

## Assessing Economic Change in HOPE VI Neighborhoods

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### *Abstract*

Neighborhoods surrounding large public housing developments have historically been economically distressed. The revitalization of many developments through the federal HOPE VI program, in conjunction with increased inner-city lending and a strong economy for much of the 1990s, should theoretically lead to improvements in these neighborhoods. This study analyzes changes in selected HOPE VI neighborhoods since 1990 and compares them with changes in other high-poverty communities, as well as with overall trends in their respective cities.

At the beginning of the decade, conditions in HOPE VI communities were almost universally worse than in other high-poverty areas. By the end of the decade, the relationship was reversed. The changes resulted from a number of interrelated factors, including the redevelopments themselves, other private market activity, specific commitments of resources by city governments, and increased attention to the communities by lenders. These neighborhoods still qualify as economically distressed, but economic development now seems a realistic possibility.

**Keywords:** Community development and revitalization; Low-income housing; Neighborhood

### **Introduction**

The federal Urban Revitalization Demonstration Program (commonly known as HOPE VI) has engendered considerable debate among affordable housing and community development advocates, researchers, and practitioners. Unfortunately, most of the discussion about the program's broader neighborhood effects has thus far been driven more by politics than research, with little more than anecdotal evidence to support claims of neighborhood change. This article attempts to bring some rigorous analysis to the debate by examining changes in the economic conditions of HOPE VI neighborhoods over the past decade.

The HOPE VI program has typically targeted public housing developments located in some of the nation's most economically distressed communities; HOPE VI represented a greater infusion of public sector resources than most of these areas had seen in decades. The program has not operated in a vacuum, however. The strong national economy through much of the 1990s contributed to the stabilization and rejuvenation of many central cities that had been in decline for decades. The

availability of mortgage and small business credit in lower-income urban markets has expanded considerably since the early 1990s, making it much easier to foster residential and economic development in these areas. Urban crime rates have declined considerably throughout the country. On the basis of the interaction of these and other factors, we would hope (and even reasonably expect) to see some notable improvements in HOPE VI communities and other similar economically distressed urban neighborhoods.

The first part of this article provides a contextual background for understanding the relationship between public housing and neighborhood revitalization. The second part examines quantitative changes in economic conditions in eight HOPE VI neighborhoods throughout the country, comparing the changes with those taking place in other high-poverty communities within the eight cities, as well as in the cities overall. The analysis shows that these HOPE VI neighborhoods have experienced considerable improvement but still fall well below their respective city economic averages. What were once highly distressed neighborhoods are now more or less typical low-income communities. The third part of the article consists of case studies of two of these neighborhoods to illustrate the interplay between the HOPE VI development and other local forces working to promote economic development. The article concludes by discussing the role of public housing redevelopment in neighborhood revitalization, the importance of other, nonpublic housing factors, and the need to set more realistic expectations for the nature and timing of such change.

## **Public housing and neighborhood development**

Public housing has long been associated with economically distressed urban neighborhoods. Historically, such developments were usually placed in poor, predominantly minority central-city neighborhoods. For example, a census tract in Chicago that had a median household income of \$500 in 1950 and a 90 percent or greater black population had a 69 percent chance of being selected for a public housing site. In contrast, a tract with a median income of \$3,000 in 1950 and 10 percent or fewer black residents had only a 3 percent chance of receiving such a development (Massey and Kanaiaupuni 1993). Such trends continued well into the 1980s. Family public housing, other federally subsidized family housing, and units built with Low-Income Housing Tax Credit (LIHTC) funds were more likely to be developed in census tracts with high proportions of black and Hispanic residents, high poverty rates, low median incomes, low housing values, and low percentages of single-family, owner-occupied units. The higher a tract's housing

values, the less likely it was that publicly assisted housing would be located there (Rohe and Freeman 2001).<sup>1</sup> Although assisted housing has generally been located in less affluent areas, public housing has been especially likely to be in economically distressed communities. Over two-thirds of all public housing units were located in census tracts that had unemployment rates of 40 percent or more in 1989 (Newman and Schnare 1997).

Not only have public housing developments historically been located in economically struggling areas, but they have also contributed to the distress of those communities. In Chicago, the construction of a public housing complex between 1950 and 1970 was correlated with an 8 percent increase in poverty in its census tract by 1970 and another 11 percent increase between 1970 and 1980. By 1980, the expected poverty rate in an overwhelmingly black census tract with a public housing complex was 51 percent (compared with 37 percent in a predominantly white tract); the poverty rate decreased as the distance from the development increased (Massey and Kanaiapuni 1993). Researchers found similar trends in Columbus, OH, during the 1980s. Public housing developments were strongly associated with increases in poverty among both blacks and whites (with the effect being twice as great among blacks), as well as with stagnant rents. Both newer and older developments had similar effects in concentrating poverty (Holloway et al. 1998).

The physical design of public housing developments, in conjunction with policies that gave housing preference to the lowest-income families, contributed to an increasing concentration of impoverished residents in these complexes (Popkin et al. 2000a; Vale 2000). In 1995, the median income of families living in public housing was only about \$6,500, versus over \$35,000 for the population as a whole. Most public housing households had incomes at or below 20 percent of the median for their respective geographic areas, and nearly one-fifth of the tenants made less than 10 percent of the area median income (Gurwitt 1995). Public housing complexes had also become notorious centers of gang- and drug-related crime and violence, due in large part to the emergence of crack cocaine (Venkatesh 2000). The combination of poverty and crime often had deleterious effects on social and economic conditions in the surrounding neighborhoods, contributing to increases in (among other things) teen parenthood, youth delinquency, and school dropout rates (Crane 1991; Ellen and Turner 1997; Wilson 1987).

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<sup>1</sup> Since investors can usually receive larger tax credits for developments sited in higher-poverty areas, the concentration of LIHTC-financed properties in lower-income tracts is not surprising.

The physical deterioration of these properties exacerbated their social problems. The congressionally chartered National Commission on Severely Distressed Public Housing reported in 1992 that approximately 86,000 public housing units were severely distressed; families were “living in extreme poverty in almost unimaginable and certainly intolerable conditions” (2). Although only 6 percent of the country’s total public housing units then qualified as severely distressed, the commission found that thousands of other units were experiencing many of the symptoms of deterioration.

Accepting many of the commission’s recommendations, congressional and U.S. Department of Housing and Urban Development (HUD) policy makers designed the HOPE VI program as a more comprehensive public housing redevelopment initiative. They sought to eradicate the country’s worst developments (such as the Robert Taylor Homes in Chicago) and create healthier living environments. Not only did HOPE VI allow for the complete physical redevelopment of properties (including the demolition and rebuilding of housing units), but it also made money available for a range of social services geared toward increasing the educational levels and employability of public housing residents. In addition, the program allowed public housing authorities (PHAs) more flexibility in admitting tenants, no longer requiring them to take only the lowest-income individuals and families. Since 1993, the program has provided PHAs with over \$4 billion in grants for the revitalization of 165 developments in 98 cities.

From 1993 to 1995, the HOPE VI program targeted developments that were located in the 40 most populous cities and/or were managed by the most troubled PHAs. HUD selected awardees based on the level of physical need, the capacity and likelihood of successful revitalization, the extent of community services to be provided to residents, and the degree of resident participation in the planning and implementation process.

The focus of the program changed somewhat in 1996. All PHAs were eligible to apply for grants, and redevelopment strategies had to focus on lessening the concentration of poverty within the existing development. No longer was there a mandated one-for-one replacement of demolished public housing units; HUD would approve applications only if they called for significantly fewer units on the site. The new emphasis focused either on developing public housing units in nonpoverty neighborhoods, or more commonly, creating mixed-income complexes on the site. Such complexes could contain public housing units as well as market-rate rental and for-sale properties. The theory, building on the research of William Julius Wilson (1987) and others, was that by

creating a community whose residents have a mix of income levels, the program could help promote greater interaction between unemployed public housing residents and working adults. Such interactions would help lower-income individuals access job networks and become better tied into the economic mainstream.

In addition, the revised regulations called for HUD to assess applications based on their ability to have a local and national impact. The redevelopment of distressed public housing complexes was assumed to have a positive impact on surrounding neighborhoods. Similarly, the increased buying power of a mixed-income community would help catalyze and sustain additional local market activity. PHAs had to consider such broader community ramifications as part of their redevelopment strategies.

HOPE VI has generated considerable controversy, particularly with regard to its emphasis on creating mixed-income developments. The elimination of the one-for-one replacement requirement has led to a net loss of housing units specifically designated for very low income individuals and families. (However, many of those units had been vacant for a number of years and were effectively uninhabitable at the time of demolition anyway.)

Another source of contention has been the mixed-income strategy itself. Critics charge that the approach effectively displaces lower-income residents in favor of more affluent individuals and thus mirrors many of the worst aspects of the slum clearance and urban renewal programs of the 1950s and 1960s (Keating 2000a, 2000b; National Housing Law Project et al. 2002). Such critiques assume that large numbers of the developments' original residents have been unwillingly displaced. Yet other research suggests that many public housing residents have a strong desire to leave their units for housing elsewhere (Vale 1998) and that a substantial portion of the displaced residents are much happier in their new environments (Buron et al. 2002; Kingsley, Johnson, and Pettit 2001; Popkin 2002). For such displacement even to be a potential issue, though, the new development (and its surrounding area) has to be attractive enough to attract higher-income individuals and families. Such a result is by no means guaranteed and depends on such factors as the development's geographic location, the strength of the area's housing market, and the marketing of the new complex (Brophy and Smith 1997; Epp 1996; Howell and Leonard 1999; Popkin et al. 2000b; Salama 1999; Wexler 2001).

This study does not address questions relating to the impact of HOPE VI on public housing residents, particularly the displacement issue. It

focuses instead on the question of neighborhood revitalization, specifically the economic and social changes that have taken place in the neighborhoods surrounding the HOPE VI sites. To what extent are these communities improving, and what forces are driving that improvement?

There is a growing body of evidence indicating that the substantial rehabilitation of publicly subsidized housing and the development of new homes can have positive effects on local property values. In the Urban Homesteading Demonstration Program in the 1970s, HUD transferred some of its foreclosed properties to local governments, which in turn deeded them to individual homesteader applicants. The homesteaders' rehabilitation and occupancy of the properties, in conjunction with publicly financed upgrading of local community facilities, appeared to result in significant increases in the value of the immediately surrounding properties, as well as some positive ripple effects on properties farther from the rehabilitated sites (Varady 1982). The rehabilitation and occupancy of scattered-site, PHA-owned units in Denver by publicly subsidized tenants contributed to positive increases in property values for homes located within a 500-foot radius of the PHA units, as well as a short-term boost in the value of homes between 1,000 and 2,000 feet from the units (Santiago, Galster, and Tatian 2001). New housing construction was also associated with increased sales prices for homes in Cleveland in the mid-1990s (Ding and Knaap 2002). Other studies have identified similar effects of new construction (and, to a lesser extent, rehabilitation) on property values in Minneapolis (Goetz, Lam, and Heitlinger 1996) and New York (Schill et al. 2002).

Housing programs do not operate in a vacuum. Other neighborhood characteristics often matter as much, if not more, than particular housing initiatives. For example, the occupancy of Section 8 properties in Baltimore was associated with increases in the value of surrounding homes if they were located in census tracts where (1) median housing values were in the highest third of overall city values, (2) property values were already appreciating (in real terms), and (3) residents were overwhelmingly white. Occupancy of Section 8 properties tended to have negative impacts on sales prices in census tracts whose housing values were already low (or moderate) and declining (Galster, Tatian, and Smith 1999). In Denver, the positive property value effects associated with the rehabilitation of the PHA scattered-site homes accrued primarily in relatively affluent and white communities; the program had negative effects on values in areas in which 20 percent or more of the population was black (Santiago, Galster, and Tatian 2001).

Most analyses of neighborhood change have focused on outcomes associated with a particular program or intervention. For example, Abt Associates, Inc., has been conducting assessments of selected HOPE VI developments and some of their effects on surrounding communities (2001a and 2001b, among others). These studies have not addressed other social and market dynamics affecting these communities. An Enterprise Foundation–sponsored evaluation of changes in Baltimore’s Sandtown-Winchester community focused principally on the activities of a particular community initiative, not on other political and economic factors affecting the neighborhood (Brown, Butler, and Hamilton 2001). Zielenbach (2000) took a more comprehensive approach in his study of Chicago neighborhoods, but neither of the two featured communities had a significant public housing presence.

This analysis assesses the extent and causes of economic change in selected communities surrounding HOPE VI developments. It documents the quantitative changes that have taken place in the neighborhoods since 1990, compares them with changes in other high-poverty communities, and analyzes those changes in the context of broader city-wide and national economic conditions. It does not focus on one aspect of neighborhood economic change (property values, for example), but rather on a variety of components that collectively constitute and shape local market dynamics. One characteristic that sets this study apart is its focus on more qualitative indicators of change: differences in perceptions about the neighborhoods’ future on the part of actual and potential market investors. It also does not look to assess the impact of any particular program or intervention. Part of the reason is that the most clearly identifiable interventions (the HOPE VI developments) are often still in process, making their true impact difficult to ascertain. More important, the various factors and forces that shape change in urban neighborhoods are generally interrelated and interdependent, so that focusing on any one piece tells only part of the story.

## **Methodology**

### *Defining HOPE VI neighborhoods*

Although many of the developments have similar components, there is no typical HOPE VI development. Each project has its own set of issues and its own set of community dynamics. Ostensibly similar neighborhoods tend to vary considerably in terms of geographic location, local organizations, ethnic and racial mixes, and socioeconomic conditions. Such variation exists both within and across cities; for example, the neighborhoods surrounding Cabrini Green and the Robert Taylor Homes in Chicago have fundamentally different dynamics.

In selecting communities for this study, I focused on areas surrounding those HOPE VI complexes that had a minimum of 400 housing units before demolition/revitalization started and were projected to have at least that number at completion. Complexes of this size would represent at least 20 percent of the total housing units in a typical neighborhood and would consequently have a significant effect on surrounding conditions. In addition, the HOPE VI redevelopment had to be at least 50 percent completed (as determined by units ready for occupancy) by the end of calendar 2001. Only eight developments met these criteria: Techwood (Atlanta), Orchard Park (Boston), Earle Village (Charlotte, NC), Quigg Newton (Denver), Kennedy Brothers (El Paso, TX), Hillside Terrace (Milwaukee), the Richard Allen Homes (Philadelphia), and Holly Park (Seattle). All of these developments received HOPE VI awards in 1995 or earlier. The sites are geographically diverse, but not necessarily representative of HOPE VI communities or developments.

I created “HOPE VI neighborhoods” by taking a weighted average of the census tracts encompassing or abutting the public housing property. Tracts were weighted based on the percentage of the public housing property in each, with tracts that abutted the property collectively making up 5 percent of the overall average. So if two-thirds of the property was located in tract 1 and the remaining third was located in tract 2, tract 1 would be weighted twice as heavily as tract 2 in the neighborhood calculations. In every neighborhood but Atlanta, the boundaries of the tracts did not change between 1990 and 2000, thus allowing for analysis of comparable regions over time; for Atlanta, I conducted weighted averages for both years to create comparable neighborhoods.

The weighted-average approach avoids the pitfall of having to identify a true neighborhood boundary (assuming that one is actually perceived to exist), and it helps reduce the influence of the parts of the census tracts external to the perceived neighborhood. At the same time, the approach is far from perfect. It assumes a uniform distribution of population, housing, and social and economic characteristics across tracts, which may well not be the case. It can also result in a few anomalies—the Milwaukee HOPE VI neighborhood ostensibly contains fewer housing units than actually exist in the Hillside Terrace public housing complex alone—but resource and data limitations preclude any more detailed neighborhood definition.

### *Indicators of neighborhood change*

An economically vibrant community is able to attract and maintain private investment as well as provide its residents with employment and wealth-building opportunities. Since there is no single indicator

that adequately captures the economic condition of a neighborhood,<sup>2</sup> the study relies on a variety of commonly used measures that collectively paint a picture of community social and economic conditions. On the resident level, the analysis focuses on changes in population, ethnic/racial composition, educational levels, per capita income, the unemployment rate, households receiving public assistance, and the overall mix of household incomes—all data available through the census. To assess the neighborhood's market potential, I used residential loan rates (from Home Mortgage Disclosure Act (HMDA) data),<sup>3</sup> median rents,<sup>4</sup> and crime rates (based on type 1 index crime data provided by local police departments).

### *Comparison groups*

Change in a community has both absolute and relative components, which can make it difficult to identify demonstrable local improvement. For example, a neighborhood may experience an increase in per capita income, which would seem to benefit residents. But if the increase was lower than the rate of inflation, local residents would have experienced an effective decrease in their purchasing power. Similarly, home values in a community could increase, thereby benefiting local property owners. Yet if the rate of increase was greater in surrounding communities (and the values were initially equal), the owners in the first neighborhood would actually be worse off economically relative to their counterparts in the surrounding areas. In short, neighborhood change needs to be measured relative to other changes taking place. When considering economic change (which depends in large part on the investment and location decisions of individuals), one has to take into account comparative improvements. In a dynamic environment, how is a given

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<sup>2</sup> Some have argued that changes in single-family property values are the best measure of changing neighborhood conditions, but such values are at best only indirectly (and not necessarily cleanly) related to local business conditions, infrastructure, crime rates, and resident/investor perceptions of the community. Property value data also do not adequately address changes in the economic well-being of residents and are useful only if the neighborhood has a substantial number of single-family homes (and home sales).

<sup>3</sup> The residential loan measure includes conventional home purchase, government-backed home purchase, home improvement/home equity, and multifamily loans. It does not include mortgage refinancings because such loans generally do not bring additional capital into the community and tend to reflect changes in interest rates more than changes in lenders' and investors' expectations for a community. Residential loan rates are per 100 housing units; small business rates are per square mile.

<sup>4</sup> The rents serve as a proxy measure of property values; many of the HOPE VI neighborhoods do not have enough single-family homes to generate reliable data on their value.

community faring relative to other areas? Is it becoming more or less attractive for existing and potential residents and investors?

It is virtually impossible to identify suitably comparable communities within a city, simply because there are too many different factors for which one needs to control. Even identifying communities with similar racial, ethnic, socioeconomic, and geographic characteristics, as well as similar proportions of public housing, cannot account for differences in local leadership, organizational infrastructure, or external decisions to target resources in the area. The study therefore compares changes in the HOPE VI neighborhoods with changes in other high-poverty areas within the respective cities and with changes in those cities overall. Using data compiled by the Urban Institute's National Neighborhood Indicators Partnership, I identified all of the census tracts that had poverty rates of 30 percent or more as of 1990 and then (after taking out the HOPE VI tracts) aggregated census and HMDA data across the tracts to develop overall rates. The aggregation approach effectively controls for the variation in individual neighborhoods and creates a "typical" high-poverty neighborhood for comparison. Using the overall city average as another benchmark controls for citywide (and regional) economic and political changes as well as for inflation. Since economic and social conditions in the HOPE VI and high-poverty neighborhoods were well below their respective city averages in 1990, movement toward the mean would represent improvement.

### *Case studies*

To illustrate the variety of local factors that determine how, when, and why neighborhood change takes place, I selected two communities for more in-depth case studies. Hillside in Milwaukee and Holly Park in Seattle differ in geographic location and in the characteristics of their HOPE VI developments. (Hillside Terrace was a straight public housing renovation, while New Holly is a mixed-income development.) The case studies involved a mix of telephone and in-person interviews with key local economic stakeholders who were identified by their positions or their reputation for knowledge of the communities. (A list of those interviewed is found in the appendix.) The interviews were conducted by Housing Research Foundation staff using a common set of questions adapted for each interviewee. Each person interviewed understood that he or she was speaking on the record; staff members subsequently checked potentially controversial statements to ensure that they were not taken out of context.

## Findings

The HOPE VI neighborhoods were generally worse off economically in the early 1990s than other high-poverty communities. As illustrated in table 1, residents of the HOPE VI neighborhoods tended to be poorer and less well educated than their counterparts in other high-poverty areas. Over half of the residents in the HOPE VI communities earned less than the federal poverty level, and over three-fourths of households in these areas earned 80 percent or less of the area median income. Both types of neighborhoods qualified as weak markets, with below-average rents and residential loan rates and above-average housing vacancy rates. The HOPE VI communities also tended to be disproportionately dangerous areas, with crime rates (and particularly violent crime rates) that ranked among their city's highest.

The HOPE VI neighborhoods have experienced marked improvement since the early 1990s in both absolute and relative terms (see table 1).<sup>5</sup> Per capita incomes have increased by 59 percent in real terms and constitute 58 percent of the average city income (compared with 41 percent in 1989). Over 10 percent more adult residents now have at least a high school education. Poverty rates have dropped considerably (from 51 to 32 percent), as has the proportion of households receiving public assistance. The residential loan rate has almost doubled, and median rents have increased by 27 percent in real terms. The communities have also become noticeably safer. Overall crime rates in 2001 were approximately half of what they were in 1993 in the four HOPE VI neighborhoods for which data are available (Boston; Charlotte, NC; Milwaukee; and Seattle). Violent crime rates in these areas fell by nearly two-thirds during the same period.

This improvement must be taken in context; the HOPE VI communities are still very distressed, lagging well behind city averages on most social and economic indicators. Yet conditions have clearly improved, to the point where the neighborhoods are now better off than other high-poverty communities. The HOPE VI neighborhoods fare better on every measure except median rent and housing vacancy rate, and their rents have risen faster in the past decade than those in the other high-poverty areas. (Their higher vacancy rate may well be a function of the HOPE VI-related construction still under way in 2000.) While high-poverty neighborhoods generally experienced economic improvement in

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<sup>5</sup> Although each of the HOPE VI neighborhoods has improved relative to its city average and to its city's high-poverty census tracts, there is considerable variation across individual indicators and neighborhoods. There are unfortunately no systematic explanations for the variations. (Lending rates were not consistently lower in weak market cities, and neighborhood population growth was not consistently greater in higher-growth cities, for example.)

Table 1. Comparative Conditions

	1990			2000		
	HOPE VI Neighborhoods	Other High- Poverty Tracts	Citywide	HOPE VI Neighborhoods	Other High- Poverty Tracts	Citywide
Average population	3,382	134,898	634,639	3,061	129,776	667,830
Percent white	8.6%	19.3%	53.8%	9.8%	17.0%	45.1%
Percent black	40.2%	50.2%	48.9%	32.1%	46.6%	29.7%
Percent Latino	36.1%	26.7%	13.3%	40.1%	31.1%	18.4%
Percent over 25 with a high school diploma	46.6%	48.2%	72.2%	57.1%	41.0%	77.0%
Per capita income (in 1990 dollars)	\$5,611	\$6,733	\$13,680	\$8,923	\$8,180	\$15,374
• Per capita income as a percentage of the city average	41.0%	49.2%	19.6%	58.0%	53.2%	19.1%
Poverty rate	51.3%	43.1%	7.7%	32.2%	38.0%	17.8%
Unemployment rate	18.6%	15.5%		14.4%		
Percentage of households with public assistance	33.3%	26.1%	11.3%	11.2%	11.6%	5.4%
Percentage of very low income households (< 50% of the area median income)	59.6%	55.2%	32.3%	48.1%	54.0%	33.3%
Percentage of low-income households (< 80% of the area median income)	76.6%	73.1%	51.5%	64.7%	71.5%	50.9%
Crime rate (four cities)	173.3	NA	108.1	92.0	NA	81.3
Violent crime rate (four cities)	55.3	NA	22.9	17.9	NA	14.2
Housing vacancy rate	10.7%	14.0%	8.9%	12.4%	12.1%	7.4%
Median rent (in 1990 dollars)	\$226	\$347	\$460	\$287	\$363	\$417
• Rent as a percentage of the city average	49.1%	75.4%		68.8%	87.1%	
Residential loan rate (per 100 housing units)	1.9	1.6	3.5	3.7	2.9	4.7

Note: On average, there were 2.38 tracts in each of the HOPE VI neighborhoods and 40 high-poverty tracts in each city. With the exception of the "Average population" line, all of the crime, demographic, and income measures are averages weighted by population. Loan rates, housing vacancy rates, and rents are weighted by the number of housing units. Loan rates are for 1993-1994 and 2000-2001, respectively. Only four cities (Boston; Charlotte, NC; Milwaukee; and Seattle) had crime data by census tract going back to 1993, but data in these cities were available only for HOPE VI tracts. Crime rates reflect the number of type 1 crimes per 1,000 residents and are listed for 1993 and 2001, respectively. All of the income data were from 1989 and 1999, respectively. NA = not available.

the 1990s, the rate of improvement in the HOPE VI communities was substantially greater than in other comparable areas.

### **Explaining neighborhood change**

The improvements in the HOPE VI neighborhoods result from a number of factors whose relative importance is difficult to determine. The HOPE VI redevelopments themselves have likely been key contributors to the changes in these areas. The communities in which the HOPE VI program has emphasized a mixed-income approach have shown increases in the proportions of moderate-, middle-, and upper-income households and corresponding declines in the percentage of very low income ones. Since higher income levels are associated with higher levels of education and higher rates of employment, concerted attempts to attract more affluent households should result in improvements in each of these indicators.

At a total cost in the tens (if not hundreds) of millions of dollars, the individual HOPE VI projects should have generated some additional financing opportunities in their surrounding neighborhoods. Each development necessarily involved private financing in the form of loans and/or LIHTC-related equity investments. Any spillover residential development would in all likelihood have involved construction or mortgage financing. New construction also typically results in increased property values in an area, at least in the blocks immediately surrounding the revamped properties (see Ding, Simons, and Baku 2000 and Simons, Quercia, and Maric 1998, among others). Increases in property values can contribute to increases in the number of home improvement and home equity loans, as homeowners look to upgrade their properties to maximize their value or draw on the increased equity in the homes to finance other activities and purchases.

All of the HOPE VI developments included some public safety component, ranging from increased police patrols and local anticrime programs to more rigorous screening of potential residents in the new public housing units. Such initiatives would presumably help reduce crime and thus contribute to the attractiveness of the neighborhood to current and potential residents and investors. As neighborhoods become more desirable, their property values and residential loan rates typically rise. Improvements in each of these indicators suggest that the HOPE VI developments have had a positive economic effect on their neighborhoods.

HOPE VI is only one of many forces that have affected these neighborhoods in the past decade, however. Low-income neighborhoods throughout urban America have experienced a substantial growth in loan capital since the early 1990s, in large part because of the Clinton administration's heightened enforcement of the federal Community Reinvestment Act (CRA). Banks and other lenders subject to CRA regulations have committed considerable financial and staff resources to serving areas they had long ignored. Such institutions now routinely compete to finance reasonable multifamily and commercial projects in HOPE VI neighborhoods such as Dudley Square in Boston. The CRA has also helped spawn an entire development finance industry geared toward serving HOPE VI-type neighborhoods. Banks have created subsidiary community development corporations that focus exclusively on financing projects in CRA-eligible areas. Hundreds of community development financial institutions have formed with the primary mission of increasing the availability of affordable credit and investment capital in low-income, historically underserved urban markets.

The national economic expansion in the 1990s generated substantial benefits for many urban neighborhoods. Especially in the latter half of the decade, the country as a whole experienced a level of prosperity unknown for at least a generation. Unemployment rates (both nationally and regionally) dipped to their lowest levels since the 1960s. Even more than other economic booms, this one appeared to reach individuals throughout the income spectrum. Employment opportunities (and with them, income levels) increased even in many of the country's most destitute communities.

The past decade saw the continued growth of a number of cities in the South and West, and, for the first time in decades, population increases in certain northern cities. Only two of the cities in this study lost population during the 1990s (Milwaukee and Philadelphia); some of the others (Boston and Seattle, for example) were among the most desirable locales in the country. The reasons for the urban rebirth are varied and complex. Reduced crime, increasing traffic congestion in the suburbs, improvements in city services, and changing social preferences have all contributed. The result in stronger-market cities such as Boston, Charlotte (NC), and Seattle has been increased pressure on local housing prices. As values in the choicest neighborhoods skyrocketed, prospective buyers increasingly turned to more affordable neighborhoods. Historically distressed HOPE VI communities such as Dudley Square (Boston), Earle Village (Charlotte, NC), and Holly Park (Seattle) offered relative housing bargains and consequently began to attract more investor interest. The increased demand has gradually (or in some cases, rapidly) pushed up the values of properties in these areas.

Each of these factors has likely contributed to the improved conditions in the HOPE VI neighborhoods. Determining the relative importance of each factor is much more problematic. There are no clearly defined tipping points in the data that illustrate the catalytic effect of any single event or program. Neighborhood lending rates began trending sharply upward with increased enforcement of the CRA, but their increase coincided with the strong national economy. Crime rates in the HOPE VI communities generally declined significantly in the 1990s, but so did crime nationally. In many cases, the sampled neighborhoods experienced declines in crime rates and increases in lending rates and property values once the HOPE VI development got under way, yet those rates of change were not noticeably different (either positively or negatively) than they had been before the development. None of these findings is surprising, given the multitude of factors that affect any neighborhood.

At the same time, the inability of the data to discern causality highlights the inherent limitations of broader quantitative analysis in neighborhood economic evaluations. The data paint a broad picture, but filling in the details requires a more nuanced understanding of the substantial variation existing across individual locales. For example, the steep reduction in the proportion of Hillside (Milwaukee) households receiving public assistance may well result primarily from Wisconsin's particular approach to welfare reform, in which able-bodied aid recipients received sharply reduced benefits but single working mothers received significant child care assistance.<sup>6</sup> Other communities have similar peculiarities. Holly Park in Seattle is the only community in the sample to have seen a decline in resident levels of education. In the past 10 years, Holly Park has experienced a substantial in-migration of immigrants and refugees from East Africa, many of whom have had little formal education. Understanding the interaction among local forces, the shape and structure of change, and the potential for future neighborhood improvement requires a much closer look at the social, economic, and political dynamics of the specific communities. The following case studies of Hillside and Holly Park provide that more nuanced look. They do not purport to explain the differences or relative improvements between HOPE VI and other high-poverty neighborhoods, but rather to highlight some of the key aspects and causes of local change.

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<sup>6</sup> There was a substantial reduction in the proportion of public assistance recipients across all of the sampled cities and neighborhoods, both because of the strong national economy and because of the 1996 welfare reform legislation.

## *Hillside*

As its name suggests, Hillside sits on a relatively steep incline just north of downtown Milwaukee. Unlike some of the city's other communities, Hillside has never had a distinct neighborhood character. Its western and southern boundaries are generally well defined (Interstate 43 to the west and downtown to the south, although the elevated Park East highway has also served as something of a southern boundary). Hillside's eastern and northern boundaries are less clear, defined more by the boundaries of other neighborhoods (the residential Halyard Park and Brewers Hill communities to the north and northeast) than by any clear sense of a definite Hillside area. For many people, the Hillside community has been synonymous with Hillside Terrace, a sprawling development encompassing many square blocks.

For the past few decades, the area has been one of Milwaukee's most impoverished. In 1989, nearly 97 percent of the community's households qualified as low income. More than half of the labor force was unemployed, and the local poverty rate exceeded 80 percent. In the late 1980s and early 1990s, Hillside also had a reputation as one of the most dangerous parts of the city. On the south (downtown) side, residents reported an average of 20 to 30 car break-ins during each event at the nearby Bradley Center.

Many of the neighborhood's problems could be traced to the Hillside Terrace development, which had the highest rates of assault, burglary, and motor vehicle thefts of all the family developments operated by the Housing Authority of the City of Milwaukee (HACM). The physical layout of Hillside Terrace made it difficult for service vehicles to navigate the area quickly; ambulance drivers and police officers routinely complained about their inability to respond rapidly to calls for help. Because the area was hard to patrol by car, it created opportunities for criminal behavior. By the late 1980s, Hillside Terrace had an open-air drug market, with area children often serving as sentries for the dealers. More and more individuals eligible for public housing chose to forgo such assistance rather than accept an apartment in Hillside; by 1993, HACM had to make as many as 200 offers to fill certain units. Even many social service workers, citing safety concerns, refused to enter the area for meetings.

While Hillside continues to be one of the poorest sections of Milwaukee, conditions are improving (see table 2). The neighborhood's per capita income was only 35 percent of the city's in 1999, yet that represented an improvement from 1989, when Hillside's per capita income was a mere 24 percent of the city's. Hillside now has fewer households qualifying as low-income (88 percent versus 97 percent in 1989), a much

lower unemployment rate (13 percent versus 52 percent), and a much higher proportion of high school graduates (56 percent versus 35 percent). The most significant improvement has been in public safety, with crime rates having dropped by over 65 percent since 1993. Hillside has a rate of 26 type 1 crimes per 1,000 residents, less than 30 percent as high as the city's overall crime rate. Julie Penman, the commissioner of Milwaukee's Department of City Development, considers Hillside one of the safest places in the city. Allen Stokes, the senior vice president of the local Inner-City Redevelopment Corporation and a former resident of Hillside Terrace, also observes a real change in the neighborhood's social dynamics. "You no longer see people walking around drunk and disorderly" in the area, he asserts.

Much of Hillside's improvement stems from the \$50 million redevelopment of the Hillside Terrace property from 1995 to 1999. The physical condition of Hillside Terrace was comparatively good relative to other public housing complexes. The buildings had obsolete heating, plumbing, and electrical systems, and the site had erosion and drainage problems, but the units were generally well constructed and in sound condition. Neither HACM officials nor Hillside residents viewed it as a typical HOPE VI property—"Hillside was no Cabrini Green," explained one resident—and that condition led to a different type of redevelopment. Instead of tearing down and rebuilding much of the site (an approach more common among later HOPE VI awardees), HACM and the development team were able to renovate much of the existing footprint. The ability to work with the existing properties precluded having to tear up much of the neighborhood. According to Mayor John Norquist, the process was able to build on the underlying integrity and strength of the community.

In addition to improving the structure and appearance of many of the individual housing units, the redevelopment involved a number of changes to the physical layout of the property. For example, developers created a private/public space distinction through the use of concrete embankments on the hill; the process eliminated a number of ugly chain-link fences while at the same time addressing the site's drainage problems. Perhaps more important, the development eliminated the cul-de-sacs and ensured that Hillside Terrace's streets were connected to others outside the community. Not only did such restructuring help integrate the development into the surrounding neighborhood, but it also made it easier for police patrols and other service providers to navigate.

Table 2. Conditions in Milwaukee

	1990			2000		
	Hillside	Other High-Poverty Tracts	City of Milwaukee	Hillside	Other High-Poverty Tracts	City of Milwaukee
Population	1,315	178,033	628,088	1,262	152,026	596,974
Percent white	0.6%	23.4%	64.0%	0.8%	16.3%	45.4%
Percent black	92.8%	60.2%	30.3%	95.7%	59.7%	37.3%
Percent Latino	6.2%	11.6%	6.0%	2.7%	18.8%	12.0%
Percent over 25 with a high school diploma	35.1%	46.1%	71.5%	56.3%	43.1%	74.8%
Per capita income (in 1990 dollars)	\$2,648	\$6,061	\$11,106	\$4,103	\$7,297	\$11,840
• Per capita income as a percentage of city per capita income	23.8%	54.6%		34.7%	61.6%	
Poverty rate	81.1%	47.7%	22.2%	61.9%	39.8%	21.3%
Unemployment rate	52.2%	18.7%	8.9%	13.2%	17.3%	9.4%
Percentage of households with public assistance	69.9%	35.6%	15.3%	11.5%	9.8%	4.6%
Percentage of very low income households	89.9%	55.2%	32.4%	79.9%	59.0%	38.3%
Percentage of low-income households	96.7%	75.4%	52.4%	87.5%	73.6%	53.6%
Crime rate (per 1,000 residents)	76.2	NA	106.7	26.3	NA	90.7
Violent crime rate (per 1,000 residents)	16.9	NA	34.9	3.2	NA	22
Housing vacancy rate	2.9%	11.1%	5.4%	14.6%	12.3%	6.8%
Median rent (in 1990 dollars)	\$144	\$361	\$418	\$198	\$329	\$331
• Rent as a percentage of the city median	34.4%	86.4%		59.8%	99.4%	
Residential loan rate	0.0	1.9	4.4	0.3	2.2	4.0

Note: The crime rates are for 1993 and 2001. The residential loan rate is per 100 housing units and is for 1993-94 and 2000-01. All of the income data were from 1989 and 1999, respectively.  
NA = not available.

Anticrime efforts received a boost from initiatives funded in large part by the federal Drug Elimination Program. With the grant, HACM hired public safety officials trained by the Milwaukee Police Department. These individuals lived in the development and constituted on-site police staff; although they did not have law enforcement authority, they could ticket people for trespassing and parking violations. They also worked closely with both the Milwaukee and HACM police to identify and reduce criminal activity. By living in the development, they came to be part of the local community. Other residents learned to trust them and became more willing to report suspicious behavior. The number of trespassing incidents declined, the open-air drug market disappeared, and the collective sense of safety increased dramatically.

Residents' economic conditions improved partly as a result of the greater availability of jobs resulting from the strengthened Wisconsin economy and partly from more intensive job placement and training efforts coordinated by HACM. The housing authority established partnerships with local social service providers and with a local technical college, enabling Hillside Terrace residents to have easier access to the vocational programs mandated by the state's Temporary Assistance to Needy Families regulations. HACM also gave special consideration to employed low-income individuals when filling vacancies in the remodeled development.

The physical and psychological effects of Hillside Terrace's redevelopment have been significant. The development no longer looks like traditional public housing. Julie Penman claims that the housing units now resemble condominiums. Similarly, Linda Bedford, who has been active in the development of the local Legacy Bank, relates that bank employees have fielded a number of calls from people who had mistaken the units for condominiums and were looking to obtain mortgages for them. Both HACM staff members and Hillside Terrace residents have mentioned the increased pride among the people living in the development. There appears to be a greater sense of ownership, with people ensuring that the area surrounding their homes is more orderly. Virtually everyone—including bankers, city officials, and local residents—believes that the neighborhood is much more attractive than it was before.

The renovation has been an integral part of the broader development taking place in the area north of downtown, a region that had experienced considerable disinvestment during the 1980s. The Schlitz Brewery, located to the southeast of Hillside along the Milwaukee River, closed in 1982, resulting in the loss of 550 jobs. The Walnut Street corridor to the north, one of the primary retail areas catering to the black

community in the 1960s, lost many of its stores and an increasing percentage of its residents. By the mid 1980s, the once-vibrant Martin Luther King Jr. Drive (on Hillside's eastern border) consisted largely of flophouses and bars.

Over a number of years, conditions gradually began to improve. Using a mix of financing (including city incentives), private developers began redeveloping the Schlitz site in the early 1990s. Today it houses a number of businesses, public agencies, and a public school. A few blocks to the north sits the old Commerce Power Plant, which, like Schlitz, had closed in the 1980s. A \$26 million development is nearing completion and will result in the building's conversion into an office complex for 600 Time Warner employees. The building will include state-of-the-art studio space, a day care facility, a company cafeteria, and a fitness center.

Such development has helped spur additional activity to the north (in the area northeast of Hillside). For example, the Beerline neighborhood (named after the Milwaukee Road railroad line that once serviced the Blatz, Pabst, and Schlitz breweries along the river) was designated a Redevelopment Area by the city council in 1994. The designation made various tax incentives available for community development; since 1997, the area has received over \$86 million in public and private investment for the development of 450 new homes, consisting of a mix of rental units, condominiums, row houses, and townhomes. The area, which overlooks the river and has a view of downtown and Lake Michigan, has attracted an increasing number of upscale professionals. Planned developments in the next few years include condominiums selling for up to \$230,000 and single-family homes in the \$400,000 range.

While neighborhoods to the west of Beerline have not shown quite the same level of growth, they too have experienced increased market activity. Brewers Hill, a community to the north-northeast of Hillside, is one of the city's oldest neighborhoods, with homes dating back to the 1800s. It had suffered from a fair amount of disinvestment and population loss in the past few decades; in the 1980s, the city was selling abandoned properties to willing developers for as little as a dollar. Since then, people have purchased and rehabilitated dozens of single-family and two-family properties, and developers have converted two larger buildings into 68 condominiums. A typical home there now sells for about \$100,000.

The city has also devoted considerable resources toward upgrading the King Drive corridor. As a way of combating crime in the corridor, the Department of City Development purchased a number of the bars along the street (the infamous "King Drive taverns") in the early 1990s and

boarded them up. As it did in Brewers Hill, the city offered to sell the properties at reduced rates to entrepreneurs seeking to open small businesses, provided that the purchaser lived in the building above the business. Although some of the properties remained vacant for 10 years or more, crime rates fell dramatically and enough people took the city up on its offer to spark renewed commercial activity. In the past four years, the area has attracted \$51 million in predominantly commercial investment. In addition to a number of locally owned retailers, the corridor now has national chains such as Blockbuster Video, Playmakers, Taco Bell, and Walgreens. The Ponderosa steak chain opened a restaurant on King Drive this past spring, the first time it had located in an inner-city neighborhood. Organizers are hoping to build a \$30 million Harley-Davidson Museum complex at the edge of the Schlitz property (at the southern edge of King Drive), although the project has recently encountered snags.

City initiatives to the east, north, and northeast of Hillside have helped spark significant commercial and residential reinvestment in those neighborhoods. Officials hope to achieve similar results on the community's south side with the removal of the elevated Park East Freeway spur, one of the remnants of a long-ago abandoned plan to encircle downtown Milwaukee with highways. The spur had generated opposition from a variety of downtown and neighborhood stakeholders for years. Opponents argued that the spur effectively created a barrier between the neighborhoods and downtown, made downtown access difficult, and choked off local development possibilities. City, county, and state officials approved a redevelopment plan for the area in 1999, demolition of the freeway began in the spring of 2002, and the project should be completed by the middle of 2004. The freeway's removal and replacement by a ground-level, three-lane boulevard is expected to release 26 acres for redevelopment; this property's assessed value is over \$50 million. Investors and developers are already planning a series of projects, including a new hotel, the conversion of an old warehouse into condominiums, and a mixed-use development near the Pabst Brewery complex.

While the closing of the breweries and the subsequent disinvestment had been a principal cause of the region's economic struggles for much of the past few decades, conditions at Hillside Terrace had dampened prospects for local improvements. Linda Bedford claimed that Hillside's problems (particularly its safety issues) effectively dissuaded potential residential and commercial investors from considering the area. Mayor Norquist contended that the public housing complex would have choked off other development—or at least had a chilling effect on it—had it not been substantially renovated. Allen Stokes concurs: "Hillside Terrace was going to the dogs. It was creating havoc [on the neighborhood]. If

something wasn't done, nothing else could have been sustained [in the area]." A strong supporter of the freeway renovation because of its potential economic benefits, Norquist believes that the project was intimately tied to Hillside's future: "The city could never have brought down the freeway spur if people thought of Hillside Terrace as a pathological threat."

The improvement of Hillside Terrace, in concert with other local changes, has clearly had positive spillover benefits for its neighborhood. Maria Prioletta, who spent a number of years on the Urban Development Team for the Department of City Development before becoming the director of the city's Housing Finance Authority, views the renovation as having created an "environment where other positive changes could happen...a climate for reinvestment in the area." There had been assorted economic development efforts in the area before Hillside's redevelopment—both the city and private developers had made some improvements along Walnut Street and King Drive—but Hillside's redevelopment helped accelerate the process. For Chris Litzau, whose Milwaukee Community Service Corps operates youth development and job training programs in the area, the "additive effect" of the development of Hillside Terrace, King Drive, and the properties along the river has created significant new opportunities. As evidence of the changing expectations for the neighborhood, HACM's plan for the redevelopment of its Lapham Park development (located about 7 blocks north of Hillside Terrace) calls for the establishment of 35 market-rate homeowner-ship units as well as the renovation of the existing public housing stock.

While perceptions of Hillside have certainly begun to change, the increased optimism has not yet resulted in significantly greater market activity in the area. The past 6 years have seen a total of 6 residential loans and 17 small business loans. A considerable amount of development has taken place in some of the neighborhoods surrounding Hillside—and the demolition of the Park East highway creates the potential for more in the downtown side of the neighborhood—but that development has not yet had a substantial economic impact on Hillside itself. It may simply be too early to expect new investment; the demolition of the freeway has effectively created a (temporary) barrier between the neighborhood and downtown. At the same time, the neighborhood continues to consist principally of public housing. (Commercial activity is on the outskirts of the community.) Hillside Terrace is not a mixed-income development, and while the proportion of employed residents has increased considerably, the overall amount of disposable income in the community remains low.

## *Holly Park*

Holly Park sits in southeast Seattle, historically one of the city's least economically developed areas and consequently one of its poorest. Like most other communities in the area, Holly Park has neither clear boundaries nor a distinct identity. It lies approximately one mile east of Boeing Field, less than a 15-minute drive from downtown along easily accessible Interstate 5. The neighborhood essentially climbs the hill from Martin Luther King Drive in Rainier Valley to the southern part of Beacon Hill, yet those boundaries are fluid because of the lack of clearly defined communities on the other side. Sally Clark, the southeast coordinator for the city's Department of Neighborhoods, explains that there is "nothing knitting the two sides of Martin Luther King [Drive] together" in the southern part of Rainier Valley. She has encountered similar problems with the southern part of Beacon Hill, where few people think of the area as a distinct neighborhood. Thus to a large extent, Holly Park has been defined by the former public housing development of the same name.

In May 1997, a reporter for the *Seattle Times* described the old Holly Park public housing development as "a lead weight attached to the communities around it" ("Holly Park to Rise Again"). Built in 1941 as temporary housing for people working for Boeing as part of the war effort, the development consisted of 893 units on 102 acres extending from King Drive up toward the southern part of Beacon Hill. The buildings outlived the war and gradually lost their temporary status; they were converted to public housing in 1955. The Seattle Housing Authority (SHA) periodically patched and rehabilitated the buildings, but by the late 1980s, it was apparent that the complex had outlived its useful life. The development routinely suffered from drainage problems, the heating and plumbing systems continually broke down, and the units themselves were often too small for the families occupying them.

As the physical condition of the property deteriorated, social pathology increased. By the early 1990s, the Holly Park development had become one of the poorest and most crime-ridden areas in all of Seattle. In 1994, over 63 percent of the development's children were living in poverty (compared with 16 percent for the city as a whole), and 74 percent of the development's families relied on public assistance as their primary source of income. According to the SHA's HOPE VI application, the area's median rent was roughly half that of the city. Holly Park had also become notorious for its crime and violence. It had one of the highest rates of violent crime in the city, causing then South Precinct Captain Nick Metz to describe it as a "place you don't go by

yourself.” To him and others, Holly Park was “very much a housing project,” embodying all of the negative stereotypes of public housing. It served as a cocaine-dealing base for the Bloods, a gang modeled after the California gang of the same name. Children from the neighborhood were known to lie about where they lived because they were ashamed of the development. Harry Thomas, now SHA’s executive director, described the Holly Park development as “the worst den of iniquity in Seattle.”

The problems surrounding Holly Park exacerbated SHA’s negative reputation in southeast Seattle. The SHA was the region’s largest landowner (since southeast Seattle had the most publicly subsidized housing units of any area in the city), and local residents and activists felt that it was merely warehousing the poor. To them, the SHA did not appear to be doing much to prevent the continuing deterioration of properties such as Holly Park, and that deterioration was further straining already struggling communities. The murder of an 11-year-old boy as part of a gang initiation rite at Holly Park in 1994 particularly enraged local residents and resulted in renewed demands for change.

For its part, the SHA had long been struggling to improve conditions at Holly Park. Its real dilemma lay in the fact that it did not have the resources to deal with the increasingly high costs of maintaining properties that had been designed as temporary housing 50 years earlier. With \$48.5 million in federal HOPE VI funds, coupled with a \$15 million commitment from the city of Seattle for accompanying improvements in public infrastructure, the SHA had an opportunity to be a catalyst for significant local change.

Thus far, the SHA and its for-profit and nonprofit partners have completed two of the project’s three phases. Phase 1 involved demolishing the Holly Park buildings on the western side of the property, in the area closest to Beacon Hill, and developing in their place a mix of public housing, market-rate rental, and for-sale homes. It also involved constructing a Campus of Learners, a comprehensive center for education and social services that includes a branch of the Seattle Public Library, classrooms for South Seattle Community College, and a Head Start center. Part of the city’s money went for restructuring the Holly Park street system, which involved eliminating the winding cul-de-sacs and connecting the development’s roads and sewers into the south Beacon Hill grid. Other city dollars contributed to the development of a new police station across from the complex along Othello Street. Phase 2 focused principally on the development of elderly housing at the base of the hill behind and northwest of the Safeway. Phase 3, scheduled to be completed in 2004, will involve a mix of subsidized and market-rate housing in the area south of Othello and east of King Drive. The SHA

hopes to include some mixed (residential and commercial) development at the Othello/King intersection.

Conditions in the New Holly development are noticeably better than they were before. Over 80 percent of resident households have a wage earner, up from about 15 percent in the mid-1980s. Although the police still identify the development as a gang hot spot, type 1 crimes decreased 55 percent there from 1995 to 2000. According to Mike Washburn, an officer at the local police station, the gangs have no identified turfs at New Holly, and the gang problem is “nowhere near what it used to be.” As with other HOPE VI sites, part of the reduction in crime rates has stemmed from the physical redesign of the development, which has allowed for more natural surveillance by residents and motorists as well as easier access for the police. Part of the improvement also results from the concerted anti-gang and community policing programs undertaken by the police department, and part can be attributed to improved site management.

The broader Holly Park community has become a much more desirable place to live in the past decade, as evidenced by increases in residential loan rates and property values (see Table 3). Holly Park loan rates, only 75 percent of the Seattle average in 1993–94, were 110 percent of the city average in 2000–01. All 148 of the homes for sale in phase 1 have already sold at prices ranging from \$200,000 to as much as \$280,000, up to \$40,000 more than the SHA had envisioned. Part of the growth likely results from the New Holly development. Mike Scott, a partner with a countywide apartment appraisal firm, has heard from a number of his sources that New Holly has had an impact on surrounding property values and property maintenance and is “probably stimulating some additional infill development.” Real estate developer Harris Hoffman notes that phase 1 of the public housing redevelopment resulted in more for-sale homes being built in the neighborhood in a few years than had been developed in the previous 20. Richard McIver, a member of the city council from southeast Seattle, explains that “you don’t look at [New Holly] and see public housing.” He and others believe that the completed development makes the area look “like any other Seattle neighborhood.”

Holly Park has also benefited from the development stretching south from central Seattle. According to unpublished data from the Department of Finance, the Central Area community adjacent to downtown experienced an 84 percent increase in its median sale price from 1997 to 2001, moving from 95 percent of the city median to 116 percent. By comparison, Rainier Valley gained 4.5 percentage points relative to the city median (from 70.6 percent to 75.1 percent) during the same period.

Table 3. Conditions in Seattle

	1990			2000		
	Holly Park	Other High-Poverty Tracts	City of Seattle	Holly Park	Other High-Poverty Tracts	City of Seattle
Population	6,330	18,407	516,259	6,397	25,874	563,374
Percent white	15.0%	47.6%	67.6%	8.8%	46.4%	67.9%
Percent black	32.2%	21.3%	9.8%	22.0%	21.2%	8.3%
Percent Latino	4.7%	7.2%	3.3%	5.8%	8.5%	5.3%
Percent Asian	45.7%	20.1%	11.6%	55.0%	19.8%	13.0%
Percent over 25 with a high school diploma	65.1%	31.7%	86.4%	61.2%	28.9%	89.5%
Per capita income (in 1990 dollars)	\$8,014	\$12,402	\$18,308	\$10,006	\$12,788	\$22,175
• Per capita income as percentage of city per capita income	43.8%	67.7%		45.1%	57.7%	
Poverty rate	36.2%	43.2%	12.4%	18.1%	37.1%	11.8%
Unemployment rate	13.5%	12.6%	4.9%	10.8%	14.0%	5.1%
Percentage of households with public assistance	28.7%	27.1%	6.7%	15.8%	10.0%	3.0%
Percentage of very low income households	51.8%	66.3%	28.7%	35.3%	59.6%	25.8%
Percentage of low-income households	66.5%	80.1%	47.3%	53.4%	72.6%	43.9%
Crime rate (per 1,000 residents)	123.7	NA	126.5	49.3	204.2	81.5
Violent crime rate (per 1,000 residents)	30.2	NA	15.1	6.2	31.8	7.3
Housing vacancy rate	4.9%	8.3%	5.0%	7.9%	8.9%	4.4%
Median rent (in 1990 dollars)	\$250	\$262	\$463	\$293	\$320	\$495
• Rent as a percentage of the city median	54.0%	56.6%		59.2%	64.6%	
Residential loan rate	2.7	2.2	3.7	5.5	1.8	4.8

Note: The crime rates are for 2001. The residential loan rate is per 100 housing units and is for 1993–94 and 2000–01. All of the income data were from 1989 and 1999, respectively.  
 NA = not available.

Columbia City, located in the northern part of the valley about a mile and a half from Holly Park, now qualifies as a hot neighborhood for young urban professionals. As development spreads down Beacon Hill and Rainier Valley, the “areas in southeast Seattle are getting closer to downtown” in the minds of both residents and potential developers.

The overall growth in the city’s housing prices has made the relative affordability of Holly Park increasingly attractive. Seattle’s median sale price for single-family homes and condominiums was \$253,000 in 2001, up from \$137,500 in 1992. With a median price of \$197,000 in 2001, south Beacon Hill/western Holly Park represents one of the city’s least expensive communities. (Rainier Valley was even more affordable, with a median price of \$189,975.) Linda Stalzer, a real estate developer in the city, has been interested in becoming involved with the New Holly development largely because of the market niche it has targeted. “There aren’t too many opportunities to build [homes in the \$200,000–\$300,000 range] in Seattle given the market, except in SHA neighborhoods” such as Holly Park, she claims. The substantial reduction in local crime has also helped the neighborhood. Holly Park’s crime rate fell from 142 type 1 crimes per 1,000 residents in 1992 to 49 per 1,000 in 2001. (The city rate during the same period fell from 125 to 82.)

Although the perceptions of Holly Park and southeast Seattle as residential neighborhoods are changing, the market remains tepid. Median rents in Beacon Hill and Rainier Valley have remained virtually unchanged as a percentage of the city’s median since 1993. In the past five years, south Beacon Hill’s single-family property values have actually lost ground relative to the city as a whole; the median sale price in the neighborhood was 82 percent of the Seattle median in 1997 versus 78 percent in 2001. A market analysis of the southeast corridor conducted in 1999 as part of the planning for the Sound Transit system found that 17 percent of the land in the King/Othello area lay vacant (BAE Pittman & Hames 1999). Michael Verchot, who runs a small business assistance program at the University of Washington and works extensively with companies in southeast Seattle and the Rainier Valley, has not seen “a whole lot of change in the lower Rainier Valley. They’re pretty small-scale companies [there, and] there’s not a lot of investment in the properties.” Sally Clark does not see “even moderate economic development” in the southern part of Rainier Valley. Tom Lattimore, the senior program director for the Local Initiatives Support Corporation’s Seattle office, echoes Clark in his feelings that perceptions of the community have not changed significantly. To the casual observer, he states, “It’s still the valley.”

The extent and speed of the neighborhood's future development remain anyone's guess. A number of local stakeholders are cautiously optimistic. Councilmember McIver, for one, believes that further development of the area is inevitable. "Economically it's going to grow. Once South Lake Washington is done, Rainier Valley is the only place to go" where there is a fair amount of easily developable land. Ron Newton, the manager of the neighborhood Washington Mutual Bank branch, notes that "New Holly changes and improves the customer base" of local merchants. There are some clearly positive economic indicators. The roof of the Safeway at the King/Othello intersection collapsed during the February 2001 earthquake, and the company elected to rebuild rather than close the store. Hui-Sung Chen developed a shopping center a block north of the intersection in the early 1990s. People thought he was crazy to build there, given the gang and drug activity at the nearby public housing complex, but he saw an opportunity to provide a central location for the disparate Asian-owned businesses scattered throughout the Rainier Valley. The mall has been fully occupied for a number of years, and Chen's new development across the street was 70 percent leased two months before it opened.

The major determinant of future economic activity in the area is likely to be the Sound Transit light rail project, however. Key Bank's Don Brewer says that "there's no question of positive benefits [from New Holly], but the issue is when" they will become fully evident. "It's tough to measure the positive impacts because of the rapid transit situation." The subject of much planning and controversy in the past decade, the light rail system is slated to run along King Drive throughout southeast Seattle, with a station at Othello Street. The station may well generate considerable economic benefits for the area. A market analysis conducted for Sound Transit concluded that the station had some of the greatest potential for a transit-oriented development community (BAE Pittman & Hames 1999). The SHA is waiting until the Othello light rail station is under construction to develop the section of the New Holly complex nearest the King/Othello intersection.

Unfortunately, the economic impacts of the light rail project are far from clear. The project has encountered substantial opposition from residents and small business owners in the lower Rainier Valley who have alternately feared that the line would tear up the neighborhood or result in the area's gentrification (and their subsequent displacement). Other opposition has come from individuals who believe that southeast Seattle is receiving discriminatory treatment relative to the city's northern neighborhoods (the light rail was slated to run on the surface in southeast Seattle and underground in the northern parts of the city). Although the opposition has not stopped the project, it has heightened

local tensions and has had some negative effect on potential investors. What has had a much more dampening effect on investor enthusiasm has been the uncertainty surrounding the project's timing. Certain buildings along King Drive will have to be demolished as part of the street widening required for the rail lines. Construction is slated to begin within the next year, and the system should be operating by 2008. Yet Seattle's economy has taken a nosedive with the shakeout of the dot-com industry and Boeing's decision to move its corporate headquarters to Chicago. Whereas Seattle's economy in the 1990s was such that one had "to avoid work actively not to get a job," in the words of Tom Lattimore, the market is much softer now. As a result, tax revenues have dropped by tens of millions of dollars, and both the city and King County are cutting programs and services. How much the cuts will affect Sound Transit is unclear, as are the effects that such reductions would have on the construction timetable. Even if the light rail project goes forward as planned, nobody really knows what the ultimate economic impacts on the Holly Park area will be. There is a general sense that local businesses will be negatively affected in the short term by the construction; the city has helped establish a \$50 million loan fund to help affected companies. Whether the system, once complete, will result in more people coming into the area and staying long enough to sustain a local business community remains to be seen.

## Conclusion

The neighborhoods in this study represent a geographically, ethnically, and racially diverse subset of distressed inner-city areas. Some of the communities are located close to the central business district, while others lie far from downtown. Some are part of cities that have experienced strong economic growth in the past decade, while others are found in cities with much weaker economies. What all of the neighborhoods had in common was a large, physically and socially decaying public housing complex that was seen as a major cause of their continuing distress.

With money from the federal HOPE VI program, each of these public housing complexes has received a substantial makeover. In some cases, they have been totally demolished and subsequently rebuilt (or are in the process of being rebuilt). In other cases, the complexes were thoroughly renovated. The universal result has been cleaner, safer, and more visually appealing properties. A number of the developments have received architectural awards, and even those that remain comparatively bland have shed the eyesore stigma that plagued them for so many years. This physical redevelopment, together with concerted

anticrime strategies and more stringent tenant screening, has contributed to significant reductions in crime rates in the complexes, as well as in many of the surrounding neighborhoods. The process has also helped change the perceptions of the neighborhoods among potential investors. No longer are people writing off the communities because of the presence of crime-ridden, deteriorating public housing; while the redeveloped complexes may not necessarily qualify as community assets, they do not constitute large liabilities either.

In part because of the public housing redevelopment, economic conditions in the HOPE VI neighborhoods are now generally better than those in other high-poverty neighborhoods. The HOPE VI communities have not yet experienced overwhelming revitalization, and they still lag well behind city averages on most important economic and social indicators, but they no longer qualify as the worst areas in their cities, and a number are viewed in promising terms by public officials and potential investors. The extent to which future development takes place in the neighborhoods will likely depend much more on factors independent of public housing.

No one factor, individual, or institution can single-handedly turn a modern-day urban neighborhood around. Revitalization requires the resources of multiple actors and multiple programs, each playing a critical role in the process. The relative importance of these factors differs across communities, depending on the particular dynamics in those areas. Different neighborhoods change at different rates, at different times, and for different reasons (Zielenbach 2000). While the HOPE VI redevelopments have played important roles in helping to change conditions in their neighborhoods, they have been only one of several critical factors. Conditions in Hillside have improved as a result of the renovation of Hillside Terrace, but also because of surrounding commercial and residential development. The positive changes in Holly Park stem in large part from the revitalization of the public housing complex, but the ultimate economic revitalization of the area depends principally on the fate of the area's light rail system. In these and other neighborhoods, the HOPE VI-sponsored redevelopment has been a critical component of revitalization, but not a sufficient one.

Equally significantly, community change takes time. The central-city neighborhoods in which HOPE VI developments are located have generally been economically distressed for decades. Their decline took many years and had many causes. Revitalization likewise is a lengthy process involving gradual improvements. Some of the most noteworthy examples of inner-city transformation—communities such as the Near West Side in Chicago and parts of the South Bronx—came about only after the concerted efforts of numerous local actors over many years.

Even now, these areas continue to rank below city averages on a number of important economic and social indicators, and there is clearly room for improvement. Each of the HOPE VI neighborhoods has improved economically since the early 1990s, and perceptions of these communities have certainly begun to change. Most potential investors are still only guardedly optimistic, though, because there simply has not been enough time to adequately assess the permanence of the changes. How will the neighborhoods fare in an economic downturn, for example? What will be the timing and the ultimate effects of public infrastructure projects on the local markets? The trends appear positive, but the process is neither linear nor rapid.

### *Appendix*

#### *People Interviewed*

##### **Milwaukee**

Wes Albinger	Housing Authority of the City of Milwaukee
Michael Barndt	Connections Milwaukee
Linda Bedford	Milwaukee Public Schools
Thadeus Black	Housing Authority of the City of Milwaukee
Ricardo Diaz	Boys and Girls Club of Greater Milwaukee
Steve Falek	Housing Authority of the City of Milwaukee
Margaret Henningson	Legacy Bancorp
Susan July	Housing Authority of the City of Milwaukee
Chris Litzau	Milwaukee Community Service Corps
Rocky Marcoux	Housing Authority of the City of Milwaukee
Bobbi Marsells	Housing Authority of the City of Milwaukee
Norm McGee	Boys and Girls Club (Hillside Terrace)
Mary McKinney	Milwaukee Area Technical College
Herman Morgan	Neighborhood resident
John Norquist	Mayor, City of Milwaukee
Julie Penman	Milwaukee Department of City Development
Tony Perez	Housing Authority of the City of Milwaukee
Maria Prioretta	Milwaukee Department of Housing and Neighborhood Development
Russell Prust	Milwaukee Area Technical College
Maria Rodriguez	Housing Authority of the City of Milwaukee
David Rotter	National Ace Hardware
Allen Stokes	Inner-City Redevelopment Corporation
Laura Wake	Office of the Mayor
Ann Wilson	Hillside Resident Council
Mario Zuniga	Maximus

## Seattle

Stephen Antupit	Seattle Housing Authority
Don Brewer	Key Bank
Willard Brown	Seattle Housing Authority
Mark Capestany	Bank of America
Paige Chappell	Consultant
Hui-Sung (Ed) Chen	Asia First, Inc.
Sally Clark	Seattle Department of Neighborhoods
John Fox	Displacement Coalition
Patty Grossman	Consultant
Harris Hoffman	Lorig Associates
Scott Jepsen	Abt Associates, Inc.
Scott Kirkpatrick	Sound Transit
Rachel Kleit	University of Washington
Tom Lattimore	Impact Capital
Andria Lazaga	Seattle Housing Authority
Dorothy Lengyel	Homesight
Al Levine	Seattle Housing Authority
Ann-Marie Lindboe	Seattle Housing Authority
Bruce Lorig	Lorig Associates
Richard McIver	Councilmember, City of Seattle
Nick Metz	Seattle Police Department
Doris Morgan	Community resident
Joy Moro	Seattle Housing Authority
Ron Newton	Washington Mutual Bank
Earl Richardson	Southeast Effective Development
Charles Russell	Hebert Research, Inc.
Mike Scott	Dupre + Scott
Linda Stalzer	Security Properties
Harry Thomas	Seattle Housing Authority
Michael Verchot	University of Washington
Mike Washburn	Seattle Police Department (South Precinct)

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