolution of public housing policy, instead focusing largely on community opposition to the top-down planning methods that often accompanied public housing. By ignoring the importance of financing, scholars can miss the continuities between government and nonprofit housing, which in this case had similar issues in terms of a lack of capital support and an inability

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[102] Brazier 56.

[103] "Woodlawn Gardens: Management Analysis of Woodlawn Gardens for Dr Arthur M. Brazier." Terence K. McCormack & Associates, 1973, 3.

[104] Ibid, 15.

to maintain projects and repay debts through tenant rents alone.

Moreover, this whole episode illustrates important elements of the United States' transition from public housing to a new affordable housing industry. Though this new system emerged in response to Black Power demands for community control, it did so in a highly technocratic manner intent on managing the forms community development might take. As part of this effort, the experiments undertaken at the level of macroeconomic housing policy proved much more useful and lasting than those experimental efforts at community control. The pro-market orientation of the diverse Black Power ideologies won out in part because the public sector had been so discredited, and was not seen at all as a viable option by those in the liberal elite, such as those in the Ford Foundation. The foundation preferred the community development corporation model precisely because it was easier to administer and avoided much of the political backlash and volatility of an earlier generation of community control activists. Instead, in CDCs the Foundation had found, as historian Karen Ferguson says, "the right instrument for its assimilationist goals and faith in meritocracy." CDCs helped "model a tiny, incipient black establishment to manage the remaining black majority and to define and represent the interests of the African American community at large."[106] Ferguson argues that the Ford Foundation was increasingly looking for private market solutions after the "failure" of President Johnson's War on Poverty community programs, even as it knew they were not effective at the scale of political problems in an era of urban deindustrialization and increasing stratification under racial capitalism.

In lieu of an absent structural, federal-level solution, the Ford Foundation focused on community development as a problem to be solved through professionalization of community group organizing. But to limit the problem of the early CDCs' lack of expertise overlooks the more fundamental question of an absence of "Black capital" as available to TWO and other community groups. In his early critical case study of the Union Sarah Economic Development Corporation in St. Louis, Harry Edward Berndt finds that the CDC had to abandon efforts at housing and real estate because of their persistent inability to gain access to traditional mortgage credit.[107]

Examination of the case of TWO provides an opportunity to understand how the revolutionary rhetoric of Black Power was discredited even as specific aspects of its agenda were readily institutionalized into a changing policy regime.[108] To a large extent, TWO's ambivalent goals reflected the ideologies of Saul Alinsky and the Ford Foundation, influencing an avoidance of antagonistic politics. Within this context, Alinsky's "corrective capitalism" steered the group away from targeting institutional landlords, and a lack of a broader strategy for addressing housing and credit inequality led them to focus on internal-focused projects such as housing development.[109] Despite

[106] Karen Ferguson, *Top Down: The Ford Foundation, Black Power, and the Reinvention of Racial Liberalism* (Philadelphia: University of Pennsylvania Press, 2013), 212.
[107] Harry Edward Berndt, *New Rulers in the Ghetto: The Community Development Corporation and Urban Poverty* (Westport, CT: Greenwood Press, 1977), 57, 90.
[108] For instance, the banker Theodore Cross, author of a widely-reviewed 1969 book on "black capitalism," wrote, "The solution lies in ignoring the propaganda of black militants and in doggedly pursuing the route of clear logic and justice: the forced injection of credit, risk capital, and entrepreneurial skills into the ghetto economy." *CDCs: New Hope for the Inner City* (New York: The Twentieth Century Fund, 1971), 117.
[109] Beryl Satter argues that Alinsky was increasingly focused on winnable campaigns, shifting targets away from more complex and entrenched interests. This included a focus on garnering resources, rather than hostility, from entrenched institutions and interests and an unwillingness to

the mythology of Black Power, they absorbed a more liberal or non-confrontational model of community organizing, one which the Ford Foundation had long worked to institutionalize. This set a path for future CDCs, who looked to be political players within the system, focused on internal institutional management. Without a broader social movement, they did not have the capacity to build power that could reshape the system. More importantly, I argue that we need to understand TWO and other groups' struggles for community control in the context of a devolving welfare state. Many who wished to increase equality for Black Americans saw the kind of "ghetto gilding" projects represented by TWO as insufficient for building a Black middle class at scale. This thinking guided policymakers at the Ford Foundation and HUD. They turned their attention to projects that sought to enable suburban homeownership for Black people.

The New Black Homeowner

Among the different approaches to overcoming residential segregation, many more moderate civil rights groups focused their ambitions on an explicitly integrationist approach. These groups often posed racial justice as a question of access to elite white spaces, with an emphasis on class mobility for Black Americans that eschewed social democratic agendas intended to overcome class inequalities. The integrationist model positioned the Black middle class as worthy of property ownership under existing housing policy. One major civil rights advocate of expanded homeownership opportunity was the National Urban League's Whitney Young. Young argued that the immediate goal of pragmatic legislation should be to enable those Black people seeking homeownership ready access to it. Young, as a benefactor of both Henry Ford and David Rockefeller, was also influential in the philanthropic circles increasingly financing civil rights organizing. In a speech given at a 1968 conference of the National Urban Coalition (a different group I address shortly), Young directed his comments as an attack on both Black Power activists as well as white liberals. He viewed both groups as trying to essentialize "Black identity," the former viewing Black people as separate from white society and the later viewing them as subjects to be reformed through welfare policy. His retort to the Black separatist approach to housing—which often argued for cultivating wealth and ownership within ghetto neighborhoods—was to note that, "Those who can afford to move out of the slums don't stay in the slums."[110] He argued Black Americans should follow the path of Irish and Italian Americans in achieving prosperity through integration in American capitalist society, rather than pose a defiant critique of it. His position was:

> What we are pushing for is an option. A Negro ought to have freedom of choice like anybody else. If he wants to move out into some of these sterile, white, bland neighborhoods, then he ought to have the choice.[111]

take on more complicated issues that were central to Black poverty. In the instance of TWO this involved steering the organization away from targeting local slumlords. Satter, 130.

[110] Urban Coalition Conference on Housing, MS659, Box 10, John Gardner Papers, Stanford University Special Collections.

[111] Ibid.

Though integrationists such as Whitney shared the community development focus on ethnic leadership development, here the goal was less poverty alleviation than repositioning Black Americans as rational economic actors in the same way whites were given such agency. Whitney's view of homeowner assimilation dovetailed with a pervasive liberal view of poverty among Black Americans as cultural, not as the product of a racist political economy. This was most widely portrayed in the Moynihan Report, which helped to advance a pathologizing of the deficiencies of the family structures of Black people. By this logic, the problems of Black urban poor people could be understood as distinct from those of middle-class Black people, but both would be offered the path to assimilation through liberal desegregation or community empowerment programs. Some of these programs offered grants to community groups, some of which, influenced by Black Power sentiment, would have been otherwise antagonistic to liberal racial governance. Whitney and the National Urban League's assimilationist argument would have an unspoken corollary effect in an age of welfare reform, which was already on Washington's doorstep in the late 1960s. It spelled trouble for those who could not afford the "choice" to move out of the ghetto, reflecting their "failure" to rise above poverty in a new era of policy and subsidies to increase homeownership among Black people. Whitney's position, and that of the League, reflected not just an ethnocentric view of poverty but also the outcome of decades of liberal fair housing organizing, which in some instances *purposefully* evaded emphasis of class in favor of race.

Fair housing activism was successful in painting racial discrimination as the main culprit for housing segregation, with legal protections as the basis of remedy. Fair housing activists often made the argument against segregation not strictly on racial grounds, but alongside liberal beliefs about the meritocratic benefits of homeownership. It should be noted that a strain of fair housing activism was oriented toward making the argument that suburban desegregation made good business sense, a line emphasized by liberal developers and architects. As historians of suburban desegregation such as Lily Geismer and Matthew D. Lassiter argue, fair housing activism was successful because it worked to conform to white suburbanites' views of meritocracy, not asking them to give up any of the privileges they had benefited from under segregation, such as in the case of two-way school busing programs.[112] In fact, under the meritocratic view, this suburban activism purposefully evaded acknowledging that whites benefited from segregation.

The logic of fair housing politics as a flawed but more moderate form of remedy was confirmed, for instance, by the comparative failure of one contemporaneous effort to create housing equality through an explicitly class-based, not racial, agenda. A multiracial group of poor women living in the South San Francisco Bay Area filed a lawsuit that sought to use the Fourteenth Amendment to assert housing discrimination

[112] Geismer, Lily. *Don't Blame Us: Suburban Liberals and the Transformation of the Democratic Party*. (Princeton, NJ: Princeton University Press, 2014); Matthew D. Lassiter, *The Silent Majority: Suburban Politics in the Sunbelt South* (Princeton: Princeton University Press, 2006).

based not on their race, but on their poverty. The target of their suit was a California law that prevented the creation of public housing by home rule. The case, Valtierra v. Housing Authority of the City of San Jose, represented a more significant challenge to the status quo because a ruling in the plaintiffs' favor could have been interpreted, anti-poverty activists argued, as *a right to housing* more broadly. In a 1971 ruling, the US Supreme Court essentially ruled against the idea that the Fourteenth Amendment could be exercised on the basis of economic discrimination, cementing the view that race was the basis of housing inequality, and that the *market* was allowed to discriminate on its own terms. As historian Aaron Cavin argues, the failure to extend rights discourse to housing was not reflective of reactionary conservatives and their opposition to public housing, instead, "it was simply the logical conclusion of liberal fair housing discourse."[113] California's deeply regressive public housing law, along with many other such laws on the books across the country, was left in place for the next fifty years even as racial discrimination was legally declared undone on the federal level in 1968.[114]

To fully understand the class dimension of the Black-homeownership policy push administered in the US by the 1968 housing laws, one has to look to the macroeconomic context policymakers dealt with as they worked to address what they saw as a main culprit: the lack of financial capital for low-income housing development. The reforms policymakers pursued to address this perceived problem (which took precedence over more fundamental action to remake previously segregated rental markets) would have damning implications for Black renters and would-be homeowners for at least a generation to come. The legal arena ultimately is not where housing equality was undermined. To understand how homeownership rights were shored up we need to understand the new role finance and ideas of the market would have in addressing the 1960s urban crisis.

Financing the New Black Homeownership

The late 1960s represented a shift in the US government's approach to mortgage financing, one which officials argued was necessary to address perceived inefficiencies in how housing is financed.[115] In 1966, a severe credit crunch drew investors out of mortgage markets and toward more highly profitable investment. This slowed all housing development. The lesson policymakers took from this was that ensuring adequate financial capital in housing markets was crucial. And the mortgage credit crunch compelled a much greater interest in the relationship between macroeconomic conditions and housing development. It caused consternation especially as federal officials

[113] Aaron Cavin, "A Right to Housing in the Suburbs: James v. Valtierra and the Campaign against Economic Discrimination," Journal of Urban History 45, no. 3 (2019): 441.
[114] California's public housing ban was finally repealed by a development-focused California statehouse in 2019.
[115] Historians Louis Hyman and Andrew Highsmith argue that early securitization of debt for secondary markets moved mortgage finance to a "supply-side" model, resulting in a scandal "shockingly" reminiscent of the subprime mortgage lending bubble of the 2000s. Louis Hyman, *Debtor Nation: The History of America in Red Ink* (Princeton: Princeton University Press, 2011), 59; Andrew R. Highsmith, "Prelude to the Subprime Crash: Beecher, Michigan, and the Origins of the Suburban Crisis," *The Journal of Policy History* 24, no. 4 (2012): 572.

continued to view new housing production as necessary to meet demand.[116] A full accounting of the changes to the government approach to housing finance—which involved significant changes in the functioning of agencies like Ginnie Mae—is beyond the scope of this dissertation. In the remainder of this chapter, I highlight the work of John G. Heimann, a Wall Street financier whose role as an advisor to the government and nonprofits on housing finance during this period illustrates many of the logics of "urban crisis" policymaking. Following a short consulting stint at the fledgling Department of Housing and Urban Development, Heimann was part of an effort by the National Urban Coalition, a novel kind of public interest organization working to spur Congress to address urban uprising, in part through housing reform.

In 1966, Heimann, then an investment banker at the Wall Street firm M. M. Warburg & Co., was appointed to undertake a study of mortgage credit by HUD's Secretary Robert C. Weaver, the first head of the agency President John F. Kennedy had created, and also the first Black cabinet member. Weaver had been among the more moderate of candidates for the post, which had been created as one of President Kennedy's capitulations to the civil rights movement. Heimann's study seems to have had an influence on the subsequent liberalization of mortgage lending and to have helped provide the basis for creating what became the Government National Mortgage Association (Ginnie Mae) and new statutes for the Federal National Mortgage Association (Fannie Mae). As the sociologist Sarah Quinn writes, the logic behind the new institutional arrangements was not to enable new kinds of investment from financial securitization of housing debt, but to remove the agency's debt from government rolls.[117] For Heimann, the experience provided a springboard for a flurry of speeches and reports he would give in the coming years centered around what he called a "revolution in housing finance."[118] That he found a broader audience outside of, and never again worked for, HUD speaks in some ways to the agency's creation just a few short years before President Richard Nixon all but shuttered public housing, a significant reversal after the late-1960s peak of some of the highest public housing production in US history.[119]

In 1967, Heimann gave testimony to the Senate's commission as part of a hearing on the impact of the 1966 credit crunch and the need to improve the government's approach to financing mortgage debt. The resulting legislation created the first mortgage-backed securities, creating the secondary market Heimann and many others in the private sector advised would stimulate more investment. Importantly, while Heimann posed these changes as pragmatic, he followed the liberal consensus view that saw them amid a wider range of government programs including rent subsidies. "I have been asked to testify as

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[116] The result was a dearth of mortgage investment necessary to keep up with demand, or as the Federal Housing Authority commissioner at the time put it, "our innovations and aggressive thrusts against blight and deterioration, our massive efforts on behalf of the needy will be lost without an adequate continuing supply of mortgages." Hyman, 224; see also Greta Krippner, *Capitalizing on Crisis: The Political Origins of the Rise of Finance* (Cambridge, MA: Harvard University Press, 2011), 69.

[117] Sarah Quinn, "'The Miracles of Bookkeeping': How Budget Politics Link Fiscal Policies and Financial Markets," *American Journal of Sociology* 123, no. 1 (2017): 48–85.

[118] In the subsequent decades Heimann would cycle in and out of government appointments, mostly at the Treasure Department under both Democratic and Republican administrations. He was only ever briefly involved in housing finance and, perhaps tellingly, found more influence in the late 1960s among private associations and as a consultant of the well-connected National Urban Coalition than during his short stint at HUD.

[119] See Biles, 130–138.

an investment banker," he said, "To some degree, I represent the financial institutions of the country which are not mortgage oriented, and have not been deeply involved in the subject." Heimann spoke of the need to draw in new kinds of investors, to make mortgage debt more easily and flexibly marketable. He argued that securitized bonds would allow creation of a more functional market, one which would "free" lending "from possible political implications."[120] He posed the problem as one of attracting investment:

> We must attract an increasing flow of capital investment funds into urban development. How to do it is a hydra-headed problem. And, certainly, there is no single solution—no panacea. In its simplest terms, we are dealing with corporation and household savings. The demands on these funds are enormous, and at certain times the competition to purchase capital becomes so intense that major dislocations occur in the overall economic structure. The housing industry has always been the poorest competition for these monies.[121]

The congressional panel focused largely on the structure of competing responsibilities among different agencies, and Heimman argued for HUD might best control all mortgage function. But this issues was secondary to the more dire need was to "woo private funds" into housing finance at a much greater scale.

This was the first Congressional testimony in a role Heimann would reprise in many subsequent crises when government officials turned to private financiers to provide solutions. In a speech to a national convention of mortgage bankers, Heimann urged them to think broadly about the crucial role housing played in the lives of low-income and middle-class households. He asked the bankers, "Should our commercial banking system undertake a major commitment to urban development [...] should banks be urged into mortgage investment [on a greater scale]?"[122] Heimann argued that housing finance was riddled with market inefficiencies and that, ultimately, "precious few dollars find their way into properties serving the moderate- and low-income families."[123] His comments detailed all of the ways that suburban investment was profitable whereas inner city housing was not. HUD, in Heimann's view, should focus less on financing housing *directly* and instead on how policy could guide capital investment to urban cores. He saw government expenditure on low-income housing as deeply ineffectual in this macroeconomic environment. For an economist like Heimann, then, the government's more effective role was in creating monetary policy to improve the flow of capital to the low-income end of the market.

Meanwhile, the urban uprising of the late 1960s forced much broader attention in Washington to housing. The fairly technical question of private sector investment in low-income housing would have remained a back-burner issue if not for the confluence of

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[120] *Hearings before the Subcomm. on Housing and Urban Affairs of the Comm. on Banking and Currency*, US Senate, 90th Cong., June 12, 26–28, 1967, 81–82 US Government Printing Office (Washington, DC: 1967), 189–191.
[121] Ibid.
[122] Address by John G. Heimann, at Urban America, Inc. Development Forum, January 17, 1967. MS 85/61C, Carton 54, Folder 6, Edgar F. Kaiser Papers, Bancroft Library, UC Berkeley.
[123] Ibid

crises, which prompted a variety of institutions and individuals, such as the Ford Foundation and David Rockefeller, to take an aggressive interest in large-scale reform. Both Henry Ford and Rockefeller were early advocates of the National Urban Coalition, and it appears the effort was an attempt at new kinds of policymaking on the part of the Ford Foundation in the radically charged civil rights environment. The Coalition had a unique approach which drew upon the affect of civil rights groups' grassroots organizing, while also using deep institutional connections to advocate for the use of that affect in certain new government financing programs. Founded in response to urban riots, the Coalition brought together civil rights leaders and mayors with prominent business leaders and federal officials. The organization worked to emulate the structure of other civil rights groups (such as the National Association for the Advancement of Colored People and the National Urban League) with local chapters and a national lobbying presence. While memos defensively argued that the group was "NOT a valve" against rioting, civic harmony was their basic major goal.[124] The organization charged itself with the "forging of links of voluntary collaboration between public and private sectors at all levels, Federal, state and local."[125] In this way, the Coalition reflected the ethos of the War on Poverty—which itself came out of the Ford Foundation's Gray Areas Program—and was certainly compatible with Alinsky's model of urban empowerment, or collaboration over confrontation. The conditions were ripe for a situation in which the Ford Foundation increasingly pushed philanthropic and non-governmental solutions to structural problems even as it was aware that these solutions were not adequate on the scale of the problem. In short, the Ford Foundation saw itself as operating in crisis mode and providing new models of collaboration between the nonprofit sphere and government. As one of Ford's major efforts, the National Urban Coalition represented a new kind of "public interest group," advancing the ideals of civil rights advancement while headed by a "big government liberal," John Gardner.[126] The National Urban Coalition's founding and institutional connections should be understood in a general context where political elites were concerned, as was the Ford Foundation, by the extremity of the urban crisis. David Rockefeller, for instance, was forceful in the need for an organization like the Coalition but increasingly concerned about the lack of both business community and impartial or "expert" opinion on a range of social welfare.[127]

The basis of Rockefeller's ideas for overhauling government's approach to the housing problem was his belief that, "If cities and states are to plan as effectively as corporations or ordinary citizens," they need to be able to finance long-range planning in ways not currently allowed. Arguing that corporations needed to take a more active role,

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[124] "The Urban Coalition: Accomplishments, Goals and Plans," John Gardner Papers, MS 659, Box 10, Folder UC 69-70, Stanford University Special Collections.

[125] Ibid.

[126] Legal scholar Steven P. Croley argues that liberal public interest groups, of which Gardner's Common Cause was emblematic, share an uncomfortable ideological overlap with rational choice theorists. Free-market ideological rational choice theorists envision society arranged less on discrete interest groups than around broader categories, such as consumers or white-collar workers. They envision "latent groups" who are not actually organized through any social institutions. This created a view of policy that was around creating ideal groups in society along these latent ideals, to maximize efficiency. Groups can be arranged not around discrete class interests but rather a moral concern and through the "political entrepreneurship" of civic leaders. Steven P. Croley, *Regulation and Public Interests: The Possibility of Good Regulatory Government* (Princeton, NJ: Princeton University Press, 2008) 33, 104.

[127] See Eric D. Peterson, "The Urban Development Corporation's 'Imaginative Use of Credit': Creating Capital for Affordable Housing Development." *Journal of Urban History* 45, no. 6 (November 2019): 6.

he saw much of the challenge arising from outmoded government policy:

> Cities are trying to plan ahead, but laws and regulations prevent this and they also discourage business and commerce and labor from making the kinds of socially useful investments we so desperately need. In a very real sense, these factors discourage business from being a good corporate citizen.[128]

For Rockefeller, the greatest example of this could be found in the “the rigid limitations imposed on the borrowing authorities of cities and states,” resulting in a situation where “cities and states are being discriminated against in the competition for money in ways that are socially backward.”[129] These limitations were, in Rockefeller’s words, the result of a “19th century legal framework,” which was not adequate for the kind of planning officials needed to address problems and promote future growth. Pointing out that cities and states had impeccable fiscal records—few had ever defaulted—Rockefeller suggested that liberalizing these laws would merely allow them to “have the right to participate in the market on a realistic basis.”[130] In this same speech Rockefeller reiterated his earlier support for the idea of a council composed of businessmen and legal experts, to be called the Permanent Study Commission on Constitutional Reform, which would undertake long-term planning to avoid the kind of costly “rush” policy initiatives created by public officials during moments of crisis, and that would abolish outmoded laws such as existing debt limitations.[131] His argument, though much more liberal and pro-government, echoes the sentiment of business leaders who were critical of large elements of the New Deal’s more social democratic origination. His arguments provided a basis for, or at least seemed in high accord with, the flurry of new public interest organizations that emerged in the era.

While the National Urban Coalition worked in a number of different policy areas, housing was crucial. It drew explicitly on the views and position of Whitney Young, a Coalition board member. The group has received no attention from historians of this era except as a stand-in for the pro-business Black housing agenda, discounting its role in advancing the very real civil rights argument behind homeownership. This is especially true of the Coalition’s work to advance more moderate branches of the civil rights movement. It worked, at least in its self-conception, in close concert with the ideology of the integrationist fair housing movement. The view Whitney Young articulated, of allowing Black Americans to take their place alongside other ethnic groups who had moved into the mainstream, was to be a central aim to address the urban crisis.

In Congressional testimony, John Gardner echoed Heimann’s views, arguing that much of the urban crisis could be said to stem from the fact that private industry was neglecting low-income residents. Meeting the vast housing goals Congress outlined with

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[128] “Address by David Rockefeller at 126th Anniversary Dinner, Buffalo Chamber of Commerce, Buffalo, New York, February 5, 1970,” Edward Logue Papers, Folder 3b-c, Box 271, Series IX, MS 959, Yale University Manuscripts and Archives.
[129] Ibid.
[130] Ibid.
[131] Ibid.

the 1968 Fair Housing Act, Gardner argued, "will require an increase in the amount of private mortgage financing flowing into the housing sector and into these programs, and an increase in the number of developers of low- and moderate-income housing."[132] One of his main concerns was the need to generate "up to eighteen billion dollars" in new mortgage capital, which was particularly challenging given a high rate of inflation that had enticed investors to move their money into more profitable lending ventures. Gardner also affirmed the view that it wasn't enough for Congress to create new subsidies enticing developers and banks into low-income housing, but that "additional incentives" are needed given that "investors and builders have many opportunities in other markets at less risk, with greater return." Gardner's comments in this respect echo those made by housing officials creating new national mortgage markets as part of the New Deal, when a variety of profit incentives (including a secondary market to ensure national liquidity) were essential for the creation of a well-financed mortgage market that officials also saw as "private capital for public purpose."[133] In a speech to a group of businessmen in Puerto Rico, Gardner urged them to pursue "social goals" not out of a sense of moral consciousness or self-flattery. Instead he argued it was in their "self-interest" to keep "society functioning." Conservatives, he noted, while critical of the federal welfare state, had long ignored the role of local government action:

> Nor have conservatives ever made it clear how the private sector, which is so highly fragmented, can pull itself together to cope with the great issues if the Federal Government stays out of those issues. And, in fact, the private sector has not even attempted to cope with most of the major issues. That is one of the reasons such issues have ended up in the lap of government. In other words, even conservatives have fallen in the habit of looking to Washington more than they should. Please understand that I am not opposed to big Federal programs. They are a necessity, and I have administered some of the biggest of them. But I know they can only succeed if state and local leadership and leadership outside government is vigorously coping with its own problems. […] No lesson has emerged more clearly in the past few years than the lesson that the nation functions best when vitality at the Federal level is linked to vitality at State and local levels and in the private sector. We must find far more effective ways of relating the Federal Government to state and local governments. We must find new and better ways of utilizing private enterprise to achieve social goals.[134]

Gardner's comments reflected a frustration with the inefficiency or perceived inefficiency of President Johnson's War on Poverty programs and a belief that welfare programs are only as effective as they are implemented, especially with the help of the

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[132] Remarks to the Young Presidents Organization, San Juan Puerto Rico, Friday April 5, 1968. JD Papers, M0659, Box 9 Folder UC 1968.

[133] Ibid.

[134] Ibid.

private sector. Not merely a call for public and private cooperation, Gardner's comments provided the moral justification for government efforts to compel private industry to invest in areas they had previously neglected. Gardner's comments in this respect echo those made by housing officials creating new national mortgage markets as part of the New Deal. As discussed in the introduction, it is important to contextualize how the rhetoric used to place housing in this frame has a long history reflecting housing policy as a proxy for policymakers to achieve other aims.

As architect and critic Susanne Schindler reflects, "Federal action in housing has been justified as a means to jump-start the national or local economy ("housing starts" and "household formation" remain key indices of how well the economy is doing), combat unemployment (through construction jobs, as in the New Deal), ensure public health ("slum clearance" in the Progressive Era), promote technological innovation (as in wartime experiments in prefabrication or new materials), or win Cold War battles against communism (homeownership)."[135] Behind all the ideological rhetoric of homeownership, policymakers like Heimann understood that low-income housing finance had to begin to function more like the Federal Housing Administration mortgage market if integrationists were to achieve their aims. To that end, over the course of the 1960s they engaged in a long series of market innovations in the supply side of financing. These ranged from minor tweaks that could have a big impact—such as allowing pensions to invest in housing bonds—to the first securitization of mortgage bonds—an innovation that directly presaged the subprime mortgage crisis. In this sense, the biggest tool they had was the indirect financing approach, drawing on the lesson of the off-the-books mortgage market to avoid the headaches of direct expenditure. The focus on market management, however, led to the issue that federal housing officials would be relatively distant, or only indirectly able to influence housing starts. This reflected an ideological view that they were merely creating incentives for the market, but, more importantly, that they were creating literal incentives, such that the FHA was insuring properties, paying all interest costs beyond 1 percent, to stimulate low-income housing production to meet more immediate needs. It was about the homeownership ideology but also about an idea that housing could eventually be a market. Reform to both affordable rentership and ownership programs focused on addressing the intertwined economic and political problems of market failure. Under the reforms, one tax attorney wrote, "affordable housing programs and the Internal Revenue Code [became] as intertwined as bagels and lox."[136]

Reflecting on the long-term implications of the 1968 HUD housing bill, one is struck by the effort to pump more money directly into production of housing in such a way that highlights the prioritization of developers versus poor renters and would-be homeowners.[137] This innovation would ultimately, however prove enduring over the coming decades, creating a policy focus on liquidity that led to an over-extension of subprime mortgage lending as part of the dramatic growth of the secondary debt

[135] Susanne Shindler, "Nine-or-so Housing Plans," *The Avery Review,* no. 42 (October 2019): https://averyreview.com/issues/42/nine-or-so-housing-plans.
[136] Edson, 204.
[137] See Taylor's entire 2019 book for evidence.

markets. Policymakers were responding to the rising specter of 1970s inflation, but also to a moral project of using finance to fix the ghetto housing crisis. In many policy debates about housing finance these two milieus were inseparable. The new financing scheme was about remedying the faults of the two-tier housing finance system to fold civil rights demands for equality into the marketplace. The Fair Housing Act was passed amid efforts to create new subsidies to entice more capital into low-income housing finance markets. New subsidy projects were for would-be mortgage holders and for developer to build low-income housing. This approach pointedly ignored the insights of other strains of the civil rights movement that noted that segregation was not a problem of *lack of capital.* In fact, many slumlords made outsized profits from segregation, and they often did so with FHA-backed financing. The HUD bill's pro-development approach did not add new regulations to the segregated market but continued to encourage low-income housing speculation in place of public housing development.

Conclusion

This chapter examined some of the responses to the urban crisis as it was understood in the context of racial housing segregation. Community development organizations such as The Woodlawn Organization emerged as much-vaunted vehicles for channeling Black Power ideology into a new model of inner city revitalization. Though portrayed as a bottom-up organization, TWO was profoundly shaped by its entanglement with Saul Alinsky's "corrective capitalism," on the one hand, and the Ford Foundation's community development ideology, on the other. Both of these projects, as well as the more general lack of institutional resources and ambivalent agenda of Black Power, led TWO away from antagonism with real estate interests, such as slumlords, and toward novel and, in the end, flawed self-help housing production. TWO's experience thus highlights many unresolved tensions within the community control movement, and prefigures some of the logics of the post–public housing system as it evolved, a subject described in greater length in Chapter 2.

Meanwhile, the integrationist approach of increasing homeownership among Black people presented both a pragmatic and an ideologically more palatable alternative to the structural problems accompanying urban regeneration. Though sometimes modeled on white ethnic integration, the integration of Black people was thought to be possible in a totally different political economic context, one of declining rather than expanding public power. Put another way, despite the wholly new political-economic context, as well as the persistence of white supremacy and logics of racial capitalism, the project of increasing homeownership in Black communities evinced a belief in the ability of Black people to follow the path of white ethnic groups. Debates on the efficacy of financing housing for low-income residents were posed as crucial to solving segregation at the very moment when federal budget-making was most in duress, meaning many of these programs of "empowerment" often served as window-dressing for the more structural inequalities left intact.

Chapter 2: Creating the Institutional Architecture of "Community Development"

If Woodlawn Gardens was—with its focus on community development and middle-class facades—a harbinger of the future, The Woodlawn Organization's bankruptcy highlighted just how far the CDC movement had to go before achieving widespread success in the 1990s. TWO's failure to achieve lasting power, even as it was held up in glowing profiles as an example of community organizing done right, reveals many of the limits of those who hoped to replace the federal government's role in urban redevelopment with nascent community groups. In the intervening decades, the work of making this vision a reality continued to be carried out by community groups and by other types of actors as well. This chapter looks to understand the role of other actors instrumental in the emergence of what is now sometimes called the community development "industry." This includes economic policy experts, real estate developers, and especially large-scale foundations and related "community development financing institutions." In particular, I examine the creation of new financing tools these actors helped innovate to address the funding shortfalls groups like TWO faced. Without groups like the Ford Foundation and the Enterprise Foundation, funding necessary to support community development groups would likely not have materialized. Economic historian Jonathan Levy argues that Enterprise and LISC, the Ford Foundation-created Local Initiatives Support Corporation, have essentially replaced the federal government as the majority-financier for affordable housing.[138]

To understand the shift to nonprofit administration of affordable-housing finance I first turn to a longer history of debates by a small number of policy experts over the most efficient way to produce low-cost urban housing. Officials at the Ford Foundation, in particular, contracted economists to suggest supply-side improvements to inefficient urban housing production. Economists built on the work of the federal government, collecting data on housing markets and studying suburban mortgage lending in order to make their arguments. It appears federal officials turned to economic expertise during the 1960s and early 1970s, in part as a way of mitigating controversy over reforms to welfare and other domestic government spending programs.

After examining these efforts, I examine the role of groups like the Ford and Enterprise Foundations in crafting the mechanisms that would address some of the problems economists diagnosed. These mechanisms culminated in the creation of the Low-Income Housing Tax Credit, or LIHTC, which today remains the dominant program for affordable housing finance. This chapter draws on the lessons of commercial real estate developers, their use of tax credits, and recent histories of policy failure in housing

[138] Jonathan Levy, "'From Fiscal Triangle to Passing Through: Rise of the Nonprofit Corporation,'" in *Corporations and American Democracy*, ed. Naomi Lamoreaux and William Novak (New York: Cambridge University Press, 2017), 238.

financing. As I detail in the Introduction, LIHTC's creation required coordination among developers and especially foundations connected to policymakers. LIHTC is only one of the many real estate financing techniques the government has turned to facilitate urban regeneration. Chapter 3 addresses the consequences of these practices in the context of post–Great Recession gentrification. But to understand why they came to predominate, I turn to the 1970s and 1980s efforts to address ongoing urban inequality in a new era of harsh public austerity. The twilight of 1970s stagflation and the neoliberal doctrine of the Reagan administration required the translation of private-sector innovations into the realm of public policymaking.

To understand these different developments, this chapter charts the thinking of specialists, who oftentimes lacked local development experience, in helping to create the frameworks of "community development" governance. One of these figures includes housing economist Louis Winnick, whose career from the academy to the Ford Foundation epitomizes the role technical expertise came to play in managing housing policy, especially after the collapse of New Deal coalitions in the 1960s. He was part of a generation of urban economists whose understanding of early urban deindustrialization, beginning as early as the 1950s, formed the basis of many theories of "community development" as a means to combat decline. Having spent the bulk of his career at the Ford Foundation, Winnick was perceptive of the decisive role nonprofits and specialists would come to play in an era of weakened federal urban housing policy. With his help, Ford pioneered the creation of foundations that would invest in community development, prefiguring action by the federal government to further institutionalize the practice.

Another figure who offers a lens through which we can understand federal housing policy devolution over this longer period of time is the famed developer James Rouse. He was first a successful suburban mortgage banker who would become an important influence on federal urban renewal policy, and finally nonprofit urban housing management. At each step, Rouse was keenly aware of the possibilities of government and market spending working in concert. In this respect his outlook differed from the limited-government orientations of some of his peers. It was not until the moment of forceful defunding of urban renewal that Rouse fully embraced the use of private real estate practices for urban regeneration, leveraging not private investors and financial markets, but the resources of some of the country's largest and most connected philanthropic donors. While the history of the community development movement focuses on the role of community groups, the lack of attention paid to the movement's institutional framework obscures the larger politics and political economy at play. By telling the story of community development through a history of its financing institutions, my aim is to show that many of the key players posed the problem of urban decline as one to be addressed through, in this instance, rationalizing investment markets in urban housing.

Economists and the Rationalization of Urban Housing Policy

In order to understand the transformation of subsidized-housing finance which took place from the 1960s onward, I first examine the growing influence of economics and nonprofit research in postwar housing policy. Attempts to remedy economic instability through the New Deal led, especially in housing, to warring economic ideologies such as the aggressive Keynesianism of the Public Works Administration versus the free-market corporatist approach represented by the Federal Housing Administration. The New Deal era of expanding government administration did not lead to a singular administrative approach; rather, it had the effect of greatly expanding the presence of economists on government payrolls and, over time, lead to the absorption of their methods throughout the federal government. Economic sociologist Marion Fourcade writes that in the United States, "government action has been intertwined with the development of economic theory and methodology."[139]

One lasting implication of the New Deal bureaucracy has been the creation of national housing data. Economists called on this data in their arguments for government action to stimulate housing development.[140] In the years after the 1940 census inaugurated the collection of housing data, "The dimensions of the housing deficit, its shifting nature and composition, the shrinkage over time, and the persistence of stubborn residuals were illuminated as never before." Even if the New Deal was intellectually heterogeneous, the data its programs collected helped, over time, entrench economists and social scientists within federal policymaking. In the mid 1950s, the Ford Foundation and the Regional Planning Association commissioned the economists Raymond Vernon and Edgar Malone Hoover, through the Harvard School of Public Administration, to undertake a sprawling study of urban real estate with the broader New York metropolitan area as case study. The resulting *An Anatomy of a Metropolis*, examined changing land-use patterns from New York's urban core to the edge of far-flung suburbia. The study honed in on the impact of early urban deindustrialization, with the authors coining the term "grey areas" to describe transitional working class areas on the brink of becoming slums.[141] Vernon, who later shaped modern economics through his theories of the "product life cycle" and investment strategies driving globalization, is credited with developing the concept of the real estate life cycle. In the postwar era, American economics was dominated by an institutionalist school of thought oriented toward research conceived broadly as being for the purposes of societal reform, and Vernon's work exemplified the institutionalist impulse toward systematic collection of data as a source for governmental action.[142] In the words of economist Louis Winnick, later an influential voice in Ford Foundation's urban affairs programs, Vernon's work was one of the very few academic inspirations for Paul Ylvisaker as he worked to make the Grey Areas Program an action-oriented rather

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[139] Marion Fourcade, *Economists and Societies: Discipline and Profession in the United States, Britain, and France, 1890s to 1990s* (Princeton, NJ: Princeton University Press, 2009), 116.

[140] Louis Winnick, "The Triumph of Housing Allowance Programs: How a Fundamental Policy Conflict Was Resolved," *Cityscape* 1, no. 3 (September 1995): 104.

[141] Focusing on the wider impacts of deindustrialization across the New York metropolitan area, Vernon noted the growing mismatch between jobs still concentrated in the core and population dispersal beyond. Among the spatial divides he also notes the emergence of "new slums" in the core, populated by Black Americans and immigrant Puerto Rican populations. Edgar Malone Hoover and Raymond Vernon, *Anatomy of a Metropolis: the Changing Distribution of People and Jobs within the New York Metropolitan Region* (Garden City, NY: Doubleday, 1959), 13–16.

[142] Fourcade, 67.

than research-based initiative at Ford.[143]

Vernon's work presaged what would grow into consensus that urban investment needed to be rationalized to address the impacts of urban decline. As early as the 1920s, the National Association of Real Estate Brokers (NAREB) formed the Urban Land Institute intended to be a clearinghouse of strategies for applied real estate concepts in economics departments (the strategies consistently took inspiration from the lessons developers learned from the success of suburbanization).[144] These efforts largely focused on real estate professionalization efforts. Winnick argued that in the postwar years, the federal government's new sources of housing data proved a boon for academic research in the 1950s:

> From the cumulating databases on housing and households, scrubbed, squeezed, and scrutinized from every angle, dawned a widening understanding that inadequate income, not substandard housing, was fast becoming the core problem of the housing-disadvantaged. The same years also witnessed an impressive advance in levels of scholarship. A circle of accomplished academic analysts formed around housing and its correlate research domains, many of them the leading lights of prestigious universities and think tanks. The prowess of that circle stood in marked contrast to the prewar period when housing research was largely the province of schools of social work and architecture, not generally well endowed with theoretical models and modern statistical tools. During the Fifties HHFA undertook to promote housing market analysis as a respected branch of the economics discipline, then and now conceded the monarch of the social sciences, the discipline nearest to the physical sciences. But success was mixed. The economics departments of elite universities, apt to regard applied urban research as intellectually "messy and soft" and a subject better left to the demimonde of scholarship, resisted the bait. "To suggest the word urban before economist," said one disdainful economist, "is to suggest the word horse before doctor."
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> […] From these founts flowed a rich stream of research about the economic travails of public housing: the first national study of the filtering process (the chain of events triggered by the move of the more affluent into new housing, leaving a succession of dwellings behind for the less affluent); price and income elasticities; and, significantly, the application of cost-benefit analysis to test the efficacy of alternative forms of housing subsidy. Cost-benefit analysis proved more productive in ascertaining comparative costs than maddeningly elusive benefits. . . .[145]

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143 Louis Winnick, "The Urban Setting and Intellectual Influences" in *Inventing Community Renewal: The Trials and Errors that Shaped the Modern Community Development Corporation*, ed. Mitchell Sviridoff, (New York: Community Development Research Center, New School University, 2004), 105–106.
144 Stevens, 73.
145 Winnick, "The Triumph of Housing Allowance Programs," 104–105.

Studies on the efficacy of housing finance policy, armed with increasingly available data, therefore reflected the increasing macroeconomic orientation of the economic profession.

Ford again took a leading role in funding applicable research, publishing the 1958 *Rental Housing: Opportunities for Private Investment*. Written by Winnick, then an academic economist known for his writing on mortgage markets, this publication offered an important insight into the financing problem in affordable housing production.[146] Winnick pointed out there were inherent issues in attracting capital to the area given how poor the investment prospects were compared to comparable investments in suburban housing, with their ironclad FHA security. But the bigger problem in this arena, he argued, was that "the absence of an institutionalized public market for the ready sale of rental housing equities is one of the rental markets [most] serious handicaps."[147] This was the crux of his argument: equity investment in urban real estate was much more expensive compared to the standard investment opportunities offered by stocks and bonds. "More and cheaper equity capital would increase the volume of building," addressing housing shortfalls. Though Winnick viewed the developer as the most crucial actor in the process, "risk capital" and "the equity investor's entrepreneurial role is important because it demonstrates evaluation and planning for opportunity." By the late 1950s there were only early signs, such as "the creation of a syndicate" and increased reliable information for investors, that "a broader market for capital [was] being tapped."[148] Winnick argued that government urban renewal policy (with government as a "passive agent") was succeeding only marginally in its goal of increasing equity investment. His arguments had similar implications to those of the conservative economist Martin Anderson, whose criticism of government spending on urban renewal policies was disseminated in the widely read 1964 pamphlet, *The Federal Bulldozer*. But by contrast, Winnick's arguments were politically dispassionate. He offered what came across as a neutral accounting of strategies for capital formation and the role of government in their facilitation. Winnick's ideas about the challenges of equity conformed to mainstream ideas around "constrained optimization."[149]

In *Rental Housing: Opportunities for Private Investment* the economist identified, at this every early date, the problem developers faced in marketing investment in below–market rate housing. It was difficult for nonprofit groups to "self-promote" their work to investors; they usually ended up paying an outside entrepreneur. "The most conspicuous examples of self-promotion are ventures organized by the United Housing Foundation," he noted, which ran "a competently managed consumer hospital with a paid professional staff and access to capital."[150] UHF, overseen by labor leader Abraham Kazan (as described in the Introduction) was the developer behind the massive housing complex Co-op City. The Bronx project was built though collaborative financing with New York

[146] Robert McMaster and Craig Watkins, "The Economics of Housing: The Need for a New Approach" (working paper, presented at International Real Estate Society Conference, Kuala Lumpur, 1999), 2.
[147] Louis Winnick, *Rental Housing: Opportunities for Private Investment* (New York: McGraw-Hill, 1958), 100.
[148] Winnick, *Rental Housing*, 100.
[149] Fourcade, 92.
[150] Winnick, *Rental Housing*, 88–89.

State and was the product of New York City's uniquely forward-thinking approach to subsidized housing development. Winnick's comments presaged actions taken in the 1960s to fix many of the problems he diagnosed through a host of new federal programs intended to create a supply-side approach to housing finance.

It was not until the Kennedy and Johnson administrations broke from a dominant strain of pro-laborist Keynesian economics (especially among Democratic administrations) that the executive office began to entertain the kind of thinking promoted by Winnick and his ilk.[151] Kennedy's administration, with the Department of Housing and Urban Development, looked for new means to expand low-income housing development, and increasingly turned to the private sector. As detailed in Chapter 1, one seemingly influential guiding voice in this shift was John Heimann. An investment banker by trade, Heimann was lured to Washington to serve as a consultant to the Department of Housing and Urban Development on mortgage capital. He authored a 1966 study for HUD that led to the creation of the Government National Mortgage Association (Ginnie Mae) and new statutes for the Federal National Mortgage Association (Fannie Mae). Ginnie Mae was created explicitly to increase the pool of capital in low-income mortgage lending. Heimman noted all of the ways that suburban investment was profitable whereas inner city housing was not. HUD, in Heimann's view, would achieve its greatest success not by financing housing directly, but instead by developing policy to guide capital investment to urban cores. He saw government expenditure on low-income housing as deeply ineffectual in a macroeconomic environment. For an economist like Heimann, then, government's most effective role could be in creating monetary policy to improve the flow of capital to the low end of the market.[152]

Perhaps the best example of the changing attitude of government around housing policy was the gradual shift toward rent vouchers. The first voucher programs were launched under Kennedy and eventually became the government's signature affordable housing program, with the defunding of public housing subsidies, under Nixon. The Experimental Housing Allowance Program (EHAP), enacted by the 1970 Housing and Urban Development Act and administered by HUD, was a series of demonstrations of the efficacy of vouchers as an alternative to housing production.[153] A vogue of "natural social experiments" in a number of different areas in the 1970s reflected a turn to nonpartisan scientism in the wake of controversies around Great Society welfare programs.[154] As Winnick notes, the first voucher programs were actually proposed in the depths of New Deal debates by the real estate lobby who proposed it Congress as an alternative to public housing. [155] At the time, building-trade interests hopeful about employment from the direct subsidy of new public housing, and conservative senators skeptical that vouchers

[151] Fourcade, 108.
[152] John Heimann to John Gardner, May 19, 1969, MS659, Box 11 Folder UC 1968-1969, John Gardner Papers, Stanford University Special Collections.
[153] Winnick, "The Triumph of Housing Allowance Programs," 106.
[154] Fourcade, 113.
[155] Winnick argues that the Wagner Act attracted votes of pro-business conservatives (namely, Ohio Senator Robert A. Taft, who shared the criticisms of the voucher) amid the rush for counter-cyclical government spending in the Great Depression. Winnick, "The Triumph of Housing Allowance Programs," 102.

might be a landlord subsidy, instead approved government housing subsidies under the Wagner Act.[156] The 1970 launch of EHAP reflected an increasing skepticism of new production programs, and had a basis in hegemonic economic rational-choice theories that, by matching renters and landlords in the private sphere, a natural equilibrium of market forces would solve problems government could not solve through guided development or subsides. The "experiment" launched in 1973, running for three to five years in twelve cities considered "representative" of urban housing stock (such as Phoenix, Arizona; Greenway, Wisconsin; and Salem, Oregon) and among thirty thousand households. The results were interpreted in various different directions, and criticized for low participation rates, though some analysts focused on the finding that poor participants were more effective at finding cheaper housing than that produced by government subsidy.[157]

In light of the controversies surrounding government programs, including traditional public housing and HUD subsidy programs, housing vouchers were a relatively safe bet. Importantly, they were politically noncontroversial, with appeal across a somewhat broad ideological spectrum. Though congressional Democrats were long opposed to the voucher approach, Winnick writes that leading economists of traditionally Democratic think tanks were in comfortable alliance with the leading lights of traditionally Republican think tanks—both were in favor of market-based solutions.[158] Winnick further points out that while vouchers are most frequently cited as the preferred solution of ideologues, they were in fact embraced by inner-city community groups. He writes that that policy and economic experts were,

> Dwarfed by far greater numbers of inner-city revivalists, community development corporations (CDCs), and neighborhood preservation organizations. They appreciate the voucher's inherent virtues—as lure and safety net—in upgrading the housing of their territorial constituents with minimal or no displacement. They, too, plead for more.[159]

In this way, vouchers appeared acceptable within a longer history of a social-scientific approach to community development which matched, however opaquely and asymmetrically, community organizing with broader macroeconomic policy imperatives.

Meanwhile, community groups also benefited from the Ford Foundation's 1968 innovation of a new funding line, "program-related investments." Attributed to Winnick himself, along with Yale law professor Jonathan Simon, the idea was to replace grants to groups with loans, allowing foundations to increase funding without depleting endowments. Winnick is said to have pitched the idea to Ford "after reviewing a proposal to help minority youth rehabilitate a tenement building."[160] Prefiguring government action to use tax credits to spur low-income housing investment, such an innovation

[156] Winnick, "The Triumph of Housing Allowance Programs," 102.
[157] Winnick, 109.
[158] Winnick, 96.
[159] Winnick, 98.
[160] Oliver Zunz, *Philanthropy in America: A History* (Princeton, NJ: Princeton University Press, 2014), 218.

appears to have been meant to address Winnick's earlier observation that what nonprofit housing developers needed most was the "risk seeking" strategies of lenders able to invest large sums in equity capital to groups. But here, the equity came not from normal investors but a novel one, philanthropic foundations, again presaging future government-encouraged practices. In this way, drawing on the long history of "grey area" initiatives, non-governmental program administrators came to play an outsized role in providing what were increasingly seen, in the post–War on Poverty context, as non-partisan solutions. As detailed below, the practical application of economic and private development expertise would play an even greater role in creating government programs in the wake of government retrenchment throughout the 1970s.

The Tax Shelter Solution

Economists' preferred solution of vouchers was accepted by policymakers, Louis Winnick aruged, not for ideological reasons. Instead they were driven by the circumstances that led to the defunding of public housing as part of a shift away from new production to supply-side subsidies.[161] Again, this comports with Heimann's urging that HUD would be more effective focusing on macroeconomic policy rather than trying to finance the construction of housing itself. As part of this broader shift, policymakers continually identified, following the recommendations of economists, the need to emulate the mortgage financing solution for urban housing markets. One form of capital that allowed for syndication, or the ability to resell a debt on the national market, creating liquidity, came from an unlikely source: the tax code. Throughout the twentieth century, the tax code was a crucial means on codifying and luring investment in real estate, reflecting ideas of the life cycle of the building as part of capitalist investment. Beginning in 1909, the federal tax code enshrined the ability to write off building depreciation, codifying nineteenth century notions of the threat that economic wear and tear played as a risk to financial investment, only here applied to buildings rather than machinery.[162] Architectural historian Daniel Abramson argues that ideas of "obsolescence" are unique to the United States both in terms of how they are employed in a capitalist approach and in terms of how they shape cultural perceptions of the built environment. This is apparent in how The Chicago School drew upon ideas of urban degeneration and made them almost synonymous with racial urban migration, a logic that is also reflected in FHA mortgage-underwriting manuals.[163]

Tax valuation was an important part of the postwar growth regime, and by the 1960s it emerged as a site of political contestation. By then activist groups and vulture capitalists alike were keenly aware of the political stakes of tax assessment helpful to stabilizing some areas over others. Historian Andrew Kahrl details Black community activism in a broader schema of overtaxation of homeowners in the "ghetto," and predatory blockbusting and contract homeownership practices. At the nadir of Chicago's

[161] Winnick, 96.
[162] Daniel M. Abramson, *Obsolescence: An Architectural History* (Chicago: University of Chicago Press, 2016), 15, 20.
[163] Abramson, 44.

urban crisis, slumlords were working with financiers to resell tax liens—the unpaid tax burden on a property—to dispossess poor homeowners and amass properties for almost no money. [164] A common point of contention for activists was the persistent overvaluation of urban residential properties concomitant with the undervaluation of commercial real estate in central business distrincts. One eye-opening study of the prevalence of this practice in New York City found that hundreds of millions of dollars of commercial real estate tax monies had been underrepresented or uncollected in the years leading up the city's 1975 bankruptcy.[166] These incidents illustrate the often-covert power tax valuation practices had in shaping urban inequalities on both a metropolitan scale and within the boundaries of individual cities.

The possibility of reforming the tax code to offer investors a tax shelter was just one among several changes government policymakers pursued in the 1960s as they sought to lure new institutional investors into urban real estate. For liquidity, they looked to tap the life insurance industry's huge capital reserves, liberalizing investment in large-scale mortgages. Between 1945 and 1964, total life insurance industry assets tripled, growing from $44.8 to $149.5 billion, with its holdings in buildings with more than four housing units growing by 80 percent.[168] Life insurance's entrance into urban mortgage lending helped pave the way for large-scale institutional investment; but life insurance in particular was insulated from risk by its large reserves and also its ability to generate financial expertise in internal real estate departments. A 1984 survey of major institutional investors in real estate noted that pensions were increasingly investing in real estate, but that the scope of commercial mortgage investment far outweighed residential mortgage investment—demonstrating that commercial mortgages were still thought to be more stable than residential mortgages.[169]

More government action would be needed to minimize the many risks inherent in urban residential lending. The late 1960s urban crisis had forcefully compelled officials to start thinking about how financing and tax policies in the aggregate led to systematic urban disinvestment. While redlining would eventually be viewed as the most obvious problem, it was only one factor and one which did not explain the more subtle problems with tax policy. While redlining helped explain brute discrimination, fair housing legislation, as noted, would not alone entice investment. As examined in Chapter 2, the urban uprising of the later 1960s compelled some of the first changes to this system, by ushering in subsidy programs Section 235 and 236, but also forced changes on the valuation side. These changes to the tax code essentially allowed elements of the tax code which allowed for depreciation of commercial real estate to now apply to affordable housing. As Charles L. Edson, a lawyer specializing in affordable housing and taxation, wrote of the changes, "Syndication firms quickly jumped into the business of attracting investors who needed tax shelters." Edson, writing several decades later, indicated that

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[164] Andrew W. Kahrl. "Capitalizing on the Urban Fiscal Crisis: Predatory Tax Buyers in 1970s Chicago." *Journal of Urban History* 44, no. 3 (May 2018): 382.

[166] Kim Moody, *From Welfare State To Real Estate* (New York: New Press, 2007), 58–62.

[168] Stevens, 101.

[169] James R. Webb, "Real Estate Investment Acquisition Rules for Life Insurance Companies and Pension Funds: A Survey," *Real Estate Economics* 12, no. 4 (1984): 518.

this was one of the first instances where the Internal Revenue Service's powers were recognized as a huge boom to affordable housing finance. The IRS's role in housing finance was solidified with several new tax laws that treated existing affordable housing more like typical new real estate, targeting buildings financed through the sections 235 and 236 specifically. Other important introductions to tax law included rapid depreciation, the ability to deduct construction interest, and a five-year write off of expenses for rehabilitation purposes. Also, "liberalized recapture rules, and a rollover of gain if a 236 project is sold for low-income home ownership."[171] "Indeed, proceeds from equity," Edson writes, "were the engine that made Section 236 and Section 8 successful programs and the Internal Revenue Code were as intertwined as bagels and lox."

If subsidy programs like Section 236 were, in the end scrapped, the tax valuation changes proved more enduring. The logic of this innovation has been mirrored in the broader economy. Tax sheltering grew in importance as firms shifted away from the normative mode of profit-making from "return on investment" (ROI), historian Jonathan Levy writes. Firms instead began emphasizing a return on equity or assets they hold (such as real estate). This lead to new strategies for avoiding taxation to increase equity, such as the creation of "pass throughs" like REITs, where shareholders and individuals in the trust are taxed but the shell corporation is not.[172] Finally, these crucial changes to the tax code were in part driven by the need not only to accelerate new construction but also by a recognition of the increased role that historic preservation was playing in "slum regeneration." Abramson argues that adaptive reuse and historic preservation, two trends of the 1960s, are "counter-architectures" of obsolescence, in that they seek to modify the dominant logic of urban capitalist investment.[173] They also reflect a move to reform discriminatory tax evaluation so as to be available for investment. The next section addresses how community development policy advocates, including those described above at the Ford Foundation and elsewhere, turned to the innovation of tax syndicates to create a more permanent funding source for new housing production.

Creating LIHTC

Over the course of the 1970s, government retrenchment produced a vacuum of affordable housing monies. Enterprise, which is today one of the largest CDFIs, or Community Development Financing Institutions, emerged out of an auspicious 1970s collaboration between a Black church group looking for financing and the famed developer James Rouse. Rouse is today best known for developing Boston's popular Faneuil Hall and a string of other early "festival marketplaces." He can be grouped with a generation of real estate developers who kept their feet both in lucrative postwar suburban development as well as urban renewal projects in postindustrial cities like his native Baltimore. Rouse's work was part of a greater strain of civic-mission-mind real estate development. Active in

[171] Charles L. Edson, "Affordable Housing: An Intimate History," *Journal of Affordable Housing & Community Development Law* 20, (2010): 204.
[172] Levy, Jonathan. "'From Fiscal Triangle to Passing Through: Rise of the Nonprofit Corporation.'" In *Corporations and American Democracy*, Naomi Lamoreaux and William Novak ,Eds, (New York: Cambridge University Press, 2017) 236.
[173] Abramson, 127.

politics, he was a devout, if nonpartisan, liberal. A native of Maryland's Eastern Shore, the mortgage-banker-turned-developer followed in the footsteps of his father, who started a mortgage lending company in 1938. By the close of World War II, the younger Rouse was active in Baltimore political circles, as described by one biographer, "using his business as a base for involvement in other activities."[174] Rouse's persistent mixing of business with political ventures was enabled in part by the nature of his success as a developer of novel kinds of commercial urban projects. He took his success with suburban mall development in a very different direction with the renovation of Faneuil Hall, the first blockbuster "festival marketplace." Rouse, who identified as a Democrat his entire life, was skilled at currying favor with nearly every American president elected in his lifetime, from Eisenhower through Clinton.

Rouse's interest in community development was spurred in the 1970s when he was approached by a group of women from the Church of the Savoir in the Adams Morgan neighborhood of Washington DC to get advice on purchasing and rehabilitating dilapidated apartment buildings. According to a posthumous radio profile of Rouse's lifework, he "thought [they] knew nothing about development, money or building could not possibly create low-income housing." Despite his skepticism, he helped the group obtain over six hundred thousand dollars of financing to purchase 90 units of housing, with the church women coordinating a sweat equity volunteer effort to restore the buildings, which, according to the radio profile, were saddled with "nine hundred code violations."[175] The group named the housing venture Jubilee Housing Corporation. According to one of his biographers, Rouse frequently retold this story as his reason for founding what was at the time was a novel institution: a corporation designed to finance low-income housing development. The Enterprise Foundation was actually a dual entity, as described by Rouse: "I had two objectives and they fit very well. One was to do something about housing for the poor, and the other was to use the real estate development process to create a flow of money for a social purpose."[176] In this way, Rouse, a devout cold warrior, consistently demonstrated his commitment to using the tools of free market capitalism to temper its ill effects.

In launching a foundation to aid inner-city groups, Rouse drew on experience in local and federal politics which included decades of involvement in urban renewal policy. In the 1940s and 1950s he was involved in a project spearheaded by Baltimore city leaders, "the Baltimore Plan," which was intended as a campaign to promote voluntary code enforcement and community self-help. Imagined as a collaboration between landlords, tenants, and the city, civic leaders hoped to provide an alternative to more aggressive urban renewal tactics, and in so doing demonstrate that the private sector could rehabilitate slums without more drastic intervention. [177] As Nicholas Bloom points out, the National Association of Home Builders propped up the success of the campaign as an

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[174] Joshua Olsen, *Better Places, Better Lives: A Biography of James Rouse* (Washington, DC: Urban Land Institute, 2003), 197.

[175] "James Rouse, 1914-1996: Developer Who Found New Ways to Improve Cities," radio program, Voice of America, accessed February 27, 2020, https://learningenglish.voanews.com/a/james-rouse-1914-1996-he-built-columbia-maryland-a-planned-city-near-washington-dc-114857219/112498.html.

[176] Quoted in Olsen, 298.

[177] Nicholas D. Bloom, *Merchant of Illusion: James Rouse, America's Salesman of the Businessman's Utopia* (Columbus, OH: Ohio State University Press, 2004), 97.

alternative to public housing in magazine articles and a promotional film.[178] Rouse drew on his banking experiences, and is described as "instrumental in creating the Fight Blight Fund [which worked to] to get homeowners linked up with lenders."[179] Despite his prominent role in the project, Rouse, who frequently expressed support for the role of government's role in housing regulation and even (limited) public housing ownership for proper market functioning, quit over frustrations that the program gave cover to slumlords who persistently shirked accountability.[180]

Beginning with Eisenhower, who appointed him to a federal commission on urban renewal, Rouse worked closely with presidents of both political parties, fostering relationships with both the political class and the business elite. Rouse's Enterprise, which married politically-savvy development expertise to community-initiative groups, was seen as more potentially success than other public–private ventures before it. Time Inc. CEO Andrew Heiskell reflected on his involvement in several similar foundations, from ACTION Inc., to Urban America Inc, to the short-lived Urban Coalition, where "we learned that we could not impose solutions on communities."[182] Heiskell was a crucial early supporter of Rouse, and was helpful for recruiting nonprofit leaders like ex–Urban Coalition chief John Gardner for Enterprise's board of directors in the organization's infancy.[183] Where the Urban Coalition practiced a more blatant form of politicized astroturfing, Enterprise was positioned as offering legitimate assistance to community groups, aiding agendas rather than setting them.

When speaking of Enterprise's work, Rouse often positioned it as merely facilitating the work of community groups already on the ground. In this portrayal, he positioned philanthropy as politically neutral in its aim for efficient solutions. Rouse's biography is a document of the attitude and experience of self-described liberals in an era of shrinking government programs. He was increasingly skeptical of traditional government solutions. Unlike government-directed programs, new public–private initiatives reflected "initiative and creative[ness] and resourcefulness that wasn't happening before. We had become so dependent [on federal spending]."[184] Rouse was enthusiastic about the creative possibilities offered by new formulations of market action to facilitate the needs of community groups under the specter of faltering government programs.

As the federal government scaled back the large programs underpinning subsidized housing development, Rouse, along with others, recognized the need for private-market funding delivered on a much larger scale.[186] In 1978 the Ford Foundation jumpstarted its

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[178] Ibid.

[179] Paul Marx, *Jim Rouse: Capitalist/Idealist* (Lanham, MD: University Press of America, 2008), 51.

[180] Marx suggests that by then end of his time working on the Baltimore Plan in the 1950s, he recognized the real limitations with an affordable housing plan backed by real estate as an alternative to the development of public housing Marx, 51–52.

[182] Quoted in Olsen, 299.

[183] Though supportive of Rouse's effort, Gardner was adamant that Rouse abort his original plan to name Enterprise "the Robin Hood Foundation," a name that might have antagonized the business leaders that the group would need to solicit capital from. Marx, 190.

[184] Bloom, 97.

[186] Given that Ford was simultaneously creating LISC, one of Rouses' primary challenges was the potential of competition from the largest foundation in the country. He found several foundations interested in investing in Enterprise that were unwilling to write a check until Ford signaled support of Enterprise. What Rouse lacked in longstanding relationships with philanthropists, which underwriting foundations viewed as prerequisite, he compensated for with longstanding political connections. After months of meeting with various members of the Rockefeller family, Rockefeller foundations got on board, and soon a call from the Ford Foundation yielded an offer of $2.5 million in startup funds. Olsen, 199

own community development financing initiative: the Local Initiatives Support Corporation, or LISC. Among its primary advocates at Ford were community development boosters Mitchell Sviridoff, Louis Winnick, and Sol Chafkin, who authored an internal memo entitled "Communities and Neighborhoods: A Possible Private Sector Initiative for the 1980s."[187] Sviridoff recounts an early conversation he had:

> I pointed out that the Federal government was retrenching in this area anyway, and would probably continue to retrench. So why don't we take the initiative, and list corporate involvement with the Ford Foundation in a significant partnership for community development, with unrestricted matching money from the corporate community.[188]

Unlike Rouse, Sviridoff had a deep history in community development, having piloted Ford's first Gray Areas demonstration program, as a political appointee of New Haven's Mayor Richard C. Lee. After having given extensive input in the drafting of Johnson's War on Poverty legislation, Sviridoff was approached to run Community Action Program but turned it down over concerns that the federal government was not actually interested in community participation.[189]

The federal infrastructure for tax syndication of affordable housing first emerged alongside the 1968 housing reforms, but was crucially tied to the separate tax reform bill of that year. Charles Edson writes that following a number of changes to the tax code, "Syndication firms quickly jumped into the business of attracting investors who needed tax shelters."[190] The big breakthrough for Enterprise and LISC was the codification of tax depreciation for affordable housing in the Tax Reform Act of 1986with enough flexibility and incentives to attract liquidity. Enterprise, along with the Ford Foundation, had launched an aggressive lobbying effort to ensure that the concept of tax-write-off depreciation was included in the new tax bill. In Edson's telling,

> All this [potential for new housing finance] came to a crashing end when Congress enacted the Tax Reform Act of 1986. Congress's overriding intent was to eliminate tax shelters that permitted wealthy individuals to escape paying taxes altogether while lowering the basic tax rate to 28 percent. However, in so doing it created a new and better shelter for affordable housing - the Low Income Housing Tax Credit. Although skeptics at first doubted that it would work, LIHTC has proven successful beyond its sponsors' wildest dreams.[191]

As with the HUD Act of 1968, the aspects of LIHTC that seemed to most excite some

[187] William P. Ryan, "Bedford-Stuyvesant and the Prototype Community Development Corporation" in *Inventing Community Renewal: The Trials and Errors that Shaped the Modern Community Development Corporation*, ed. Mitchell Sviridoff (New York: Community Development Research Center, New School University, 2004), 99.
[188] Ryan, 99.
[189] Ryan, 99.
[190] Edson, 204.
[191] Edson, 205.

political leaders were those tied to creating low-income homeownership. Republican HUD secretary Jack Kemp extolled this aspect of the policy alongside his longstanding interest in "enterprise zones" and abolishment of a capital gains tax in "greenlined areas." The design of the LIHTC program aimed to make it compatible with homeownership for families using rental assistance.[192] To this end, Kemp pointed to using the bill to allow nonprofit developers to structure developments so that they could be converted from rentals (the baseline tenure structure for LIHTC-funded units, with rents used to pay back investors) into privately-owned homes for low-income buyers. Despite this vaunted aspect of the program, of the more than two million units of housing LIHTC subsidizes, it seems unlikely that more than a few thousand are owner-occupied.[193] Instead, it appears that, as in 1968, the homeownership ideal was, at least for conservatives like Kemp, a rhetorical device meant to align a highly technical approach to financing rental housing with the broader political project of homeownership.

The passage of LIHTC required policymakers to grapple with several implementation issues, such as how to target low-income beneficiaries and how to ensure the program's attractiveness to investors. Edson notes that the tax code passed by the House preserved affordable housing as eligible for depreciation under the logic of a write off, while the Senate proposed creating the new LIHTC with a simplified "dollar-for-dollar approach," wherein the federal government would issue tradeable tax credits which it could give to state financing agencies to issue to investors. Upon reconciliation, Congress issued a new rationale for adopting the Senate program: "prior tax subsidies [were inefficient] because they were scattered throughout the Internal Revenue Code in incoherent fashion, were not sufficiently targeted to low-income people, and the subsidy was not linked to the number of low-income units in the project."[194] Congress's solution to the problem was tying the program to Area Median Income, which links eligibility to one's income relative to local income levels. (While the federal government allocates tax credits relative to a state's needs, they are administered on the state level by state housing finance agencies.) Another contentious issue was the question of how long a LIHTC-sponsored project was required to remain affordable, which was tied to the issue of making the program attractive to investors while also ensuring it fulfilled its stated purpose. Government economists worried about keeping LIHTC housing "off the market" for too long, as some officials pushed for a thirty-year timeline, after which units could be converted to market-rate housing. One Department of the Treasury official, John G. Wilkins, argued that the thirty-year limit could dissuade investors: "This provision may make low-income housing substantially less attractive from an investment standpoint. If this were the case, it might actually have the opposite effect than is desired, which would be to reduce the stock of

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[192] Statement & Testimony of Jack Kemp, Secretary of Housing and Urban Development. Hearing Before the Subcommittee on Select Revenue Measure of the Committee on Ways and Means, House of Representatives, 101st Congress First Session, May 23, 1989, Serial 101-49, pages 11-13.

[193] Several experts point to the work of the nonprofit group Cleveland Housing Network with Nicholas Retsinas of Harvard University's Joint Center for Housing Studies arguing that, "No other program has used the Low Income Housing Tax Credit more effectively to promote homeownership for poor families." Executive Director, Joint Center for Housing Studies, Harvard University. Kate Monter Durban, *Path to Home Ownership: A Guide to Single-Family Lease Purchase Projects Funded with 9% Tax,* (Cleveland, OH: Cleveland Housing Network & Enterprise Community Partners, 2015).

[194] Edson, 205.

housing rather than to increase it." [195]

Thus, the program was implemented with Wilkin's preferred restriction of fifteen years.[196] This squabble presages and parallels arguments around rent control, discussed in Chapter 3, which stress the need to create optimal conditions for investors to ensure functional conditions for affordable development. For Edson and Rouse, however, LIHTC's appeal was not its "private sector efficiency," so popular in conservative rhetoric. It was instead its political durability; it was a workable policy solution to lawmakers' increasing inability to materialize funds for public housing. Though the terminated housing programs Sections 221(d)(3) and 236, and Section 8 of the Housing Act of 1937 were shelved after less than a decade, LIHTC has proved enduring in solving the equity investment issue that it appears first arose in the 1950s.[197] More than anything else, the program has succeeded in its charge to stimulate new development, as "during the program's first 20 years, LIHTC properties represented nearly a third of all newly constructed multifamily rental housing."[198]

Conclusion

LIHTC is a pillar of new affordable housing finance infrastructure that has proved politically successful but raises questions about the ability of savvy program design to address inequality. Political leaders' uniform support for LIHTC similarly attests to its palatability across the political spectrum, making it unique among welfare programs. Unlike many beleaguered public housing programs before it, LIHTC works because it is politically uncontroversial on a bipartisan level and offers investors an enticing opportunity. Purchasing and reselling the tax credits provides banks an opportunity to attract investors while fulfilling their Community Reinvestment Act obligations.[199] For policymakers, the market demand for LIHTC means extra funding for every dollar in tax revenue given away, making LIHTC the most effective way they have found to target bank investment in underserved communities. The program's ability to garner "bipartisan support" and the fact that it "is defended by powerful segments of the real estate and banking industries"—harken back to the FHA's success.[200] "The LIHTC program raises the question," John N. Robinson III writes, "of whether market-oriented policy designs, under certain circumstances, can make social policies aimed at low-income populations more politically durable."[201]

On a political level, a focus on creating new sources of nonprofit capital to address urban decline leaves the power structures exacerbating inequality—from speculative

[195] Statement of John G Wilkins, Acting Asst Sec., US Dept of the Treasury. Hearing Before the Subcommittee on Select Revenue Measure of the Committee on Ways and Means, House of Representatives, 101st Congress First Session, May 23, 1989, Serial 101-49, pages 26-30.

[196] LIHTC owners must seek relief from the program, and time-length requirements vary by state. "What Happens to Low-Income Housing Tax Credit Properties at Year 15 and Beyond?" (U.S. Department of Housing and Urban Development, Office of Policy Development [HUD] and Research & Abt Associates, August 2012).

[197] Edson, 206.

[198] HUD & Abt Associates 2012.

[199] Carolina Katz Reid, "The Intent, Implementation, and Impact of the Community Reinvestment Act," (working paper, n.d.)

[200] John N. Robinson, "Race, Poverty, and Markets: Urban Inequality after the Neoliberal Turn: Race, Poverty, and Markets," *Sociology Compass* 10, no. 12 (December 2016): 1097.

[201] Ibid.

housing finance to structural economic disinvestment—intact. The institutionalization of community organizing, which had its basis in a more radical racial liberation and War on Poverty moment, begot a professionalized "nonprofit sector," in many senses a depoliticizing move. How did this unique system of housing provision come to be? A different history of community development can consider the role of economists, foundation officials, and philanthropists in what they saw was a crisis of inner-city neighborhoods. With this framing of the nature of the crisis I am suggesting that the real sources of urban power imbalances—which include but are not limited to banks' abilities to direct flows of speculative and harmful financing at the whim of market imperatives—were never addressed. The solutions policymakers created looked to avoid politics, rather than take them on. By aligning the interests of the CDC with the institutions who would fund their projects, these strategies may turn their attention away from addressing the larger forces contributing to the widening gulf of inequality. The focus on creating new sources of funding is part of a broader supply-side approach to housing investment should be questioned in relation to concerns about the actual affordability of the overall supply, a question addressed in the next chapter. In turn, a focus on sustaining financing raises questions about the actual mission of some aspects of the community development efforts. Does the need for technical prowess lead to consolidation in the form of larger, more professionalized nonprofit developers? Does this process in effect mirror what is happening in the private sector? To what extent does investment in underserved communities protect banks from scrutiny in other areas, such as in their bankrolling of the kind of speculative development that fuels gentrification? As I have shown in this history, the discourse of community development obscures the role that policy elites have taken in shaping the political economy of the overall project, leaving many questions of structural change off the table.

Chapter 3: “Affordable Housing” Policy and the Real Estate State

In 2018 a group of residents and activists in the Pilsen neighborhood of Chicago expressed opposition to a new housing project proposed for their neighborhood. The majority Latinx neighborhood, located close to the city’s thriving downtown Loop, had been undergoing rapid gentrification for years. Under the mayoralty of Rahm Emmanuel, Chicago had enjoyed a resurgence as a “global city” with a boom of new downtown development attracting foreign investors, while stark racial and class inequalities went unaddressed. The divide had increased animosity over a continued lack of opportunity in South Side communities, like Woodlawn, and increased anxiety among residents in neighborhoods like Pilsen over fears of displacement. So when residents opposed the Pilsen development, which included the construction of innumerable luxury condos that many urban residents recognized as having the aesthetic markers of gentrification, they were part of a movement that questioned the process by which gentrification of working class neighborhoods of color is in part facilitated by urban planners. This particular project, however, put a wrinkle on the usual story. It was billed as “100% affordable housing.”[202] How to account for this neighborhood opposition to the supposed solution to their problems?[203]

In his 2019 book *Capital City: Gentrification and the Real Estate State* geographer Samuel Stein argues that urban planning’s role in post-industrial cities is problematically limited to helping to facilitate the increase of land values. When cities lack an industrial tax base, he theorizes, municipal governments grow dependent upon the revenues they generate through real estate development. Many “progressive” programs, such as those advocated by left-of-center leaders like New York’s Mayor Bill de Blasio or moderates like Rahm don’t fundamentally challenge this reality but instead look to soften the harsher edge of gentrification through more mixed-income housing development. This argument allows us to understand why working class and minority residents would oppose nominal improvements to their neighborhoods, whether in the form of “100% affordable” housing, a new park, or improved streetscaping. Low-income communities are increasingly aware of the fact that these improvements, however minor in scale they may be, often accompany a much larger process involving rent increases and evictions. This insight is important to contextualize the relative success of specific programs within certain real estate markets that can be described as hyper-commodified.[204]

Emmanuel’s governance illustrates certain continuities between midcentury-urban-renewal era Chicago and the newly gentrified city. Like the Daley administrations before him, he rules in step with the downtown elite, dismissive of critiques of his public school closures, one of which has since been converted into luxury loft apartments.[205] In

[202] Mauricio Peña, “6-Story Affordable Housing Building Planned In Pilsen ‘Looks Like Gentrification,’ Some Neighbors Say,” *Block Club Chicago*, August 19, 2019, https://blockclubchicago.org/2019/08/19/6-story-affordable-housing-building-planned-in-pilsen-looks-like-gentrification-some-neighbors-say/.

[203] Kate Wagner, “Architecture, Aesthetic Moralism, and the Crisis of Urban Housing,” *Common Edge*, April 17, 2018, https://commonedge.org/architecture-aesthetic-moralism-and-the-crisis-of-urban-housing/.

[204] Samuel Stein, *Capital City: Gentrification and the Real Estate State* (London: Verso, 2019), 5–7.

[205] Ariel Parrella-Aureli, “Uptown Elementary School-Turned Luxury Lofts A Symbol Of Neighborhood Reckoning, Gentrification,” *Block Club Chicago*, https://blockclubchicago.org/2019/02/13/uptown-elementary-school-turned-luxury-lofts-a-symbol-of-neighborhood-reckoning-

2019 a handful of labor and community activists were arrested for occupying a new commercial real estate development. The action was part of a massive several-day Chicago Teacher's Union strike; those arrested in the action sought to draw attention to the fact that, despite the city's claims of budgetary restraints, there large sums of money were flowing into certain city coffers under the direction of the mayor.[206] Specifically, they sought to highlight that the complex was financed through TIF or Tax Increment Financing. In their study of Chicago real estate Rachel Weber and Sara O'Neill-Kohl examined the implementation of TIF financing and found remarkable similarities to the kind of revolving door between developers and the city that characterized mid-nineteenth-century urban renewal.[207] Their analysis of contemporary urban governance is an important lens to understanding the argument of this chapter. Contemporary affordable housing policies as they have evolved since the 1980s are implemented using strategies of expertise that work hand-in-hand with those of real estate and financial interests. In the area of subsidized housing production, financial expertise is viewed as a necessity to make projects work in an atmosphere where funding programs are tied to private financing as an investment, and where market volatility can decisively stall a project.

That urban governments rely on increased property values also reflects the degree to which real estate has only grown more central to the US economy writ large. The late 2000s Great Recession, it now appears, introduced several factors that accelerated a decade-long trend toward gentrification in many US cities, in part driven by the growing interlocution between high finance and urban real estate investment. Amid state disinvestment in affordable housing production, policy has centered around the market provision of housing through vouchers and especially the continued promulgation of the benefits of homeownership to low-income buyers. These policies frequently relied on theories of social capital that the foreclosure crisis revealed to be deficient, as the supposed benefits of homeownership are often a hefty financial burden for low-income borrowers.[208] The 2008 subprime mortgage crisis, as has been popularly documented, was the result of collusion between financial ratings agencies, overleveraged financiers like Lehman Brothers (trading increasingly in toxic mortgage-backed securities or MBS) and unscrupulous mortgage originators like Washington Mutual and Countryside. But as historian Adam Tooze notes, the subprime system was incubated by shifts in US monetary policy beginning in the 1970s and 1980s that made housing finance a fundamentally critical part of the economy. Government-sponsored enterprises, or GSE's, built upon the legacy of New Deal, the most famous of which were Fannie Mae and Freddie Mac, were retooled to help the mortgage market adapt to a post-stagflation monetary regime of low interest rates that made the standard fixed interest mortgage a

gentrification/.

206 "Protesters Arrested During CTU Demonstration at Sterling Bay," *NBC Chicago*, October 29, 2019, https://www.nbcchicago.com/news/local/ctu-protesters-arrested-during-demonstration-at-sterling-bay/2056281/.

207 Rachel Weber and Sara O'Neill-Kohl, "The Historical Roots of Tax Increment Financing, or How Real Estate Consultants Kept Urban Renewal Alive," *Economic Development Quarterly* 27, no. 3 (2013): 193–207.

208 Saegert finds that some of the benefits of homeownership, both financial and informal/social, are much more readily available to low-income residents when they participate in non-commodified ownership such as through ownership by a Community Land Trust. Susan Saegert, "Inequality of Forms of Capital: Crisis and Opportunity in Low Income Housing Policy," (RC-43 Conference: Housing and the Built Environment of the International Sociological Association. July 11, Amsterdam) July 11, 2013.

high risk to investors. The new system favored borrowers who were increasingly incentivized to periodically refinance their mortgages to take advantage of cheaper and cheaper interest rates. For US homeowners, this practice reconfigured the mortgage as an "ATM machine"[209] that helped many weather an economy characterized by wage stagnation and job insecurity.

But for banks, the new mortgage-as-ATM had many drawbacks, especially by subjecting them to the risk of carrying expensive debt on their balance sheets when consumers continually refinanced to get more attractive rates. This effectively put most traditional savings and loan associations out of the mortgage business and favored consolidation of mortgage lending within large financial institutions able to service this more volatile mortgage underwriting. [210] Meanwhile, the GSEs were increasingly involved in securitizing mortgages so as to make them more sellable on secondary markets, in essence creating the framework for mortgage-backed securities. Institutions more prone to speculation ended up embracing the GSE's securitization techniques and came to dominate the market. Meanwhile, ratings agencies were anxious to get in on what became one of the largest financing markets globally, incentivizing them to give generous ratings to bonds that frequently contained risky mortgages including balloon-type adjustable mortgages. [211] Overall, housing bonds came to be considered nearly as safe as US treasury-issued bonds, drawing huge investment. In the decades after the 1960s, global asset wealth exploded, outpacing actual GDP, or growth of the "real economy," by several multiples. Global real estate markets soaked up much of this excess capital.[212]

This aggressive, supply-side approach to mortgage finance has had important implications for that lower "tier" of US housing, the rental markets. Preliminary studies of housing investment in the wake of the 2008 crisis indicate that the subprime-mortgage crash led investors into new forms of innovation, one among them, a new form of speculative investment in the rental housing market. Indeed, the foreclosure crisis precipitated a wave of investment opportunity for "vulture landlords" to buy up undervalued urban properties en masse. [213] One example of this is the creation of a "new asset class" which is composed almost entirely of tranches of foreclosed single-family homes that are now leased as rentals by corporate landlords.[214] The exact size of corporate landlord rental housing is not fully known (by one estimate only two hundred thousand units nationwide are owned by private equity[215]), but corporate landlordism appears to have an outsized role in the rental markets where values are highest, such as New York City and San Francisco. Here, the business model is literally premised on, as discussed in greater depth below, targeting buildings that contain rent controlled units.

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[209] quoted in Raquel Rolnik, *Urban Warfare: Housing Under the Empire of Finance* (New York: Verso, 2019), 26.

[210] Adam Tooze, *Crashed: How a Decade of Financial Crises Changed the World* (New York: Penguin, 2019), 57; Martha Poon, "From New Deal Institutions to Capital Markets: Commercial Consumer Risk Scores and the Making of Subprime Mortgage Finance," *Accounting, Organizations and Society* 34, no. 5 (July 2009): 654–74.

[211] Tooze, 654–74

[212] Ibid.

[213] Desiree Fields, "Constructing a New Asset Class: Property-Led Financial Accumulation after the Crisis," *Economic Geography* 94, no. 2 (March 15, 2018): 118–40.

[214] Ibid.

[215] Rolnik, 270.

The profit model in this kind of investment relies on bringing “artificially depressed” rental values up to market value through both legal and illegal means. Tenant groups argue that evictions and exploitation of rent control loopholes are much more prevalent in buildings bought by outside investors.[216] This trend toward corporate landlordism in rental markets, while far from complete in most cities, indicates why the fights over rent control and eviction protections are now ground zero for tenant rights groups.

The entrance of speculative financial capital into rental markets also risks replicating the political conflicts that plagued the mortgage crisis in the 2000s—especially the problem of vulture financiers who function more and more like banks and vice versa. This is already apparent in financiers’ arguments that—under the looming specter of a 2020 pandemic-induced housing crisis, they need the same kind of bailout policymakers give to banking institutions. One influential manager of a REIT, or real estate investment trust, Tom Barrack of Colony Capital, argues that while they aren’t banks, they provide essential financing that makes the housing markets churn (like a hedge fund, the REIT in turn runs off the fees they charge institutional investors).[217] This includes managing the many different funds, from domestic pension funds to foreign investors who look to invest in real estate. Foreign investors might be attracted to US housing investment whether for its tax advantages or elaborate debt securitization strategies based on the mortgage market. We’re “the conduit that is providing the liquidity to the system,” Barrack said. One journalist interviewing Barrack not he was arguing not just for his industry, but for his own wealth, as the value of his firm “dropped 70% this year through Friday, personally costing Barrack at least $90 million.”[218] In the same interview, Barrack warned that the economic fallout of the crisis would get worse once the eviction and foreclosure courts reopen.[219] Kevin Stein, of the California Reinvestment Coalition, notes that COVID-19 federal bailout legislation also allows landlords to apply for forbearance on their mortgages. He argues the legislation gives guidance that this relief measure should help landlords work with their tenants, but it offers no actual provisions on enforcement.[220] The federal approach of bailing out speculative investors echoes the 2008 mortgage crisis, after which regulators failed to meaningfully punish many of the same financial institutions who crashed the economy. “The federal relief in both cases came with rules that weren’t strong and protective enough,” Stein says, “then those inadequate protections weren’t even enforced.” “Another issue we are concerned about,” he continues, “as with the foreclosure crisis, is if communities of color will manage to see the federal relief that is being provided.”[221]

The new wave of speculative finance in the rental market helped facilitate the gentrification of minority communities like Pilsen and West Oakland, a historically Black neighborhood in a city that, between 1980 and 2010, saw its Black population cut in half.

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[216] According to eviction data in NYC between January 2013 and June 2015, 80 percent of all evictions were filled by less than 10 percent of landlords, frequently some of the largest landlords. Rolnick, 272.

[217] Maloney, Tom, “Barrack Gives Up on Rescue, Says ‘We’re Fighting Politics,’” *Bloomberg*, April 6, 2020, https://www.bloomberg.com/news/articles/2020-04-06/barrack-gives-up-on-rescue-says-we-re-fighting-politics.

[218] Ibid.

[219] Ibid.

[220] Kevin Stein, email correspondence, April 7, 2020.

[221] Ibid.

The 2008 foreclosure crisis compounded massive wealth disparity, wiping out a generation of wealth amassed by Black people. It also accelerated gentrification as, for the first time in decades, the number of the nation's renters grew faster than homeowners. In places like West Oakland, some of the same houses which went up for foreclosure became rentals proffered by speculative investors.[222]

Policymakers remain less concerned with impacts on working-class minority residents than with implications for financial markets, which are increasingly tied up in asset-based investments, chief among them, real estate. Beyond gentrification, another consequence of the financialization of housing is that large financial institutions have more power than ever to determine the direction of investment in urban housing. There is evidence that some of the most aggressive evict-and-flip landlords have cultivated longstanding relationships with banks allowing them access to capital to fuel their vulture tactics on a large scale. It is extremely troubling that the least scrupulous of these banks, such as San Francisco's First Republic Bank, have worked to categorize their mortgage lending to predatory landlords as part of their fulfillment of their Community Reinvestment Act obligations to provide relief in underserved and minority neighborhoods, as the California Reinvestment Coalition found.[223] This raises serious doubts about the ability of regulators to police a system that is increasingly financed by banks, such as Wells Fargo and Chase, who are tasked with financing both affordable housing programs like LIHTC (which fulfills their CRA obligations) as well as lending to large corporate landlords whose business models are arranged around the displacement of long-term residents. Increased financialization of rental housing poses new problems given that the model relies on ever-accelerating rental markets, and on exploiting new rent gaps that emerge between hyper-gentrified types of housing. While the hyperinflation of land values is also a problem for new homeowners, (such as a cost-of-living concern) for many, especially long-term owners, tax benefits and the fixed-rate nature of most mortgage contracts act so as to ensure homeownership remains affordable and ideally, provides an attractive return on investment.

The contradictions of the "real estate state" have even more important implications for the regulation of rental prices where supply-side arguments for housing development (YIMBY or "yes, in my backyard") are marshaled against struggles for tenant protections. In local affordable-housing debates, especially in majority-homeowner California, there is frequently (but not always) a divide between tenant rights groups, on the one hand, and groups who emphasize production-focused affordability on the other. On the first side are tenant unions, legal aid attorneys, poverty advocates and experts, and advocates for immigrants and low-income workers. These groups are nearly unanimous in their support for the expansion of rent control. On the other side are real estate industries, their politicians, building-trade unions, pro-ownership civil rights groups (such

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[222] For a contemporary accounting of the relationship of redlining and gentrification in West Oakland, see Katie Ferrari, "The house on Magnolia Street," *Curbed San Francisco*, April 29, 2020, https://sf.curbed.com/2020/4/29/21240456/moms-4-housing-oakland-house-history. The longer history of uneven development in the Bay Area is chronicled by Robert Self. Robert Self, *American Babylon: Race and the Struggle for Postwar Oakland* (Princeton, NJ: Princeton University Press, 2003).

[223] Kevin Stein, "Disrupting Displacement Financing in Oakland and Beyond" (California Reinvestment Coalition, June 2018).

as the California NAACP) and academic researchers, including many economists. These groups vary from those opposed to rent control, to those merely skeptical of it.

This chapter first presents an analysis of the political coalitions involved in contemporary affordable housing politics by undertaking a comparison of the recent electoral campaigns over rent control in California (2018) and New York (2019). Why did California voters, in a state with the largest number of renters (but a larger number of homeowners) and a homelessness crisis the United Nations has declared a humanitarian emergency, vote against removing a regressive law banning local cities from implementing rent control? Prop 10/Rent Control Expansion was soundly defeated by a nearly 60 percent statewide vote. Meanwhile, why did legislators in New York, a state with an arguably less severe crisis, and the home of a massively powerful real estate industry, vote not just to extend historic rent control laws but dramatically expand them to new areas of the state? While California legislators did in the end create a new "rent cap," they left the rent control ban in place and have been largely silent on the issue of extremely lax rental regulations in the midst of what could be described as an eviction crisis. Like many in the production-focused affordability camp, California's lawmakers have largely relied on the argument that increasingly the supply of housing is the best way to address the crisis, and that strong regulation of rentals, such as through rent control—might perversely make housing more expensive by limiting future development and thus supply.

I focus on the case of Oakland, California's efforts to expand eviction protections to building types on the front line of real estate speculation. This case highlights certain continuities in racial capitalism evident throughout this dissertation: namely the weaponizing of the needs of Black property owners against the interests of the majority of urban Black residents who remain tenants, not property-owners. This strategy, which elevated the concerns of owners against the expansion of tenant protections, was also used at the state-level rent control fight. A national policy focus on the "racial wealth gap," which suggests the tensions within a racial pluralist mode of politics, remains, and continues to preclude the development of a politics that can remedy the growing gap between those who rent and those who own.[224] In the final section of this chapter, I return to the question of "community development" within this current political context. I suggest that new political coalitions, now more skeptical of real estate than of government action, are raising possibilities that fundamentally challenge the assumptions of nonprofit rather than government provision of housing, a possibility that the movement was founded to explore.

Before I turn on the question of rent control, I must add a caveat. One problem with the prevalent skepticism around rent control is that it is frequently difficult to separate vested economic interest from abstract economic arguments about housing supply. The

[224] Since 2008, the downward mobility of low-income homeowners has emerged as a major political concern. Many of these borrowers were victims to "high-risk and subprime mortgage lending which originated in the 1990s. Though a topic of Congressional debate, "Federal regulators and Congress chose not to adapt the regulatory infrastructure to high-risk lending." Daniel Immergluck, *Foreclosed: High-Risk Lending, Deregulation, and the Undermining of America's Mortgage Market* (Ithaca, NY: Cornell University Press, 2011), 12;
The Mortgage Interest Deduction's endurance, ensured in part to aggressive lobbying on the part of real estate, reifies homeownership's dominance. Matthew Desmond, "How Homeownership Became the Engine of American Inequality," *New York Times Magazine*, May 9, 2017, https://www.nytimes.com/2017/05/09/magazine/how-homeownership-became-the-engine-of-american-inequality.html.

progressive economist J. W. Mason, in testimony given to the Jersey City city council, argues that the political stalemate on rent control echoes debates around the minimum wage a generation earlier. Economists frequently argued that wage controls would limit supply and reduce hiring. Subsequent more "careful empirical research" debunked this theory by showing that minimum wage increases "do not reduce employment."[225] Mason notes that similar recent empirical studies also show that rent control does not limit new housing production nor housing supply, and simple supply-side arguments against rent control ignore several specific features of housing production. Most crucially, Mason points out that a landlord's profits do not come from actual economic productivity, but instead a monopoly ownership position that captures rising land values:

> When a landlord gets an income because they are lucky enough to own land in an area where demand is growing and new supply is limited, or an income from an older building that has already fully paid back its construction costs, these are rents in the economic sense. They come from a kind of monopoly, not from contributing real resources to production of housing. And one thing that almost all economists agree on is that removing economic rents does not have costs in terms of reduced output or efficiency.[226]

Mason, a who graduated from the University of Massachusetts economics program, which is known for its left-leaning ideology, notes the importance of critical empirical information for the purposes of policymaking. As it was with minimum wage, it is necessary to develop studies of rent control that correspond to the real world, while not evading that housing policy requires confrontation with both political and economic power, and often at their overlap. Industry-supported use of abstract supply-side theory, especially in California, meant that few elected leaders in the state supported rent control in a meaningful way, preferring the supply-side argument in their proposed solutions to the affordability crisis. As a more moderate solution, zoning deregulation and inclusionary zoning have taken priority, as is exemplified by State Senator Scott Weiner's SB 50 housing bill. Contextualizing and comparing the very different debates around rent control in the two states with the largest urban renting populations helps to close the gap between theory and praxis around housing politics as they have emerged in the last couple of decades.[227]

The Failure of Rent Control in California

California has played a special role in debates over the "taxpayer revolt" as signaled by the 1978 passage of Proposition 13. The populist victory that harshly limited property

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[225] J. W. Mason, "Considerations on Rent Control," *Slack Wire* (blog), November 14, 2019, http://jwmason.org/slackwire/considerations-on-rent-control/.
[226] Mason, "Considerations on Rent Control."
[227] Mason notes there are only two hundred cities nationwide with rent control ordinances: the majority are in California, New Jersey, and New York. Mason, "Considerations on Rent Control."

taxes, and therefore the state's public education and welfare programs, is often tied to Ronald Reagan and the rise of anti-statist politics. Social scientists have debated the exact meaning of Proposition 13 as either a cipher of national reaction to postwar tax-and-spend liberalism or a reflection of a local sentiments around privatism reflective of California's homeownership-centered growth politics.[228] Either way, these debates suggest the importance of real estate lobbies in channeling homeowner sentiment into public policy.

Undoubtedly, California has a long history of a collaborative approach to housing policy that has favored real estate. Marc Weiss's business history of "community developers" is the most useful account of understanding the relationship between real estate and government as an early element of the state's modern politics. Developers demanded state regulation of real estate in order to stabilize long term real estate value, recognizing the need to avoid the speculative crash of the 1920s and ensure the long-term stability of their field. Stabilization of property value was a driving goal of the whole community building venture. Weiss shows that large-scale developers not only embraced zoning as it emerged in the 1920s and 1930s, but also saw it as necessary for protecting property values. Especially as development was pushed further and further out from the urban core in regions like Los Angeles, close coordination between developers and municipal officials was recognized as crucial for the provision of municipal services (such as electricity and water). Weiss's study is perhaps singular in its demonstration of how the circumstances of these collaborations came about, showing how they were rooted in the practical experiences of developers and their desire for government collaboration. From this reading, the creation of the FHA role can be seen in large part as an effort to codify the practices created by suburban subdividers after close collaboration on regulation intended to ensure the long-term viability of large scale real estate development.[229]

The collaborative relationship between the government and homebuilding industries was only strengthened by large postwar growth underwritten in part by California's defense-industry growth and federal largesse for interstate highway development. Explosive economic growth during and after World War II led to an employment boom that benefited the suburban developers who controlled the market to house the growing middle class.[230] As detailed in Chapter 1, the FHA charted a course that conformed with the interests of these suburban builders. In California, the California Real Estate Association ensured state law went a step further, by sponsoring an amendment to the state's constitution, passed in 1950, requiring a majority ballot vote to approve any funds for public housing construction. The law, coupled with vigorous anti–public housing campaigns (such as in Los Angeles), effectively blocked the development of any public

[228] Self, 317; Isaac William Martin, *The Permanent Tax Revolt: How the Property Tax Transformed American Politics* (Palo Alto: Stanford University Press, 2008), 17.

[229] Marc A. Weiss, *The Rise of the Community Builders: The American Real Estate Industry and Urban Land Planning* (New York: Columbia University Press, 1987), 31–37.

[230] Lisa McGirr notes the impact defense industry growth and suburbanization had in inculcating Southern California's particularly conservative political culture. Lisa McGirr, *Suburban Warriors: The Origins of the New American Right* (Princeton, NJ: Princeton University Press, 2001), 43.

housing development in large swaths of the state.[231] The bipartisan alliance with homebuilding industries was so strong that in the throes of the 1960s urban crisis, the Johnson administration organized two separate committees to address urban decline, composed almost entirely of bankers and representatives of homebuilding industries.

Another example of this political arrangement is the real estate industry's long involvement in ensuring the endurance of residential segregation long after its legal basis began to erode. Real estate lobbies did not just influence government policy, they continually demonstrated their power to block government challenges to industry-sanctioned segregation. One such example is the vicious fight to repeal California's groundbreaking 1963 Fair Housing Law, or the Rumford Act, named so for the first African American state assembly member and bill author, William Byron Rumford. A 1964 ballot measure, Proposition 14, was proposed to repeal the bill. The California Real Estate Association proposed the referendum, and with the support of a variety of conservative organizations and many California establishments (such as the notoriously anti-union *LA Times*) they won decisively, with over 60 percent of the vote. The proposition was later thrown out in violation of the state's constitution, but it demonstrated the power of the alliance between real estate and white homeowners. Real estate's success in shaping California law reflected its capacity for organizing political constituencies and capital.

Though many contemporary commentators lay the blame solely on racist zoning practices, implicating government but not developers, the reality is that California's homebuilding and real estate industries married the incisive management of racial politics with raw political power in shaping the state's housing programs.[232] As examined in Chapter 2, fair housing activism had a complicated relationship with the urban uprisings and the crisis of housing in Black communities. California, as a majority-homeowner state basking in the fruits of postwar US affluence, was an epicenter of fair housing activism and legal battles over fair housing as detail below. In liberal Bay Area cities like Palo Alto and Berkeley, fair-housing campaigns, often with the backing of interfaith religious coalitions, ran ambitious campaigns to challenge what was the ironclad norm in new housing production: segregated suburban development. Wealth enclaves and high-end architect/developers like Ned Eichler sought to manage the integration of middle-class African Americans.[233] In working-class communities, however, integration was frequently fought over tooth and nail. In her study of the South Gate neighborhood of Los Angeles, for instance, Becky Nicholaides found that factory workers who joined across racial lines to fight for higher wages could not be counted on to extend the same solidarity in their neighborhoods. [234] The simmering racial tensions in South Los Angeles, often abetted by vastly unequal segregated schools, prefigured the 1960s ghetto

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[231] Aaron Cavin, "A Right to Housing in the Suburbs: James v. Valtierra and the Campaign against Economic Discrimination," *Journal of Urban History* 45, no. 3 (2019): 434.
[232] For a prominent example of laying the blame for residential segregation primarily (if not solely) on government, see Richard Rothstein, *The Color of Law: A Forgotten History of How Our Government Segregated America* (New York: Liveright Publishing, 2017), vii.
[233] Keys, Lisa, "How Prolific Jewish Developer Joseph Eichler Pushed to Integrate the Burbs," *Jewish News of Northern California*, August 5, 2020, https://www.jweekly.com/2020/08/05/famous-for-his-california-homes-this-jewish-developer-pushed-to-integrate-the-burbs/.
[234] Becky M. Nicolaides, *My Blue Heaven: Life and Politics in the Working-Class Suburbs of Los Angeles, 1920-1965* (Chicago: University of Chicago Press, 2002), 5–6.

rioting. California's homeownership politics during that period, as Robert Self showed in his study of the East Bay, or Lisa McGirr in Orange County, had damning consequences in fostering the state's midcentury conservatism.[235] As Keeanga-Yamahtta Taylor points out, a political economy centered around two-tiered provision of local resources, such as public schools, shaped working-class whites' preferences.[236] As with homeownership in general, segregation created a political economy that undermined the possibilities for the emergence of postwar social democracy.

Over the course of the postwar decades, large-scale homebuilders appear to have taken on greater both political and economic importance. Kenneth T. Jackson noted that even in the early decades of the twentieth century, development was as likely to be undertaken by "small contractors and individual homeowners" as it was by "gargantuan" development outfits. By midcentury, with increased government regulation, the profits to be made through large-scale FHA financing, spurred by rising housing demands, created a trend toward large developer-driven financing in both urban and suburban construction.[237] The bipartisan alliance with homebuilding industry was so strong that in the throes of the 1960s urban crisis, the Johnson administration composed a commission to study urban housing almost entirely of bankers and homebuilding industries. This group largely came to be known as the Kaiser Commission, so named for the Oakland Industrialist whose family was in the 1960s was diversifying their shipping fortunes into real estate. The Kaiser Commission in turn helped propel private market solutions to the 60s housing crisis.[238] This economy of scale had important implications for the relationship between real estate industries and government, especially on the local level. Real estate actors—from property managers to developers—frequently used the localism embedded in urban renewal legislation to their advantage. As detailed in the next section of this chapter, this political dynamic is nearly the opposite of what happened in cities like New York, where a left coalition worked in concert with government programs and often developers themselves to build subsidized housing. Homeownership enables certain economic coalitions that in an era of reduced public governance have come to replace, often in regressive ways, their original function in the welfare state.[239]

The most visible example of the power of homeowners in California politics, of course, was the passage of Proposition 13, which in the intervening decades, has supercharged inequality between urban denizens and more affluent suburban homeowners. The law is perhaps best seen as a dramatic presage of how, as scholars have recently charged, the political economy of the United States functions like a privatized welfare state intended to benefit deserving families, concentrating wealth within the private household, with few similar benefits, and often punitive policing of, the poor.[240]

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[235] Self argues that property mattered more than class in municipal politics. Robert Self, *American Babylon: Race and the Struggle for Postwar Oakland* (Princeton: Princeton University Press, 2003), 75; McGirr, 43.

[236] Taylor notes the highly classed aspect of conflict over racial integration, noting that a sole focus on race could obscure a more complicated calculus of (white) working class anxieties around homeownership. Keeanga-Yamahtta Taylor *Race for Profit: How Banks and the Real Estate Industry Undermined Black Homeownership* (University of North Carolina Press, 2019), 117.

[237] Kenneth T. Jackson, *Crabgrass Frontier: The Suburbanization of the United States* (Oxford: Oxford University Press, 1985), 136.

[238] Taylor, 221.

[239] Rolnik observes real estate and conservative populist alliances in many countries, such as Brazil, noting the birth of homeownership politics in the US and UK. Rolnik, 209-15.

[240] Melinda Cooper argues inherited wealth is much more stable than the virtual wealth promises offered by the "democracy of credit" of

Economist Thomas Piketty notes that wealth is increasingly concentrated within the private household, with rates of intergeneration transfer in the US returning to that of pre–Great Depression laissez-faire capitalism.[241] Feminist scholar Melinda Cooper, writing on the role of the family from the vantage of the post-2008 crisis, argues that homeownership is one of the assets essential to middle class wealth in a postindustrial era of wage stagnation.[242] This analysis is helpful because it understands that in California especially, homeowners are often sensitive *not only* to property taxes, but also to market fluctuations that could impact what is often their most significant asset: mortgage debt. In the run-up to and in the decade since the 2007 mortgage market meltdown, it has become common for homeowners, especially those living in high-cost areas, to refinance their mortgage debt and occasionally cash out mortgage debt (either through a reverse mortgage or by recalling mortgage "points," essentially down payment).[243] In short, even if the passage of Proposition 13 could be understood in purely racially reactionary terms, for many, housing wealth has retained a level of stability and equity absent from, for instance, wages and retirement security, which have proven much more volatile. In recent years this reality has grown explicit in lawmaking, with ballot measures in 2018 and 2020 intended to allow homeowners covered by Proposition 13 to have the ability to "transport" their tax privileges with them when moving or downsizing. One possible reading of this makes explicit the welfare-like nature of the benefit.[244]

Meanwhile, the legacy of real estate's political power is important in understanding California's resistance, as in other homeowner-majority states, to adopting basic renter protections to temper the effects of gentrification. Today, configurations of class are brushing up against the political divide between homeowner rights and renter's rights. Gentrification has accelerated other vectors of inequality in California creating acute generational politics such as between longtime working-class homeowners and wealthy young renters, and its normative inverse, wealthy homebuyers and "working poor" immigrant renters.[245] Divides within the Black community over the path to housing justice are not just parallel to this phenomenon but are crucial to understanding how the political benefits of homeownership have contributed to the dispossession of rights for those unable to attain homeownership. As sociologist Mary Pattillo writes, because urban policy so reflexively lionizes "mixed-income" redevelopment (of public housing, for instance), commentators ignore the role that the Black middle class has played "however

universal access to homeownership. Melinda Cooper, *Family Values: Between Neoliberalism and the New Social Conservatism* (New York: Zone, 2017), 162.

241 Piketty argues that a return to slower growth of the economy has meant that previous wealth (including inheritance) is a determining factor shaping a return to pre-war levels of economic inequality. Thomas Piketty, *Capital in the Twenty-First Century*, *Capital in the Twenty-First Century* (Cambridge, MA: Harvard University Press, 2018), 33–35.

242 Cooper, 162.

243 While there is little evidence to argue that mortgage financing was more of a factor than property taxes in the passage of Proposition 13, in the ensuing decades it was not so much government spending as it was economic instability that defined the need to protect homeownership as a household asset. With their sole focus on Proposition 13, Self and others discount another crucial ballot measure, Prop 14's effort to strike down the Fair Housing Act, that more directly deals with housing discrimination and with implications for understanding contemporary housing politics.

244 Kathleen Pender, "California Tax Shelter Saves Children Big Bucks on Inherited Property," *San Francisco Chronicle*, August 19, 2018, https://www.sfchronicle.com/business/networth/article/California-tax-shelter-saves-children-big-bucks-13163822.php.

245 As an example of the unique collusion of generation and class in contemporary US politics, inequalities in social security future budgeting ensure that while today's eldery, as a class, are as solvent as ever, future generations have a much less bright retirement future. Malcolm Harris, *Kids These Days: Human Capital and the Making of Millennials* (New York: Little, Brown, 2017), 107–109.

unwittingly, in the marginalization, if not the subjugation, of poor blacks."[246] In cities with historically Black populations, such as Oakland, concerns about regulating rental housing to deal with the impact of gentrification sometimes pits a coalition of homeowners and real estate interests against tenants. The former group frequently appeals to the idea of "linked fate," that the pioneers of the Black middle class are important in securing gains for the whole of the Black community. This Black middle class is seen as, as during the civil rights era, having created a new housing market that to bring investment to Black communities by breaking down the barriers preventing bank investment.[247] This dynamic is driven in part by the sometimes-tenuous hold on homeownership of many Black mortgage holders, illustrated by the 2008 foreclosure crisis. This crisis has in turn aided in the financialization of rental housing, detailed at the beginning of this chapter, which has resulted in a net loss of ownership and increased renting in many "up-and-coming" Black neighborhoods.

A rich illustration of this tension in racial housing politics was on display in 2018 in city-level eviction protections. Here, local ordinance on protection in Oakland (concurrent with a statewide ballot measure on rent control) brought to a head different visions of how racial equity was served through housing policy, sometimes pitting Black tenants against Black property owners. Debates about renters' protections frequently focused on the problems that these protections might pose to homeowners and "small landlords," who were positioned as crucial to the housing market. These arguments ranged from how regulation "distorted" the market or created undue operating procedures for homeowners, dissuading them from renting or creating new in-law units. Concerns about sometimes quite narrow regulations or loophole closures frequently veered to address the sacrosanct issue of curtailing the rights of homeowners. Regulation of tenants was said to subject the substantial investment of Black, middle-class homeowners to volatility, jeopardizing their investments (viewed by some as a form of retirement savings); it was sometimes suggested that this loss of income could result in homeowners' displacement.

The specific battle took place when tenant groups pressed Oakland's City Council to place on the ballot a measure which would grant an extension of the city's eviction protections (Just Cause Eviction) to a group previously exempted: those living in duplexes and triplexes, a number of them owner-occupied. Council-member Lynette Gibson McElhaney, representing a district encompassing the historically Black West Oakland in addition to Downtown, attempted to amend the proposed law by "grandfathering" many existing owner-occupant units and actually extending the existing exemption to preclude fourplex units from Just Cause. She did so, she argued, for fear that regulation in such a hot market would result in landlords removing units from the market. In a communication to members of the Oakland City Council on July 19, 2018, she claimed concern for how new measures would result in further displacement:

> Rather than simply offering low-income vulnerable tenants protection, this

[246] Mary E. Pattillo, *Black on the Block: The Politics of Race and Class in the City*, (Chicago: University of Chicago Press, 2008), 106.
[247] Patillo 122–123.

> measure will likely create market conditions that incentivize many long-term owners to take units off the market or sell their properties to large-holding investors. This will result in loss of security for existing tenants, economic diversity and further declines in the ownership presence for African American, women and other under-represented groups, repeating the undesirable results of a loss of the Black middle class from Berkeley, San Francisco and other urban cities throughout the State.[248]

Tenant advocates in Oakland found this line of defense problematic because it ignored that the majority of Black Oakland residents are renters, not owners, and focused attention on a relatively small number of homeowner exemptions from regulation (an estimated four thousand owner occupied properties, or eight-to-ten thousand total duplex or triplexes would have been affected). Several tenant defense attorneys claimed that the loophole was being severely exploited by new corporate landlords, with case workers at the community organization Causa Justa/Just Cause testifying that a third of their legal cases in the past year were tenants in duplexes and triplexes facing threat of eviction.[249]

In attempting to subvert the tenant groups' effort, McElhaney invoked different concerns that highlighted her familiarity with issues as an affordable housing professional and the need to uphold the functioning of the marketplace. Prior to office, McElhaney was CEO of the Richmond Neighborhood Housing Services, a nonprofit which bills itself as focused on increasing low-income homeownership. She spoke as someone who saw property investment as a crucial form of profit making, such as for "Black elders [property-owners] who are not listened to," and as someone who believes that the market should function in a way to maintain supply.[250] The market, her argument went, should not be impeded or it could undermine the intent of regulation. Landlords agreed with this framing, especially as they spoke of using their savings working as teachers and in other workaday professions, posing property ownership as a means to supplant retirement savings. The multiple invocations of teachers, in particular, becoming small landlords, speaks to the role of assets as cushioning disinvestment in formerly middle-class professions such as public teachers and other workers whose salaries have been negatively impacted by Prop 13's impact on local coffers. As one retired teacher put it in the council hearing, "owner occupied [duplex housing] is one avenue to make homeownership an option for us." Market forces made it hard to stay put, so the owner asked the council, "do not make homeownership more difficult than it already is for us." Gentrification—or the specter of wealthy newcomers—entered the debate as McElhaney described a situation where "many elderly owners have come before us to say that their tenants often make more than they do." The issue with the approach of giving homeowners the benefit of the doubt was how quickly it was undermined by property owners' continued pathologizing of their tenants as a potential threat to their quality of

[248] Memo: From Councilmember Lynette Gibson McElhaney, July 19 2018 , https://oakland.legistar.com/MeetingDetail.aspx?ID=613994&GUID=396861D8-D932-4ECA-BD9A-3F98489C6E33

[249] Oakland City Council Hearing, July 24, 2018. https://oakland.legistar.com/MeetingDetail.aspx?ID=613994&GUID=396861D8-D932-4ECA-BD9A-3F98489C6E33

[250] Oakland City Council Hearing, July 24, 2018.

life. Many of them spoke about merely wanting the right to have a say over who would be a "guest" who could be asked to leave. Moreover, McElhaney's attempt to collapse the issue of regulation with the issue of decreasing homeownership among Black people echoes a longer tradition which ignores the class dimension of this form of racial politics. It is strikingly similar to the arguments Preston Smith found made by Black elites in 1950s Chicago, as they looked to take over redevelopment plans from the white elite on the basis of their rights as property owners.

> Black institutional leaders and property owners interpreted their conflict in racial terms because, as leading members of the race, they felt they represented the housing interests of all African Americans, even in instances when they did not. In this drama of competing land interests, black tenants were mere props, largely mute and occasionally ushered into the spotlight to highlight racial suffering.[251]

This invisibility of Black tenants has been evident in contemporary attempts at regulation, which often highlight the needs of Black property owners at the expense of Black renters. The through line here is how ownership is viewed as crucial to racial equity even where it might be irrelevant to the concern of low-income tenants: after all, they were the ones at real risk of eviction. The property owners' fears were actually more hypothetical, given it was unclear how eviction protections, on their own, might result in the owners' economic hardship.

During the council hearing, this evasion—that the issue at hand was the difficulty "just cause" would impose on small landlords—came to the fore when property owners began to vocalize their desire to have carte blanche to dictate the terms of tenants with whom they shared walls. Landlords couched their concerns in their rights to control their own property. One landlord, a Black woman, interrupted her prepared comments to ask, "this is about rent control, right?" After being told that, no, it was about extending Just Cause protections to certain classes of renters, she quickly backtracked to say her grievances would also apply to *that* issue. Another landlord criticized her tenants' behavior, complaining that their excessive drinking meant they constantly filled the recycling bin, leaving her with little space for her detritus. These awkward comments disrupted the otherwise careful framing of the issue by vested interests in terms of market functionality. They made the problem more closely resemble a debate around welfare rights: who deserved and needed protection; in this case several landlords argued that they needed protection from misbehaving tenants. As one owner said, "I want to have the privilege of asking a guest in my home to leave." A tenant rebutted these comments by saying, "Many small landlords [here today] describe a relationship I don't experience. I am not a guest in my landlord's home, I pay him 40 percent of my income to live in a poorly maintained unit … while living in fear of eviction." Tenants and tenant rights groups worked to counter the property owners' narratives, but also targeted McElhaney in

[251] Preston Smith, *Racial Democracy and the Black Metropolis: Housing Policy in Postwar Chicago*. U of Minnesota Press, 2012) 127–128.

particular for attempting to expand “loopholes” in just cause protections, and for what they saw as a bad-faith weaponization of race against tenants. “Who controls you?” asked multiple speakers, making references to McElhaney’s funding and connections with real estate interests, and persistent ignorance of tenant’s concerns. Previous investigations had in fact revealed that McElhaney had funneled funds from the nonprofit she directed toward developers engaged in “flipping” houses in gentrifying Oakland neighborhoods.[252]

In debates around Oakland eviction protections, real estate groups frequently elevated concerns, founded or not, of a threat to homeowners from regulation. This drew on a long history of successful legislation to stem any regulation of rental housing markets. In the 1990s, real estate succeeded in lobbying a number of state legislatures, such as those in Massachusetts, New Jersey, and California, to pass laws which preempted the ability of new cities to add rent control provisions. The argument then and now was that rent control would scare developers, whose fear of long-term profit limitations would jeopardize investment in new development. This assumption, built into preemptive legislation, restricted new buildings from being subject to local rent control. A law in California, commonly referred to as Costa-Hawkins, went even further by penalizing and handcuffing cities with preexisting rent control laws. So progressive cities like Santa Monica and Berkeley, which proactively adopted rent control in the early 1970s, were limited from regulating any buildings built after the date they enacted rent control. In so doing, the law didn’t just minimize the expansion of price controls, it removed scores of buildings from regulation and, even worse, banned vacancy decontrol, meaning that when tenants previously covered by rent control ended their lease, the unit could be brought back up to market rate. In effect, Costa-Hawkins ensured that only a small fraction of long-term tenants could be protected, and that landlords could raise rents as much as they wanted.[253]

The 2018 battle to repeal Costa-Hawkins revealed the political establishment’s ambivalence on the issue of rent control. A number of tenant groups received funding from the AIDS Healthcare Foundation[254] to support a statewide ballot measure that would repeal a Costa-Hawkins in an effort known as Proposition 10. Real estate groups spent over $70 million in attack ads against the measure. The results were unambiguous: statewide, close to 60 percent of voters rejected Proposition 10. The only counties where it passed are home to solidly renter-majority cities such as San Francisco, San Diego, Los Angeles, and Alameda counties (home to Oakland, Hayward, and Berkeley). Leading up to Proposition 10, virtually no statewide elected Democrats supported the bill, including former San Francisco Mayor Gavin Newsom, who stood at the top of the ballot, becoming governor. How do we explain the resounding defeat of Proposition 10? Yes, spending on its defeat is a big reason. But the deeper history of housing politics in California allows us to understand the importance of the homeowner–real estate coalition

[252] Darwin BondGraham and Ali Winston, “West Oakland Councilmember Involved in House-Flipping Scheme,” *East Bay Express,* December 16, 2014, https://www.eastbayexpress.com/oakland/west-oakland-councilmember-involved-in-house-flipping-scheme/Content?oid=4145240.
[253] Elijah Chiland and Jenna Chandler, “Costa Hawkins: California’s Law That Limits Rent Control, Explained,” *Curbed LA,* April 29, 2020, https://la.curbed.com/2018/1/12/16883276/rent-control-california-costa-hawkins-explained.
[254] For more on the political activity of the controversial CEO of the AIDS Healthcare Foundation see, Christopher Glazek, “The CEO of HIV,” *New York Times, April 26, 2017,* https://www.nytimes.com/2017/04/26/magazine/the-ceo-of-hiv.html.

fueling its opposition.[255] The many “No on 10” ads relied on supply-side economic talking points, but increasingly pitted Proposition 10 against veterans, seniors, and the disabled and said it “would do nothing to address homelessness” nor make it easier to find and build new affordable housing. In one of these ads an elderly Black man said that for people of color, homeownership is an important part of ascending the “economic ladder,” and that Proposition 10 is an “assault on that ladder.” “It decreases the value of homes we rely on to save for our retirement” and thus is an “attack on homeowners.” While the California Democratic Party did officially endorse Proposition 10, it did so rather nominally (with no major figures like Newsom weighing in) and some liberal groups such as the state’s NAACP did not endorse it.

As discussed in the beginning of this chapter, there are new kinds of real estate interests, and pressures from increased financialization, which are invested in ensuring the continued deregulation of rental housing. A unique aspect of California’s housing composition is the prevalence of single-family rental homes, and these became a key point of contention in politicking around rent control, given a longstanding concession that bans rent control from being applied to single-family homes. In rent control debates, such as around Proposition 10 and also in the 2018 Oakland effort to close the “duplex loophole” by ballot proposition, homeowners and small landlords were frequently grouped together as “victims” of regulation. It seemed a smart strategy to group the two together, arguing that homes and small apartment buildings are typically a crucial form of investment and savings by individuals. The problem is that this position was frequently adopted to obscure the money and vested interest of corporate landlords for whom single-family houses or small attached apartments are increasingly a form of speculative investment. Recent studies have highlighted the rush of corporate capital after 2008 into foreclosed single-family houses and the creation of what Desiree Fields calls a new “asset class” of single-family rental homes. Though this asset class is still an emerging part of the market, the defeat of Costa-Hawkins might have been read as a challenge to its maturity, leading to possible regulation by renter-dominated cities of corporate owners. As noted below, this appears to have been a central issue at play in New York State’s own rent control debate. Investors themselves were aware of the optics. Take Blackstone, the massive private equity firm which created one of the largest portfolios of single-family rentals, with eighty thousand rental properties nationwide: it contributed $5.6 million to the No on 10 campaign.[256]

In sum, California’s failure to consider any meaningful expansion of rent control on a state level involved many different factors but must be read within an extremely long history of real estate- and development-friendly politics. I have sought to argue that commonly accepted homeowner sentiment, manifest in Proposition 13, is inextricably tied to the organized nature of real estate in the state. The existence of a well-organized coalition of property owners has significant implications for the prospects of basic

[255] From my own informal survey of voters (as a paid canvasser for ACCE canvasing voters for Proposition 10 in majority-homeowner neighborhoods in Oakland), I was, on multiple occasions, told the anti-Proposition 10 line that “it will make a bad problem worse.”

[256] In her coverage of the fight to repeal Proposition 10, Jessica Goodheart quoted an industry spokesperson who rebutted claims of the importance of investor-owned properties in California, citing a figure that only 0.004 recent of rentals homes were REIT controlled. See, Jessica Goodheart, “Blackstone Spends Huge to Kill California Rent Control,” *American Prospect*, October 23, 2018, https://prospect.org/power/blackstone-spends-huge-kill-california-rent-control/.

renters' rights, even in tenant-majority municipalities such as Oakland. Moreover, this coalition has been fairly successful at drawing upon longer-term concerns around protecting homeownership among Black people, positioning it as under assault by tenant protections. After the failure of Proposition 10, a number of pro-tenant bills was considered by the legislature. Governor Newsom was involved in crafting a compromise between several bills, enacting a temporary curb on rent-gouging by capping annual rent increases near 10% in much of the state. For tenant advocates, this was a success in that huge areas of the state with no rent control protections finally had a law blocking the huge increases many saw. But in cities that already had some form of rent control limiting year-to-year increases on existing tenants, the cap did nothing. Moreover, it could be argued that the law reflected the pressure on Newsom to do something given real estate's huge effort to defeat Proposition 10 despite cities' support of it. But his middle ground approach also paled given New York State's remarkable effort to not just undo a Costa-Hawkins-like bill, but expand rent control for the first time in decades.

Rent Control in New York

Unlike in California, New York in the twentieth century saw the development of tenant-centered politics tenuously forged between, at some crucial moments, tenants and pro-development actors. The later group included elected officials and elements of the building trades that benefitted from a strong state-provision approach to affordable housing development built through the private market. Perhaps more than any other place in the United States, New York City's dense culture of leftwing organizing politicized the historic shortage of housing that veterans returning home from World War II found themselves in. While developers like William Levitt on Long Island raced to prove the private market could meet demand on the city's undeveloped suburban fringes, the left was extremely effective at targeting the state as the locus of action against housing shortages. In 1946 advocates for public housing, including several dozen veterans, shut down the statehouse to demand government action.[257] The city itself took dramatic action to enact a two-tiered public housing program of subsidized and unsubsidized housing for the poor, reflecting that federal funding increasingly worked to limit publicly built housing for use only by the poor (a move in part to accommodate real estate interests).[258] On the production side this set an extremely important precedent in that New York policymakers, throughout the next several decades, worked to persistently outpace the deeply flawed federal public housing programs. The prerogative for this agenda came from the labor movement, with leaders like Abraham Kazan building on the power of the Amalgamated Clothing Workers of America to push the state to build new housing within reach of the working class. Amalgamated, which had already successfully experimented with the creation of cooperative supermarkets and a credit union, lent its name and financing to demonstration housing projects on the Lower East Side and in the Bronx. In 1926, Albany passed the Limited Dividend Housing Companies Act, among

[257] Freeman, 108.
[258] Freeman, 109.

the first of its kind in the country, to subsidize the creation of below-market rentals and owner-occupied housing. The law enticed private developers of qualified housing projects with twenty years of tax exemptions, and use of eminent domain, in exchange for a cap on profits at 6 percent.[259] This law established an important precedent for both state and federal-level programs that, given the failure of public housing, presented the best opportunity for policymakers to replicate the success of European social housing within the more limited confines of US politics.[260]

"Of all the working class housing initiatives," writes labor historian Joshua Freeman, "the campaign by tenant groups, unions, and the American Labor Party (ALP) to make wartime rent controls permanent by far affected the most New Yorkers." While labor's production-side agitation was strategically important in the long run, this campaign was crucial in using the postwar moment of opportunity to temper and even channel the power of private real estate. Then, as now, real estate and capitalists like the Rockefellers were aggressive in arguing that only the private market could solve a housing shortage. The experience of the wartime expansion of government powers and the strength of the labor movement combined to assert the contrary. As Freeman writes, the retention of rent control not only protected the largest number possible from price gouging and rent inflation during housing shortages, it also solidified the unity of tenant interests against those of the city's property owners. Rent control "promoted the continuation of New York's unusually low rate of homeownership, so that most of its working class had little reason to concern itself with real estate tax rates" and similar political issues that help shape homeowner identity.[261]

Labor's production focus also had important implications for the trajectory of New York's subsidy programs which, like the early city-built public housing, were by all accounts more successful than any comparable federal programs.[262] While the city did build a sizable amount of public housing, it also, with the help of state-level programs, oversaw uniquely successful subsidy programs and the only large scale co-op building campaign in the United States. In the quarter century after World War II, 30 percent of the nearly eight hundred thousand new units built in the city were some form of subsidized or public housing, a number which begins to rival in scale campaigns carried out in the same period in social democracies like Sweden and France.[263] One example of how the coalition between tenant-advocates (including labor) and developers is the state's Mitchell-Lama Housing Program which funded development middle- and mixed-income housing. The program, first created in 1955, was intended to draw developers into low- and middle-income housing creation by subsidizing mortgages worth up to 95 percent of the cost of projects, in addition to offering tax abatements. The low interest rates on mortgage loans were subsidized by voter-approved bond sales. A series of modifications to Mitchell-Lama in the late 1950s allowed landlords to buy out of the program

[259] Nicholas Dagen Bloom and Matthew Gordon Lasner, eds., *Affordable Housing in New York: The People, Places, and Policies that Transformed a City* (Princeton, NJ: Princeton University Press, 2015), 40.
[260] Ibid.
[261] Joshua Freeman, *Working-Class New York: Life and Labor since World War II*, (New York: New Press, 2001), 107.
[262] Bloom and Lasner, 1.
[263] Freeman, 124.

(removing rent control requirements) after fifteen years. The resulting program launched hundreds of new projects throughout the 1960s, creating some 140,000 units in total.[264] Mitchell-Lama helped New York to build on a history of public and private cooperation to realize projects like Co-op City, the massive Bronx project built by a syndicate created by the Amalgamated Clothing Workers of America. In essence a program like this is successful because it fuses a popular electoral program (subsidized middle-class housing) with the interests of trade unions, liberal reformers, and a slice of real estate and development industries. Mitchell Lama and similar programs give ready access to cheap loans and/or subsidies for tenants. These benefits are therefore twofold: first, they provide the capital to make a high-risk venture—large scale housing development—more workable. New York had a long history of innovation in this respect because the programs were made in collaboration with more moderate and liberal development interests, such as the Rockefeller family, who were interested in providing policymakers with workable solutions to urban market failure as it manifested in different ways in the postwar era.

Co-op City's over thirteen thousand–unit complex was both the crowning achievement and nadir of an unlikely partnership between government and organized labor that illustrates how far left the center of gravity in New York housing development had moved. It was realized through a collaboration between the master planner Robert Moses, himself a devout anti-communist and critic of unions, and the United Housing Foundation, the co-op development group associated with the lifelong trade unionist Abraham Kazan. In Freeman's telling, the two had opposite politics but found a common respect in pragmatic commitments to large-scale housing development. Both "closet utopians," as Freeman calls them, they might be classified as part of the postwar civil development ethic, though remarkably, neither worked as a real estate developer. Instead, UHF's success built on that of individual unions who, as early as the 1920s, helped plan, and in some cases used their pension funds to finance, smaller projects throughout the city. Moses's planning apparatus and UHF worked together on several key projects in the city such as East River Houses, the first development in the country to take advantage of the federal Title I legislation Moses had helped write, and Rochdale Village, a co-op project in Jamaica, Queens that was one of the few fully racially integrated projects built in the era. It was, of course, an outlier meant to help recover Moses's reputation which was on the whole marred by brutal and segregationist slum-clearance campaigns. Co-op City marked the end of this collaboration, as residents protested the city's underinvestment in the project and the UHF's increasingly bureaucratic and costly (for tenants) management policies. Shortly after the project's completion, unit owners engaged in a "rent strike against building fees. The strike was so successful that it helped crippled the foundation and forced New York State, which took over the development's mortgage, to reinvest new funds in building repairs the occupants argued they had been shorted on.[265] As in other projects, such as the Mitchell-Lama developments, which have faced privatization or loss of price controls, the sheer scale of Co-op city, and the strength

[264] Bloom and Lasner 144.
[265] Freeman, 123.

of its affordability control, offers tenants inherent incentives to organize and lobby public officials for continued protections. Few other tenants in the United States have such favorable conditions or incentives for advocacy.

By the early 1970s, the success of the coalitions built between the state, labor, and especially the city's banking constituencies were stretching thin, and the coming recession blew them up.[266] An important aspect of the Mitchell-Lama subsidy program's success was its 1960s modernization by Governor Nelson Rockefeller, a liberal Republican who had a sizable edifice complex. As part of a "new federalist" approach favored by the liberal Republican, the governor established more than a dozen new public authorities, fueling a boom in state infrastructure development that included a massive expansion of the State University of New York system. This included a huge run-up in state-backed municipal bond debt. Rockefeller understood the significance of long-term profit incentives to make Mitchell-Lama successful, showing that the subsidy program worked because it hewed a touted affordability but relied on the private market and the postwar market for generous public debt. The limit of such an approach was especially apparent when the $5 billion in debt Governor Rockefeller saddled the state with led to a creditors intervention in the early 1970s.

This history reflects the real power of New York's legacy of localized social democracy, and presents a strong contrast to states like California, where organized real estate and industry generally fought both subsidized housing and labor unions tooth and nail. New York City exemplified a somewhat singular alternative to the postwar suburban paradigm, fulfilling to some degree Catherine Bauer's theory of the importance of a modern housing solution for both the working poor and middle classes. Unlike in many other cities, poor and Black renters were not pitted against white property-owners with the same avidness, as large proportions of the middle class and even the Manhattan bourgeois rented their housing.[267] While tenants were not often organized into unions, their sheer number and dense sociability within one region-dominating city helped ensure their viability as a political bloc. National leaders from New York, from democrats like Franklin D. Roosevelt to would-be Republican presidential nominee Nelson Rockefeller actively worried about and cultivated programs like Mitchell-Lama to ensure New York City would keep its middle-class tenant population.

New York's institutionalized history of pro-tenant politics is an important precondition for the state's historic 2019 renewal and expansion of rent control policies. Today, after decades of public and subsidized housing disinvestment, the division between tenant rights and pro-development groups found in California is as evident as it has become in New York. Under the progressive Mayor Bill de Blasio, many see more continuities than differences with his predecessor, the billionaire Michael Bloomberg, who was openly pro-gentrification. Shortly after taking office, De Blasio unveiled an aggressive affordability plan which had two cruxes: new funding to allow nonprofit groups to keep Mitchell-Lama and other subsidized units off the private market (this kept

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[266] Kim Phillips-Fein, *Fear City: New York's Fiscal Crisis and the Rise of Austerity Politics* (New York: Henry Holt and Company, 2017) 7–9.

[267] Davis argues that the strength of local working-class institutions held the best potential for overcoming ethnic divisions which undermined social democracy and allowed for regional exceptionalism along the lines I am arguing for here. Mike Davis, *Prisoners of the American Dream: Politics and Economy in the History of the US Working Class* (New York: Verso Books, 2018), 42.

them under rent control) and new affordable housing development. New housing development in the city is managed through extensive public–private partnerships endemic to the revolving door between the private sector real estate world and "public" agencies. Unlike other cities in the postindustrial era, New York's planning apparatus never fully paused on new housing development. Instead, planners dove headlong into public and private housing development in an aggressive manner, mostly rehabilitating existing housing stock, but always with an eye toward new housing development even in the depths of its post-1975 bankruptcy.[268]

By several measures, 2019 was a cataclysmic year in New York City politics. The summer before, a longtime Queens congressperson, believed to be a successor to Nancy Pelosi as Speaker of the US House of Representatives, was defeated in his primary by a twenty-nine year old bartender who had never run for office before, Alexandria Ocasio-Cortez. A year later, the tech behemoth Amazon, after months of being berated by community activists, a handful of recalcitrant city council members, and Ocasio-Cortez, announced it would cancel its building of a multi-billion dollar "second" headquarters on an undeveloped parcel adjacent to the ailing Queensbridge Houses, a public housing project. Amazon's backing out was an even greater shock to the city's planning establishment than was Ocasio-Cortez's election, a total public refutation of the tax subsidy model that was pioneered by Governor Rockefeller's Empire State Development Corporation and Mayor John Lindsay's Economic Development Corporation.[269] While those real estate vehicles were seen as crucial in rescuing the city's tax base from the depths of the 1970s fiscal crisis, in 2019 community activists and groups like New York Communities for Change at long last stood up against the backroom dealmaking their tax dollars standardized.

Ocasio-Cortez, assured a general election victory after her primary victory, had campaigned for a slate of upstart challengers to longtime state assembly members with strong ties to longtime Governor Andrew Cuomo and the real estate lobby. With the help of celebrity progressive Cynthia Nixon and anti-corruption attorney Zephyr Teachout—both of whom lost their respective races for governor and attorney general—this slate won nearly all their races and removed an entire block of Cuomo allies, called the Independent Democratic Conference or IDC, who had caucused with Republicans as a means of blocking progressive legislation. It is a fascinating group of political newcomers which includes socialist Julia Salazar who in particular ran on a pro-immigrant, anti-gentrification platform targeting the district's incumbent on his longstanding ties to speculative real estate developers.[270]

As in California, speculative real estate practices in New York in recent years have targeted buildings on the verge of losing, or having the potential to lose, rent control. The

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[268] Sunnyside Yard in Queens is a good example of this: the city's last major railyard parcel, officials from Mayor Lindsay in the 1960s through De Blasio had designs on redeveloping the overly complex site, located on prime real estate, into mixed-income housing.

[269] For more on the Economic Development Corporation see Angotti, Tom. "The Real Power in City Planning." Gotham Gazette, October 4, 2010. https://www.gothamgazette.com/development/616-the-real-power-in-city-planning.
For context on the legacy of Rockefeller on the state's development apparatus using public–private partnerships see, Hilary Botein. "New York State Housing Policy in Postwar New York City: The Enduring Rockefeller Legacy." *Journal of Urban History* 35, no. 6 (2009): 833–52.

[270] Sam Lewis, "Things Are Only Going to Get Worse for Developers," June 20, 2019, https://jacobinmag.com/2019/06/new-york-rent-control-housing.

problem was exacerbated by the Cuomo–IDC lock on Albany: for years the statehouse continually "renewed" lapsing rent control laws on an ad hoc basis. This left the laws in a protracted state of limbo. Longtime tenant groups, always aware of Albany's power over them, and galvanized by the opportunity presented by the now progressive-controlled statehouse, created an "Upstate–Downstate Housing Alliance" to lobby legislators in rural and smaller city districts to join New York City Democrats. The new legislation was designed to avoid many of the pitfalls that helped contribute to California's Proposition 10 defeat. For instance, the New York legislation had a carve-out to exempt small landlords from new rent controls (sidestepping the issue that was weaponized by real estate interests in California) and it explicitly targeted large-scale corporate landlords. This pair of strategic aims was somewhat missing from California's campaign. But in general, the rent control wins were a reflection of New York City tenants' longer term viability as a political lobby in a city-state otherwise dominated by real estate and finance.[271] One possible reading of the new laws is that they are an attempt to push speculative investors out. They had the effect of immediately reducing evictions by companies looking to profit from rent control expiration on properties.[272]

Rent Control & the Political Economy of the Postindustrial City

The evolution of real estate's role in the postindustrial economy poses key challenges for activists looking to address housing inequalities. First, as discussed, housing is a key asset that has taken on an elevated role in buttressing wage instability and propping up the shrinking of the welfare state. In California, homeownership in Black and minority groups is frequently weaponized against rent control. Speculative real estate interests are increasingly involved in financing large-scale tenant displacement, a key problem that pro-tenant campaigns like rent control work to address. Real estate profits have become an increasingly important part of the overall economy in ways that have changed the terrain of municipal politics. Stein points to the transition from an industrial economy to a postindustrial "real estate state." In the industrial city, capitalists' interests were split: on the one hand, developers would accumulate profits from real estate, including middle-class housing. On the other hand, there were major incentives for many employers to advocate for lower housing costs, which helped keep workers from agitating for higher wages.[273]

In the postindustrial city, real estate, including housing at all income levels, takes on a new role in the economy. In the financialized economy, housing profits provide an importantly stable revenue stream given the near persistent escalation of land values in many locations. Building on the rent-gap theory, in gentrified areas such as Manhattan or

[271] Samuel Stein, "Tenants Won This Round," Jacobin, June 18, 2019, https://jacobinmag.com/2019/06/new-york-housing-tenants-universal-rent-control.

[272] Josh Barbanel, "New York Evictions Are Plunging Under New Rent Control Law," *Wall Street Journal*, November 26, 2019, https://www.wsj.com/articles/new-york-evictions-are-plunging-under-new-rent-control-law-11574793114.
Mara Gay, "Evictions are Down in New York, Thank the Voters" *New York Times*, Dec 26, 2019, https://www.nytimes.com/2019/12/26/opinion/new-york-evictions.html.

[273] Stein, 30. New York's postwar housing production subsidies exemplify this logic with the concern with developing affordable middle class to compete with the suburbs.

San Francisco, real estate investors today increasingly search for new kinds of gaps to exploit, such as where *regulation* changes housing prices. Rent control illustrates this: in hot markets, when housing is a scarcity, one of the easiest gaps to exploit are regulatory ones that preserve longstanding tenancy. In a city with a large number of rent controlled units such as New York, it became quite common, as discussed, for developers to buy up buildings covered by rent control, attempt to skirt regulations on price increases, engage in tenant harassment, and lobby for deregulation. [274] The enactment of much stronger, long-term extensions of rent control laws led to a precipitous reduction in evictions of rent-regulated units. Similarly, Oakland's 2018 campaign to extend rent control to duplex and triplex units—small rentals considered similar to single-family houses in ownership structure, and often defended as such by small landlords—after real estate investors targeted large numbers of these exempted properties for purchase. This confirms one of Mason's points cited at the beginning of this chapter, that rent is not merely an economic problem, but a political problem bound up in knowledge production. Politicians can regularly find ways to not support rent control that conform to either narratives of racial justice or the abstract functioning of markets. One of the only ways to challenge this politics of obfuscation is by generating more information about how the housing market actually works, such as by demystifying speculative real estate investment and separating small and large landlords as New York rent control campaigners were able to do.

The last section of this chapter pertains to the main theme of this dissertation: that of politics around affordable housing development. In debates over gentrification, "inclusionary zoning" and financing formulas have become a site of political contest. How does the current affordable housing system work within a speculation-driven real estate boom? What are the politics that ensure the perpetuation of the status quo and what are the possibilities and parameters of reform? So often these discussions take place at the level of local policy implementation and revolve around questions of zoning, homelessness-camp administration, impact fees, and many other technical aspects of the management of affordable housing policies. Digging much deeper, what are the politics driving the current affordable housing policy system?

LIHTC & the Contemporary Politics of Community Development

This dissertation has examined, in part, the rise of community development as a solution to the defunding of public housing. Community development works rhetorically to "empower community" through groups like CDCs, but it also solves the greater macroeconomic problem of allocating capital through politically efficient means for affordable housing development. I now revisit this question within the context of the larger political economy of urban housing in light of debates over rent control described in this chapter. In cities like Oakland and New York, late-stage gentrification has led to a more antagonistic politics that has called into question some of the founding assumptions

[274] Josh Barbanel, "New York Evictions Are Plunging Under New Rent Control Law," *Wall Street Journal*, November 26, 2019, https://www.wsj.com/articles/new-york-evictions-are-plunging-under-new-rent-control-law-11574793114.
Mara Gay, "Evictions are Down in New York, Thank the Voters" *New York Times*, Dec 26, 2019, https://www.nytimes.com/2019/12/26/opinion/new-york-evictions.html.

of community development, namely that the nonprofit sphere is preferable to the provision of government or decommodified housing. At the local level, activists are nowadays explicit in arguing for government provision and financing of housing, a demand that has been difficult to realize because if flies in the face of the community development movement's whole-cloth creation of an alternative infrastructure for nonprofit housing development. This changed political landscape raises questions around the compatibility of community development with an anticapitalist politics. It remains to be seen what the field's work might look like when undertaken within the context of a new era marked by rampant inequality, on the one hand, and revived grassroots activism around racial inequality, and especially tenant rights, on the other.

The affordable housing production industry today is widely varied in makeup, and the housing created by LIHTC is contingent on the larger development schemes and local politics. For instance, studying two projects Oakland, one researcher found vastly different outcomes of community development projects which either abetted or helped communities stem the tide of gentrification.[275] As with public housing before, in the case of LIHTC development, outcomes depend on a host of contingencies. An important condition for these outcomes, then, is the larger political coalitions a given development is part of. In her study of the evolution of Community Land Trusts (CLTs) over the same period of time as CDCs, geographer Olivia Williams found a similar dynamic, charting a move away from an idealized phase of decentralized decision-making to an era marked by professionalization that all but abandoned the ideals of community control fostered during the War on Poverty. In order to revive their mission, Williams argues, CLTs must move beyond merely acquiring and developing property, to undertake their work "coupled with grassroots movements for community control of land."[276]

There appear to be instances where the nonprofit professionalization of affordable housing development can have the effect of diluting the possibilities for actual coalition building between those working in the development world and tenant rights groups.[277] One of the legacies of the "community development movement," however, has been to align, as Louis Winnick observed, nonprofit developers with policy technocrats, and there is evidence both groups were divided by the issue of rent control[278]. In more dramatic situations, newer affordable housing developers can seem almost inseparable from, and work hand in hand with, traditional market-rate developers, a situation first signaled by James Rouse's overlapping project work between his foundation and private company as discussed in the previous chapter.

In cities facing late-stage gentrification, more radical demands for the decommodification of land are now outpacing the work of community development. In Oakland activists are trying to do just what Williams suggested, pairing the community

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[275] L. Owen Kirkpatrick, "The Two 'Logics' of Community Development: Neighborhoods, Markets, and Community Development Corporations," *Politics & Society* 35, no. 2 (June 2007): 329–59.

[276] Olivia R. Williams, "The Problem With Community Land Trusts," *Jacobin*, July 7, 2019, https://jacobinmag.com/2019/07/community-land-trusts-clts-problems.

[277] As one example, Gloria Bruce, Executive Director of the East Bay Housing Organizations (EBHO), a group which lobbies on behalf of affordable housing developers noted at a panel that member organizations had conflicting views about Prop 10 and Costa Hawkin's Repeal. "Panel: Housing Now!'s Approach to Production" Housing Now! Year-End Retreat, Nov 13., 2019, Oakland, CA.

[278] Winnick, Louis. "The Triumph of Housing Allowance Programs: How a Fundamental Policy Conflict Was Resolved." *Cityscape,* U.S. Department of Housing and Urban Development, Office of Policy Development and Research, 1, no. 3 (September 1995): 100.

land trust with a larger activist movement to decommodify housing through both direct action and electoral politics. Faced with an inability to lobby for rent control, tenant groups have turned to new tactics to fight speculation-driven eviction. Organizers for ACCE, (Alliance of Californians for Community Empowerment) were involved in the Moms4Housing campaign, which targeted a speculative landlord who kept a West Oakland home vacant. With help from City Council Member Nikki Bas, who won office in the same cycle as Oakland's duplex protections victory and Proposition 10, in part on the strength of her stance on tenant issues, Moms4Housing purchased the vacant house, using city funds and leveraging powers that give property titles to the Oakland Community Land Trust. The Moms' campaign was uniquely successful in galvanizing the East Bay's liberal and left activist bases and smartly targeted not only speculation but also mainstream Democratic Party officials such as Oakland Mayor Libby Schaaf. After the failure of electoral initiatives to produce reform for tenants, groups like Moms4Housing and LATU (which has run several successful building-level rent strikes around Los Angeles) suggest the need for radical tactics in radical times. In 2020, Moms4Housing cofounder and rent control activist Carroll Fife took on and decisively defeated City Council Member Lynette McElheny in a campaign largely centered around radical housing solutions. She join San Francisco Supervisor Dean Preston in arguing for use of city-level policy to implement radical housing ideas now and into the failure. Fife and Preston are part of a growing cadre of leaders who came out of the nonprofit world (Preston founded Tenants Together) but, as candidates for office sought, the endorsement of and active collaboration with democratic socialists, who are frequently critical of the role of nonprofits in social movement politics.[279]

A key challenge with the current system, critics and activists charge, is the need to take property off the market as a means to challenge the logic of rising land prices. The historic role of the nonprofit housing industry, which in some ways conflicts with a revived leftist tenant movement, demonstrates problems that can arise when the left is not tied to an organizing project, and instead becomes involved with service provision and nonprofit administration. Compare the nonprofit housing sector to some of the coalitions reviewed in the introduction to this dissertation. The coalitions of organized capital and labor in twentieth century New York enabled a base of organized tenants still working today to uphold rent regulation. The example of rent control's endurance in New York points to the need to generate political power among tenants to win concessions against the ever-present impulse to commodify rising land prices. A key, problematic issue for community development groups is that, despite their stated charge, they have no explicit mechanism of accountability to low-income communities, and exist in a culture that demands increasing professionalization. While the LIHTC-backed system can be said to create greater political efficiencies, these are some of the downsides that arise from not taking on the question of housing directly, through politics.

[279] Fife and Preston were both endorsed by activist groups (such as the Sunrise Movement and Democratic Socialists of America) and whose opponents were endorsed by the Democratic establishments including Oakland Mayor Libby Schaff and San Francisco Mayor London Breed, respectively.

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