

# Critical Planning

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# Critical Planning

Journal of the Royal Geographical Society  
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## Editorial Note

A century ago, facing perceived crises in health, sanitation and infrastructure, a great battle waged between public and private forces to mitigate the impacts of the industrial city. Over the past three decades, this battle has been fought once again, as cities have increasingly turned to the private sector to provide housing, water, waste, transportation, and many core social services. The "public" spaces of the city have become increasingly privately financed, built and owned and, in many of the Sunbelt regions, private communities have become the chief means of providing "public goods". Indeed, even urban planning is now partly a private enterprise as many cities work with consultants on strategic plans, rather than conduct comprehensive plans in-house. A century later, we are re-visiting the relationship between the public and private provision of city services. Has the last century of public planning been an exception in the history of cities? Or is the public sector simply re-structuring?

This volume of *Critical Planning*, "The Privatization of Cities," examines some of the motivations and consequences of a greater participation of the private sector in the affairs of cities. Much of the debate on the pros and cons of privatization has been deeply polarized, with critics and proponents split along ideological (and political) lines. Proponents of privatization often tout its economic benefits (i.e. an "efficiency" argument), without considering if the social cost is worth the economic savings. Opponents, by contrast, often defend the public sector's role on the grounds that only it can ensure a just society (i.e. an "equality" argument), without appreciating the role that planning itself has played in the production of spatial injustice. Regrettably, the debate is often reduced to either/or propositions of efficiency versus equality, without recognizing the reality that cities are inherently products of public, private, and non-profit sectors. It is our hope that readers will come away with a greater appreciation that the public and private provision of services is rarely as clear-cut as we have been led to believe. Five feature articles tackle privatization across a wide variety of domains -- from housing, international development, cultural planning, city services and urban governance -- demonstrating the extent to which privatization impacts cities.

The first feature article by Arthur Chiang, Guy David, and Michael G. Housman examines one of the most commonly privatized city services in the United States: emergency medical services (EMS). Following a brief outline of the history of EMS, the authors examine some of the factors that cities consider in deciding whether to use privately- or publicly-delivered EMS. Among the considerations the authors explore is a city's density, population age, health status, the likelihood of major emergency events, crime levels, the location of fire departments and trauma centers, and the strength of labor unions.

Işıl Çelimli argues that recent shifts in federal public housing policy have changed the role of local agencies, from owners and administrators of public housing, to a more entrepreneurial role after HOPE VI. The author examines the shifting role of the Chicago Housing Authority in the context of its "Plan for Transformation", illustrating how it has taken on the role of a private-sector developer, often to the detriment of public housing residents.

Chris Webster and Renaud Le Goix examine the political, financial and environmental sustainability of private communities, using evidence from Southern California. By looking at the economic rationale and the social costs of private communities, the authors provide a rare look at both the pros and cons of gated communities, and in particular, illustrate the interrelationship needed between private provision and public regulation.

Michelle Espinosa Coulter considers the case of ARGOZ, a housing developer in El Salvador, which has provided affordable housing to a quarter of the nation's population through the private sector. The author explores how the success of ARGOZ was facilitated by the public sector changing its legal apparatus to accommodate an informal private housing market, once again demonstrating the necessary interplay between public and private forces in urban development.

Thomas Puleo examines the redevelopment of San Francisco's Fillmore District as a cultural landscape. Puleo examines the tension between the public-led redevelopment that celebrates the history of Jazz/African-American heritage in the Fillmore and the private use of the Fillmore today as a center of Korean commerce. The author explores the public and private actors that have helped create the Fillmore and the cultural meaning of the area to each.

We end the privatization feature with a lively roundtable discussion that brought together a diverse group of scholars and practitioners in Los Angeles to debate some of the issues raised by the privatization of cities.

Also included are two short pieces specific to the Los Angeles region. Adina Ringler explores how Prop-O intends to tackle non-point source pollution in Los Angeles and ways in which private sector development can use Low-Impact Development to help mitigate run-off. Lily Song explores the case of the Passages Drug Rehabilitation Center in Malibu, which has faced neighborhood opposition.

Finally, the volume is rounded out by three book reviews. Amber Hawkes reviews E.S. Savas' *Privatization in the City. Successes, Failures, Lessons* (CQ Press, 2005), Genevieve Carpio reviews Eric Avila's *Popular Culture and the Age of White Flight* (University of California Press, 2004) and Helen Campbell reviews Robert M. Fogelson's *Bourgeois Nightmares: Suburbia, 1870-1930* (Princeton University Press, 2005).

This volume would not be possible without the hard work of our editorial and review boards, as well as production staff. We would like to thank them for their efforts, and extend our gratitude to our funders: the UCLA Department of Urban Planning, the UCLA Graduate Students' Association, the Ralph and Goldy Lewis Center for Regional Policy Studies, and the Dean of the UCLA School of Public Affairs.

- Gregory D. Morrow



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# The Determinants of Urban Emergency Medical Services Privatization

**Arthur Chiang, Guy David, Michael G. Housman**

This paper undertakes an analysis of the decision to utilize public or private providers for the local provision of Emergency Medical Services (EMS) in cities. We provide a historical overview of the EMS industry from the mid-1860s to the present day. EMS services are commonly broken into two components: first response and transport. While first response is generally kept within the purview of local fire departments, transport is maintained in-house by public agencies, contracted out to private providers, or provided by some combination of the two. The decision to employ public or private providers for EMS transport services involves a fundamental trade-off between incentives for innovation/flexibility among private providers and infrastructural advantages posed by maintaining in-house transport services. The degree to which cities value the competing advantages of each method of provision is a result of a number of city-level factors, including population, urban density, population age, health status, the likelihood of major emergency events, crime levels, the location of fire departments and trauma centers, and the strength of labor unions. This paper poses a number of hypotheses regarding how each of the above factors is likely to affect incentives to utilize public or private EMS providers. Some of these interactions are examined empirically using data on EMS contracting decisions in the 200 largest U.S. cities. We conclude by discussing the strongest relationships between city-specific characteristics and the method of EMS provision and identify avenues for future research in this arena.

In an era of highly publicized terrorist attacks and natural disasters, Americans have placed increased value on Emergency Medical Services (EMS). These service providers not only save lives and limit casualties after large-scale catastrophic events, but also they stabilize and transport patients who experience more common forms of trauma, such as heart attacks, car accidents or acts of violence. Like many public services, an increasing number of U.S. cities are starting to privatize EMS. As the U.S. population ages and experiences escalating rates of chronic conditions and heightened threats of terrorist attacks, cities will rely increasingly on public and private EMS networks to meet these challenges<sup>1</sup>.

Local governments are legally responsible for EMS and allocate emergency resources through contracts to public entities or private ambulance providers. When they award these contracts, city officials consider the cost of creating the necessary infrastructure and the incentives for providers to implement emergent technologies. This fundamental tradeoff between infrastructure costs and innovation extends beyond the everyday role of EMS to include more infrequent terrorist attacks, natural disasters or industrial

accidents. Although infrastructure upgrading improves system deployment and collective response, flexibility and preparedness are also important. Catastrophic events require far more personnel and equipment than normal operations.<sup>2</sup> Public chaos increases onsite treatment and commute time, rendering pre-hospital medical care imperative.<sup>3</sup> Since the tradeoffs between infrastructure costs and flexibility vary across different cities, this paper explores the evolution and extent of EMS privatization nationally as well as the determinants of local decisions to contract with private companies or public entities.

### **The Evolution Of Urban Emergency Medical Services**

Civilian urban ambulances first appeared in the US in the 1860s (Post and Treiber 2002). Initially they were run by hospitals such as the Commercial Hospital of Cincinnati (1865) and the Bellevue Hospital in New York City (1869), but over time services developed in a relatively decentralized manner. Often a number of different entities, including fire agencies, volunteer organizations, and taxi companies, shared transport burdens. For instance, when local fire departments expanded their rescue and transport operations, taxi cab and hearsie companies added these services as supplemental activities (Sucher 2002). During this period, EMS operators did not provide pre-hospital care; generally drivers lacked medical training and were charged solely with the task of transporting patients.

The passage of the Emergency Medical Service Systems (EMSS) Act of 1973 drastically changed these conditions. The act created standards for providers, supported the regional development of EMS systems, and most importantly, established extensive federal funding (Swor 2002). It delegated responsibility for emergency response to municipalities and helped cities become the dominant EMS providers (Poole 1995). The ambulance industry transformed from a purely transportation-based entity into a source of pre-hospital emergency care. Fire departments, which previously focused exclusively on fire fighting, incorporated emergency services provision into their agendas.

These developments compelled innovations in EMS design, including a well-defined two-tiered system of *first response* and *transport*. While a first response unit arrives quickly at the scene of all EMS calls to provide basic, stabilizing care, transport providers carry individuals to health care facilities. Since they are deployed, equipped, and staffed individually and perform complementary roles, different city entities can fill these two functions. Fire departments were ideally suited to carry out first response duties because of their existing infrastructure and quickly became the dominant provider of these services.

However, the vehicle types and level of required medical care for transport services were different from those offered by fire departments. Private firms were on equal footing with public agencies. Financial developments, which allowed

Medicare and Medicaid to reimburse these companies, further motivated private entities to provide these services (Sucher 2002). Simultaneously, cities experienced fiscal distress as federal funds dried up (Poole 1995).<sup>4</sup> As a result, private ambulance services expanded, promising quality service with greater cost effectiveness.

Since most private ambulance companies emerged from other transportation firms, such as taxi cab and hearse companies, they were generally locally-owned family businesses. However, a few organizations recognized the profit potential of transport provision and began to acquire smaller firms and consolidate the industry. They expected that consolidation would produce economies of scale, improve infrastructure, and ultimately increase revenues. Four major EMS transport firms emerged: Rural/Metro, American Medical Response (AMR), MedTrans, and CareLine. Throughout the mid-1990s, these companies acquired hundreds of smaller businesses and competed against each other in what was described as a "feeding frenzy" (Sucher 2002).

### **EMS Privatization: A Conceptual Framework**

EMS systems operate under various financial packages, levels of medical provision, operational structures, and local and state mandates. Due to the urgent nature of the services, research on the causes and effects of this variation is critical to the successful functioning of our country's public

health system. However, no systematic research on the determinants and consequences of these decisions currently exists (Delbridge et al. 1998). While medical EMS research has focused on scientific and clinical topics, such as injury prevention, infectious disease, disaster medicine, and toxicology, operations management research has concentrated on the mechanics and structure of emergency medical systems (e.g. Hall 1972 and Fitzsimmons 1973).<sup>5</sup> Neither field has addressed issues such as resource allocation, financing, physical and human capital investment, the role of incentives, or the scope of services provided by the government. There are widespread and conflicting arguments over who should provide paramedic services (Poole 1995). There also are theoretical controversies over which public services lend themselves to private provision versus those that do not -- the "contracting out" versus "in-house provision" debate (Shleifer 1998). To date, no rigorous economic analysis of emergency medical services exists, let alone the determinants of provider type.

As discussed earlier, fire stations originally were established according to the geographic and demographic characteristics of cities. Combined with their highly trained staff and 24 hour workday, this factor rendered fire departments particularly suitable to provide EMS first response services. Figure 1 below shows that 192 of the largest 200 US cities utilize public agencies, such as fire departments, to carry out these functions.

Figure 1 illustrates that the choice of

Figure 1: Provider choice for first and second response in largest 200 cities.

	First Response	Transport
Public	96%	41%
Private	2%	45.5%
Mix	2%	13.5%

Source: 2004 Journal of Emergency Medical Services 200 City Survey.

provider for EMS transport services is neither obvious nor uniform. Although first responders engage in some life support, transport teams give most medical care, which is enhanced by proper training and equipment investment. On one hand, providers with the ability and, more importantly, the *incentives* to invest in new technology (including trained personnel and flexible fleet deployment) can offer better care in "second response," i.e. transport. On the other hand, if the infrastructure costs of creating a more flexible transport system are sufficiently high, it may be more desirable to use a less innovative, cheaper transport system. Since many of these organizations also provide first response services, they will experience lower infrastructure costs and incorporate a larger number of stations and personnel.

Broadly speaking, private EMS providers have greater financial incentives to develop and implement medical and operational technologies than public firms. While a public EMS provider, such as a fire department, is an organization that

exists only in that particular locality, a private EMS provider often carries out services and reaps revenues in several cities or nationally, as in the case of companies like American Medical Response. Such a broad scope of service makes it more economical for private firms to invest in the up-front capital costs of medical and EMS research and technology, which we generally refer to as "innovations". In turn, these additional innovations and technologies give private firms the flexibility to provide more sophisticated medical care.

However, for an EMS provider to have the incentive to develop and implement innovative improvements, the contracting city government must reward the firm financially. Post-contract negotiations often determine compensation, giving private firms another advantage over public firms. Following the analysis presented in Hart, Shleifer and Vishny (1997), private firms, being fundamentally independent from their contracting governments, have superior control rights over the innovations they develop compared to public agencies, which are essentially "owned" by these governments. During renegotiations, private firms command more favorable compensation for their implemented innovations than public firms, further increasing their incentives to create and utilize improved technology and processes.<sup>6</sup>

Indeed, current research suggests that private firms generally adhere to performance measures more than public ones. They also exhibit faster rates of technology adoption and have more

flexible system designs (Shleifer 1998).<sup>7</sup> Private EMS systems are more likely to use tools such as peak-load staffing, event-driven deployment, and flexible production strategies, which employ both basic and advanced life support teams (Balaker and Summers 2003). Conversely, public agencies often lack the contractual incentives to develop and implement such technologies-- both the performance-enhancing medical infrastructure and the cost-minimizing flexible system design. Secondly, as discussed above, public firms often receive less compensation for the development and implementation of technologies (Hart et al. 1997).

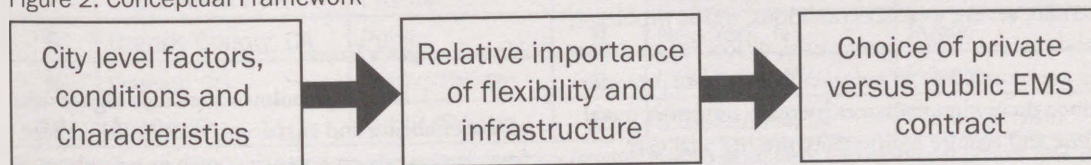
Given that public agencies, such as fire departments, often provide first response, there likely are synergies that reduce the additional costs of also providing transport services. Thus, a city's preference for public or private service provision is integrally linked to the competing advantages between service innovation/flexibility and lower infrastructure costs, which often arise from first response-transport provider continuity.<sup>8</sup> Since there is neither a predominance of public nor private firms in transport provision, we conclude that there are city-specific characteristics that determine which competing advantage is more important for

a particular locality, and hence, which provider type is preferred. The concept is illustrated in Figure 2 below:<sup>9</sup>

City-specific characteristics include: 1) population density, health status, and age; 2) weather conditions and the likelihood of a massive industrial accident, natural disaster, or terror attack; 3) crime levels; 4) the geographic distribution of fire stations and trauma centers; and 5) the nature of local politics and the strength of local unions.

The next section discusses how these factors help determine a city's preference for flexibility/innovation versus infrastructure, which shapes their decision to privatize transport services. It is important to note that while each of these factors can generally be identified as strengthening the importance of either flexibility/innovation or infrastructure, they are only one of many influential parameters. No one factor is completely explanatory in determining a city's EMS provider type, because all factors affect the city's preferred provider type simultaneously and in potentially competing directions. It is the net result of these factors that point to a city's preferred EMS provider type. Thus, the following discussion of city-level factors' effect

Figure 2: Conceptual Framework



on the relative importance of flexibility/innovation versus infrastructure, and hence on private versus public provision of EMS, should be considered *holding all other factors constant*.

## **The Determinants of EMS Privatization in Cities**

### *Urban Density, Population Age, and Health Status*

Urban density is a key factor for localities faced with the question of whether to contract transport services with governmental entities or private ambulance providers. In crowded cities, emergency departments are often closer to trauma centers, which minimizes transport time. Proximity renders sophisticated pre-hospital medical care less important and thus favors public EMS. As evident in Figure 3 to the right, denser cities tend to employ public providers. Specifically with respect to trauma centers, of the 200 largest U.S. cities, those that employ a public EMS transport provider have, on average, 1.9 trauma center hospitals per 100 square miles, while those with a private EMS transport provider have only 1.3 trauma centers per 100 square miles.<sup>10</sup>

On the other hand, cities with difficult terrain, severe weather conditions, traffic problems, poor access to emergency care, or low urban density are more likely to contract with private providers, since these circumstances increase transport travel time and require high-quality pre-hospital care.

In addition, cities with severe weather and heavy traffic need innovative ambulance fleet organizations to negotiate environmental challenges. Unlike public firms, private providers have the contractual incentives to provide superior medical technology and logistical flexibility.

As Figure 3 illustrates, there is also a relationship between a city's overall health level and their contracting decision.<sup>11</sup> Less healthy cities tend to use public providers, whereas healthier cities tend to use private providers. Interestingly, many cities with a high percentage of seniors tend to employ a mix of providers. Pure public contracting subsists in only three of the ten cities with the highest proportion of elderly individuals (Hollywood, FL, Warren, MI, and Miami, FL). On one hand, elderly individuals are more prone to suffer from medical conditions that require immediate attention (e.g. heart attacks, strokes, etc.), which make transport time critical and ultimately favor flexibility and quality. On the other hand, a higher proportion of elderly individuals may also increase the frequency of non-emergency inter-facility transfers, which depend almost entirely on transport infrastructure. The confluence of these two factors may ultimately favor a mixed equilibrium rather than support one method of provision or the other.

### *Major Emergency Events*

Dense, populous cities face higher risks of experiencing and sustaining substantial damage from large-scale emergencies, such as terrorist at-



Figure 3: EMS contracting in top ten cities - by density, population age, and health

Population per Square Mile			Percent Population above 65		
Rank	City	EMS	Rank	City	EMS
1	New York, NY	Public	1	Cape Coral, FL	Public/Private
2	Paterson, NJ	Public	2	Honolulu, HI	Public/Private
3	San Francisco, CA	Public	3	St. Petersburg, FL	Private
4	Jersey City, NJ	Private	4	Hollywood, FL	Public
5	Chicago, IL	Public	5	Warren, MI	Public
6	Santa Ana, CA	Public	6	Miami, FL	Public
7	Boston, MA	Public	7	Scottsdale, AZ	Public/Private
8	El Monte, CA	Private	8	Hialeah, FL	Public/Private
9	Hialeah, FL	Public/Private	9	Pittsburgh, PA	Public/Private
10	Newark, NJ	Private	10	Evansville, IN	Private
Healthiest Cities			Least Healthiest Cities		
Rank	City	EMS	Rank	City	EMS
1	San Jose, CA	Private	1	New Orleans, LA	Public/Private
2	Washington, DC	Public	2	San Antonio, TX	Public
3	San Francisco, CA	Public	3	Cincinnati, OH	Public
4	Seattle, WA	Public/Private	4	Cleveland, OH	Public/Private
5	Salt Lake City, UT	Private	5	Orlando, FL	Private
6	Oakland, CA	Private	6	Columbus, OH	Public
7	Sacramento, CA	Private	7	Detroit, MI	Public
8	Orange County, CA	Public	8	New York, NY	Public
9	Denver, CO	Public/Private	9	Las Vegas, NV	Private
10	Austin, TX	Public/Private	10	Indianapolis, IN	Public/Private

Source: US Census 2000 and <http://www.bestplaces.net/docs/studies/healthy.aspx>; note: Population per Square Mile excludes Cambridge, MA, Inglewood, CA and Daly City, CA; Percent Population above 65 excludes Clearwater, FL, Livonia, MI, and Pueblo, CO due to missing data on EMS contracting.

Figure 4: EMS contracting, likelihood of severe thunderstorms, hurricanes, earthquakes and terrorism in selected cities

City	EMS	Thunderstorm	Hurricane	Earthquake	Terrorism
Cincinnati, OH	Public	Medium	Low	Low	Low
Milwaukee, WI	Private	Medium	Low	Low	Low
Pittsburgh, PA	Public/Private	Medium	Low	Low	Low
Buffalo, NY	Private	Medium	Low	Low	Low
Phoenix, AZ	Public	Medium	Low	Low	Low
Rochester, NY	Private	Medium	Low	Low	Low
San Diego, CA	Public/Private	Low	Low	Medium	Medium
Las Vegas, NV	Private	Low	Low	Medium	Medium
San Antonio, TX	Public	Medium	Medium	Low	Low
Salt Lake City, UT	Private	Low	Low	High	Low
Philadelphia, PA	Public	Medium	Low	Low	Medium
Detroit, MI	Public	Medium	Low	Low	Medium
Los Angeles, CA	Public	Low	Low	High	Medium
Washington, DC	Public	Medium	Low	Low	High
New Orleans, LA	Public/Private	Medium	High	Low	Low
Chicago, IL	Public	Medium	Low	Low	High
New York, NY	Public	Medium	Medium	Low	High
San Francisco, CA	Public	Low	Low	High	High
Boston, MA	Public	Medium	Medium	Low	High
Miami, FL	Public	Medium	High	Low	Medium
Seattle, WA	Public/Private	Medium	Low	High	High

Source: Risk and Insurance magazine "The Nation's 10 Safest Cities: Big City Catastrophe Risk" at <http://www.riskandinsurance.com>.

tacks or natural disasters, and tend to prefer public transport agencies. Since catastrophes are unpredictable, a successful response requires far more personnel, equipment, and coordination than normal operations. Thus, in these events, large urban public service systems with higher constant levels of basic support and superior infrastructure are likely preferable to more flexible yet decentralized private providers offering a higher sophistication of care, but with less maximum capacity and without synergy with other emergency agencies. For example, the Los Angeles Fire Department's infrastructural, capacity, and coordination advantages enabled their quick and effective response to the 1994 Northridge earthquake, even though average call volume increased by 300% (Eckstein and Pratt 2002). Cities that face higher probabilities of such events tend to prefer public, rather than private, transport provision, even if the latter is more cost effective. This trend is illustrated in Figure 4 to the left.

As evident from Figure 4, cities with high likelihoods of catastrophic events, such as Los Angeles, New York, San Francisco, and Miami, tend to employ public transport services. In contrast, cities with low likelihoods for such events, such as Las Vegas, Milwaukee, Buffalo, and Rochester, tend to utilize private transport services.<sup>12</sup>

#### *Crime*

The spatial distribution of EMS is highly correlated to neighborhood crime levels. For

example, medical emergencies resulting from drug overdose, alcohol poisoning, and assault are more common in lower income areas. High crime communities are challenging for EMS teams. Not only do they encounter more physical and financial risks, but also they must employ a more complex set of skills. Often cities find that public infrastructure is more important than efficiency in these situations. Beyond stabilizing a victim of a violent crime, there is little a paramedic can do in a pre-hospital setting, no matter how well-trained or equipped. Thus many high crime cities value superior infrastructure over higher quality care and choose to contract to public providers. Figure 5 presents public or private contracting decisions for the top ten safest and most dangerous cities by size.

Figure 5 illustrates that these cities demonstrate a great deal of heterogeneity in terms of public versus private contracting decisions. Nevertheless, public EMS provision exists in two-thirds of the most dangerous cities, while only one-third of the safest cities use the public model.

#### *Location: Fire Departments and Trauma Centers*

Speed is the single most important factor for successful first response. Since fire departments already invest in the infrastructure necessary to provide rapid service, they are the natural candidates for "first tier" EMS provision. Cities also use fire departments to provide first response to prevent a wasteful duplication of manpower and equipment, especially in light of the declining

Figure 5: EMS contracting in top ten safest and most dangerous cities by size

<b>Cities of 500,000 or more population</b>					
<b>Safest</b>			<b>Most Dangerous</b>		
<b>Rank</b>	<b>City</b>	<b>EMS</b>	<b>Rank</b>	<b>City</b>	<b>EMS</b>
<b>1</b>	Honolulu, HI	Public/Private	<b>1</b>	Detroit, MI	Public
<b>2</b>	San Jose, CA	Private	<b>2</b>	Baltimore, MD	Public
<b>3</b>	El Paso, TX	Public	<b>3</b>	Washington, DC	Public
<b>4</b>	San Diego, CA	Public/Private	<b>4</b>	Memphis, TN	Public
<b>5</b>	Austin, TX	Public/Private	<b>5</b>	Dallas, TX	Public
<b>6</b>	San Antonio, TX	Public	<b>6</b>	Philadelphia, PA	Public
<b>7</b>	New York, NY	Public	<b>7</b>	Nashville, TN	Public
<b>8</b>	Denver, CO	Public/Private	<b>8</b>	Columbus, OH	Public
<b>9</b>	San Francisco, CA	Public	<b>9</b>	Milwaukee, WI	Private
<b>10</b>	Los Angeles, CA	Public	<b>10</b>	Indianapolis, IN	Public/Private
<b>Cities of 100,000 to 499,999 population</b>					
<b>Safest</b>			<b>Most Dangerous</b>		
<b>Rank</b>	<b>City</b>	<b>EMS</b>	<b>Rank</b>	<b>City</b>	<b>EMS</b>
<b>1</b>	Amherst, NY	Missing	<b>1</b>	Atlanta, GA	Private
<b>2</b>	Thousand Oaks, CA	Private	<b>2</b>	St. Louis, MO	Public
<b>3</b>	Simi Valley, CA	Private	<b>3</b>	Gary, IN	Missing
<b>4</b>	Sunnyvale, CA	Private	<b>4</b>	Flint, MI	Public
<b>5</b>	Sterling Heights, MI	Private	<b>5</b>	Miami, FL	Public
<b>6</b>	Irvine, CA	Private	<b>6</b>	New Orleans, LA	Public/Private
<b>7</b>	Livonia, MI	Missing	<b>7</b>	Tampa, FL	Public
<b>8</b>	Sioux Falls, SD	Private	<b>8</b>	Kansas City, MO	Public
<b>9</b>	Glendale, CA	Public	<b>9</b>	Jackson, MS	Private
<b>10</b>	Provo, UT	Missing	<b>10</b>	Richmond, VA	Public/Private

Source: The Morgan Quitno City Crime Ranking <http://www.morganquitno.com/cit00pop.htm> (derived from FBI data).

prevalence of structural fires (Eckstein and Pratt 2002). Indeed, Figure 1 illustrated that fire departments provide first response in virtually all of the 200 largest US cities.

When a public agency provides first response, there are potential synergies from employing the same public agency to provide transport EMS. Not only does improved operational performance arise from better communication and cooperation between first response and transport tiers, but also dual-purpose facilities and personnel provide cost savings. These benefits compose the infrastructural advantages of public transport provision.

However, there are limitations to full public EMS. The inherent infrastructure synergies of fire departments are stronger in first response than in transport. Although first response vehicles are generally not EMS-specific (they can be fire engines, fire SUVs, police cars etc.), transport response almost always is provided by medically-equipped ambulances, which fire departments do not necessarily own. Thus transport tier EMS does not share the same degree of synergy with fire response as first response EMS. Secondly, unlike fire stations, trauma centers are not distributed according to the population distribution. While standards for first response range from 4 to 15 minutes, patient transport often requires considerably more time. One recent study attempted to assess the access of U.S. residents to trauma centers within 45 and 60 minutes (Branas et al. 2005). They found

that between 70% and 84% of U.S. residents had access to a level I or II trauma center within 45 and 60 minutes respectively.<sup>13</sup> However, these figures displayed wide geographic variation. From their analysis, we can conclude that in areas with fewer trauma centers and longer transport times, the importance of pre-hospital care and sophisticated ambulance fleet management increases. These areas will prefer to employ private firms, since they often have greater incentives to implement innovative systems and services.

#### *City Population and the Scale of EMS*

Earlier we established that private firms have a superior level of medical and system innovations, because they are compensated across multiple cities and communities. They are able to “spread” the high fixed cost of investment in such innovations across a larger client base than an individual city. Also, a multi-city private firm can reduce costs by purchasing equipment in bulk, training paramedics in centralized locations, and reduce redundancies that are not needed separately in each city the firm services, such as a billing department. These factors constitute the “scale” advantages of a private firm.

However, if a city is sufficiently large, it may have approximately the same number of EMS-needing citizens as several smaller cities combined, which makes additional quality advantages desirable and allows the public agency to buy large quantities of EMS equipment at a reduced price, etc. In this

case, the local public EMS provider enjoys many of the "scale" advantages of a private firm, weakening the private firm's advantage. Therefore, large cities will tend to use private EMS providers less frequently, while small cities, limited by their population size, will tend to utilize a private provider. This trend is illustrated in Figure 6 below.

We see that only one of the ten largest U.S. cities employs any type of private firm for transport EMS, while seven of the ten smallest cities use a private provider. In fact, it is possible to aggregate the total population covered by the three major transport companies in the 200 largest U.S. cities. AMR covers 7,879,902 individuals, Rural/

Metro covers 1,737,921, and Southwest covers 1,373,377. As an interesting contrast, the total population of New York is 8,104,079, the population of Los Angeles is 3,845,541, and the population of Chicago is 2,862,244.<sup>14</sup>

#### *Labor Unions*

Technician and paramedic unionization also plays a role in a city's privatization decision. Even though payments rates for transport services have shrunk considerably over the past few years, they still constitute a significant revenue source. Also, as fire incidences have decreased, medical

Figure 6: EMS Transport Provider Type for the Largest and Smallest 200 cities

Largest Cities			Smallest Cities		
Rank	City	EMS	Rank	City	EMS
1	New York, NY	Public	1	Abilene, TX	Private
2	Los Angeles, CA	Public	2	Waco, TX	Private
3	Chicago, IL	Public	3	Simi Valley, CA	Private
4	Houston, TX	Public	4	Columbia, SC	Public
5	Philadelphia, PA	Public	5	Joliet, IL	Public
6	Phoenix, AZ	Public	6	Lansing, MI	Public
7	San Diego, CA	Public/Private	7	Evansville, IN	Private
8	Dallas, TX	Public	8	Vallejo, CA	Private
9	San Antonio, TX	Public	9	Stamford, CT	Private
10	Detroit, MI	Public	10	El Monte, CA	Private

Source: Journal of Emergency Medical Services, 200-City Survey (2005).

response has occupied an increased proportion of emergency calls (Eckstein and Pratt 2002). In a climate of public sector cutbacks, cities have become more reliant on EMS as a source of revenue. Single-role fire departments have had difficulty justifying their cost effectiveness, and their unions have fought hard to keep EMS within the purview of public agencies.<sup>15</sup> In this context, we would expect cities with powerful public sector unions to have a higher incidence of public EMS provision.

However, the level of unionization among EMS employees is heterogeneous and uneven. In a recent JEMS workplace and salary survey, about 60% of respondents were not unionized, 25% were members of the International Association of Fire Fighters, 2% were members of the International Association of EMTs and Paramedics, 1% were members of the Professional EMTs and Paramedics, and 12% were members of another union (Williams 2005). Although union membership and influence has declined over the past forty years, union activity varies considerably according to location. In fact, unionization rates in the Midwest and Northeastern states are over three times as high as in the South. New York, the most unionized state, had a union membership rate eight times that of North Carolina, the least unionized State (25.3 percent versus 3.2 percent) (BLS, 2000). Union presence also influences city budgeting and systems maintenance. When New York City public officials closed six firehouses as a part of 2003 budget cuts, union leaders managed to increase staffing in 2004 and moved from a four-man

engine to a five-man engine. As evident from this example, union strength not only contributes to public EMS provision, but also to its labor intensity and cost.

### *Summary*

Throughout this section, we explored the effects of various city-specific characteristics on a municipality's choice to value EMS flexibility/innovation or infrastructure and consequently publicly or privately contract. However, even though these conditions influence EMS contracting, their actual effects are more complex. Moreover, to the extent that the organization of pre-hospital care in a city does not affect its geographical distribution of trauma centers, the relative importance of high quality transport increases as it becomes more difficult to access the emergency hospital care system. Of course, we do not claim that any one of these factors will predict a city's choice of EMS provider deterministically. Rather, it is the net effect of these factors, including possible interactions between two or more of the factors, which makes flexibility/innovation or infrastructure relatively more important in a given city, and hence whether a private or public firm will be preferred.

### **Discussion**

In this paper, we have argued that there is a fundamental link between the competing advantages of flexibility versus infrastructure and the

choice between private versus public EMS transport provision. Private providers generally offer greater operational flexibility, technological innovation, and medical care sophistication than public agencies. Such advantages stem from the ability of private firms to reap large returns from innovations by introducing them in multiple cities, thus giving them superior financial incentives to develop and implement improvements, as compared to public providers, who are restricted to servicing only their own city. On the other hand, public providers have infrastructural advantages, such as more personnel and continuity synergies, which allow them to respond more effectively to large scale emergencies, such as terrorist attacks and natural disasters.

Given these competing advantages, we have identified six fundamental city-specific characteristics that influence a city's decision to contract privately or provide EMS through a public agency: 1) population density, health status, and age; 2) weather conditions and the likelihood of a massive industrial accident, natural disaster, or terror attack; 3) crime levels; 4) the geographic distribution of fire stations and trauma centers; 5) returns to scale, which we measured using the city's population; and 6) the nature of local politics and the strength of local unions. A number of hypotheses were developed suggesting how each factor is likely to affect the strength of a public or private provider's relative advantages as well as the degree to which a city would value these differing provider attributes. The net result of the competing advantages, weighted by each city's characteristics, ultimately decides the

public versus private question. On the basis of the data presented, we find strong evidence that public EMS provision tends to be preferred in populated, dense cities that have a high likelihood of catastrophic events and higher levels of crime. There also appears to be a strong positive relationship between public contracting and trauma center density.

With respect to our hypotheses relating to the health status of a city's residents and the proportion of residents over 65 years of age, the trends confirmed our intuition to some extent, but were clearly more ambiguous than many of the other factors. Interestingly, this ambiguity could be related to a lack of consensus among emergency medicine experts as to the actual effectiveness of extensive pre-hospital medical care. Perhaps even more scrutinized is the cost-adjusted effectiveness of various EMS systems. Uncertainty regarding both EMS' exact role within the broader health care field and the level of service that should be provided, and hence financed, could be leading to differing provider choices even between cities that are geographically and demographically similar. Determining more precise correspondences between EMS inputs, such as system design, technological innovations, and provider characteristics, and EMS outputs, such as medical effectiveness and financial efficiency, is a vital area for future research.

The ambiguity regarding EMS effectiveness relates to another compelling issue-- the influence of political incentives on EMS provider choice and system management. We addressed this



topic in our discussion of labor unions but, due to difficulties obtaining precise data, did not arrive at a conclusive position. More generally, however, the current lack of reliable measures of EMS effectiveness hampers the mandate of public officials who wish to improve their community's EMS and enables self-interested politicians to make decisions that are not necessarily in its best interest. Due to the level of uncertainty regarding effectiveness, these decisions often are made without much criticism.

Ultimately, our approach of considering urban characteristics and their impact on a city's EMS privatization decision presents a unique perspective as compared to most economic literature on the general public versus private provision topic. We hope that it provides a more structured analysis of the EMS provider industry than has previously existed in the emergency medicine literature. Further analysis using this approach will not only improve our understanding of the determinants of EMS provision, but also help local officials construct systems that provide the highest quality of care to their citizens.

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## Notes

<sup>1</sup> 62 million Americans will be age 65 and older by 2025 compared to 35 million in 2004. Source: U.S. Census Bureau. According to the Department of Homeland Security there are 155,000 registered emergency medical technicians (EMT) and over one million firefighters in the U.S.

<sup>2</sup> Bomb-blast victims, for example, are very different than standard end users of EMS, since these patients often require different medical interventions than burn or car-crash victims.

<sup>3</sup> The pressure on local hospitals in such events may result in longer transfer times to emergency rooms, and hence increase the relative importance of pre-hospital care quality.

<sup>4</sup> The financing of EMS is always a challenge for cities. Factors like a city's wealth and the proportion of its insured residents can determine provider type by superseding the flexibility versus infrastructure debate. If a city cannot finance a private EMS system, it may be forced to use public services even if the city's characteristics make a private system preferable. Additionally, it is worth noting that cities generally decide whether to use public or private providers, contract accordingly, and then decide the levels of financing that will be available to fund these services. Because the two variables are jointly determined, we have opted not to include the likely influence of financing as a determinant of EMS contracting decisions in favor of other factors that exert external influences on the public choice model.

<sup>5</sup> Most articles are published in emergency medicine-related journals. The *Annals of Emergency Medicine* is considered to be the leading journal in the field.

<sup>6</sup> For municipal services in which technological change occurs at a relatively rapid rate, like EMS, these renegotiations are much more important than they are for services in which technological innovation is relatively slow, like garbage collection.

<sup>7</sup> "For fire-based EMS agencies, the desire to be seen as a better choice than private-sector firms has renewed interest in performance measurements and benchmarking" Terry L. Schenk in an article titled "Measures for Medics", *Fire Chief*, Jan 2001.

<sup>8</sup> There are other distinctions between private and public providers, related to the nature of their personnel, which may generally support the flexibility versus infrastructure argument. Since firefighters are already on duty to respond to emergencies, and since the pay raise for a firefighter becoming EMS-trained is less than the cost of hiring a separate EMT or paramedic, the fire department/fire department provider combination may provide equal quality at a lower cost. However, firefighters may not seamlessly adapt to having a substantial portion of their duties involve emergency medical services. While the personnel argument suggests the increased superiority of private EMS providers in medical care quality by way of specialization, other research has found results that cast doubt on the actual effectiveness of the more sophisticated pre-hospital care administered by paramedics (Fish-

man and Branas 2004).

<sup>9</sup> For a complete and formal discussion of the underlying modeling approach see David and Chiang 2005. Public versus Private Provision of Emergency Medical Services.

<sup>10</sup> 2004 Trauma Center data from the Trauma Information and Exchange Program (TIEP) and EMS provider type for the 200 largest US cities from the Journal of Emergency Medicine (JEMS).

<sup>11</sup> Data on the health levels in cities was collected from a variety of sources – including the U.S. Census Bureau, the Center for Disease Control, the American Medical Association, and the Bureau of Labor Statistics – and aggregated across five major categories: mental wellness, lifestyle pursuits, physical activity, health status, and nutrition.

<sup>12</sup> Many of these cities are also likely to have transportation problems resulting from snow and other weather conditions.

<sup>13</sup> Among rural residents, only 8.4% had access to a trauma center within 45 minutes and 24.0% had access within an hour. Among urban residents, on the other hand, 72.7% could reach a trauma center within 45 minutes and 86.2% could do so within an hour.

<sup>14</sup> AMR, Rural/Metro, and Southwest are also major players in smaller cities, communities, and rural areas. As a result, these estimates are downward-biased estimates of the populations that they serve.

<sup>15</sup> For example, Poole (1995) notes the following:

"Because EMS is such a complex service, fire chiefs and fire unions may be able to present defenses of the status quo that sound reasonable to those not fully versed on the intricacies of EMS. They may also be able to recommend consultants who (in fact) specialize in preventing paramedic privatization, under the guise of being objective experts on EMS system operations. Successful modernization of EMS into a high-performance system is unlikely to be possible unless the relevant public officials take the time to understand the fundamentals" (18).

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# Public Housing Redevelopment and the Chicago Housing Authority's Changed Role: From a Provider of Public Housing to a "Facilitator of Housing Opportunities"

**Isil Çelimli**

**This paper argues that recent shifts in federal public housing policy have changed the role of local housing agencies. While they were previously owners and administrators of the city's public housing stock and mainly accountable to residents of these developments, after the 1993 HOPE VI legislation local housing agencies had to assume a more entrepreneurial role. Housing agencies now mediate between the interests of public housing residents and private mixed-income development firms. Instead of acting as providers and managers of public housing, they are now promoters and facilitators of "housing opportunities." This paper attempts to understand this shift by contextualizing the Chicago Housing Authority's "Plan for Transformation."**

## **Introduction**

On Chicago's South State Street in the summer 2003, a billboard with the word "CHANGE" stood next to an empty lot. The first three letters—CHA—highlighted in red, stood for the Chicago Housing Authority. Happy faces smiled from a blue background and were accompanied by words such as "integration," "diversity," and "community." Behind the board acres of empty landscape punctuated one-story buildings and playgrounds. A few high-rise structures remained, remnants of the 51 public housing buildings that the CHA slated for demolition in 2000 with its massive "Plan for Transformation."

The goal of Plan for Transformation is to replace existing high-rise developments with low-rise housing in which low-income tenants will co-reside with those paying market rate rents.<sup>1</sup> Demolition of these high-rise housing projects is only one aspect of the Plan for Transformation. The CHA also seeks to overcome public housing's stigmatization by collaborating with the private and non-profit sector to change both the physical forms and public conceptions of its developments.

Although this is not the CHA's first attempt to transform the negative image of its public housing stock, the Plan for Transformation signals a much more significant shift in the way the local agency manages its housing. As part of a federal initiative to ameliorate the nation's public housing problems, the Plan

for Transformation also signals a major shift in the role of local agencies. The federal plan encourages local housing agencies to think and act as private business owners with appropriate marketing skills; they have to come up with the right product, packaging, and publicity.

This paper will trace the precursors of this shift by contextualizing the CHA's Plan for Transformation. After a brief overview of the history of the Plan and how the agency's responsibilities have changed, I will analyze the implementation of their new role. Before going into further detail, I briefly discuss the theoretical framework in which I will be situating my empirical case.

### Theoretical Framework

The following section addresses different public housing policy approaches and introduces a broader framework to understand how cities have transformed under neoliberalization.

#### *a. Public Housing's Makeover*

Current public housing policy debates revolve around two main allegations: the failure of conventional public housing and the potential of racially and economically integrated communities to initiate positive change. Although many mainstream arguments see housing integration as a way to overcome the concentrations of poverty that have characterized high-rise public housing in the past, critics warn against using mixed-income development as a panacea and underscore structural

causes, such as public housing mismanagement and resident destitution.

According to the mainstream perspective, factors such as public housing's isolation and deterioration legitimize its demolition and redevelopment (Naparstek, Freis and Kingsley 2000; U.S. Department of Housing and Urban Development 2002). However, critics suggest that public housing developments, as conceived and constituted by policymakers, were doomed to fail from the beginning. The 'towers in the park' approach to public housing design, inspired by the high-modernist ideals of European architect Le Corbusier, have been criticized from various angles (Venkatesh 2000; Mumford 1995). Some argued that the very design of most housing projects, which aimed at optimal land use by creating open spaces, contributed to their deterioration into high-poverty and crime-ridden neighborhoods (Newman 1972). Others claimed that the vertical structure of high-rise developments and their relative isolation from the rest of the community were contrary to the American ethos of an 'ideal' home (Bauer 1985).

During the 1960s, policymakers also limited public housing units to the very poor.<sup>2</sup> These decisions, coupled with post-World War II policies encouraging suburbanization, resulted in the absence of income earning people in public housing developments. As local housing agencies attempted to increase rents to meet developments' operating expenses, a federal initiative in 1969--the Brooke Amendment--limited rents to a maximum



of 25% of tenants' income. The influx of poorer tenants decreased maintenance funds, contributing to structural deterioration (Hunt 2000). Poor design, poor quality of construction, and lack of maintenance reinforced the reality and image of ghettoized low-income minorities (Hirsch 1983).

Scholars like Jackson (1985), Bratt (1986) and Marcuse (1995) conceptualize these shifts within a broader historical perspective. Instead of arguing that earlier housing policy was monolithic and inefficient and advocating its abandonment, these scholars draw attention to structural factors, such as deindustrialization and social welfare cutbacks.

#### *b. Neoliberalism and the City*

David Harvey formulates an analytical relationship between residential differentiation and social order, stating that the former is produced and reproduced by social forces that emanate from capitalist production process (Harvey 1985). Just as capital has to destroy some part of what it created before to continue its growth, "communities have to be disrupted by speculative activity, growth must occur, and whole residential neighborhoods must be transformed to meet the ends of capitalist accumulation" (123).

As Harvey's argument makes clear, any social program—or on more abstract terms, any social change—must be examined within the context of larger political-economic processes. He contends that changes in federal and local agency

relations and their conceptions of how to serve the poor are products of recent urban shifts toward privatization under the rubric of neoliberalism. Neoliberal policies manifest as the withdrawal of federal funds from local projects and the privatization of public goods and services (Brenner and Theodore 2002). In the case of public housing, the neoliberal agenda manifests itself in the shift of the CHA's role from a housing provider to a marketer of "housing opportunities" generated by the private sector. The following section examines this shift in the context of developments in federal housing public housing policy.

#### **Early Local Housing Agencies**

Public housing policies, as the outcome of a constant dialogue between the federal and local levels, are rife with contention and conflict (Smith 2002). During the last five decades, the role of local housing agencies shifted dramatically in response to federal housing policies. After the Housing Acts of 1937 and 1949, only communities willing to replace slum developments with public housing were given funds to establish local housing agencies. Thus, acquiring federal money for public housing was voluntary and contingent on a community's tolerance to low-income housing development (Bratt 1986; Jackson 1985).

Early conceptions of local housing agencies evolved during the New Deal era as a way to deal with wartime housing shortages and black migration from the south. Both national and local

agencies viewed public housing as transitory. They agreed that local agencies should build and administer housing units in slum areas and allocate units to people presently living in substandard structures.

However, these decisions did not eliminate local tensions. Real estate developers and white neighborhood associations influenced development site selection; as a result developments were placed in predominately segregated, low-income neighborhoods (Meyerson and Banfield 1955; Hirsch 1983; Hunt 2000; Venkatesh 2000). Still, with its early progressive leadership, the CHA assumed the role of providing housing for low-income people, particularly minorities impacted by discriminatory policies such as restrictive covenants and red lining, which reinforced segregation in the city (Hunt 2000; Popkin et al. 2000).

### **The Shift: Redeveloping Chicago's Public Housing Stock**

The CHA's role in exacerbating city segregation by developing public housing in predominately poor minority neighborhoods was first acknowledged by the 1969 lawsuit *Gautreaux et al. v. Chicago Housing Authority*. The landmark federal judgment precipitated the Supreme Court's 1976 mandate to involve HUD in Chicago to end the CHA's discriminatory practices.<sup>3</sup> The ensuing Gautreaux Assisted Housing program aimed for the deconcentration of public housing residents via the use of housing vouchers (Popkin et al. 2000; Wexler 2001).<sup>4</sup> These decisions legitimized dispersal

strategies and paved the way for revitalization programs such as Moving to Opportunity, early mixed-income housing developments such as the Lake Parc Place, and finally the Plan for Transformation (Rosenbaum and Harris 2001; Rosenbaum, Stroh and Flynn 1998).<sup>5</sup>

Local revitalization efforts were not immune from federal attempts to change the makeup of public housing nationwide. By the end of the 1980s, the state of public housing developments had caught the attention of federal policymakers. In 1989, Congress appointed the National Commission on Severely Distressed Public Housing (NCSDPH) to address issues such as physical deficiencies, criminal activities, and poor neighborhood services. The major tasks of the Commission included defining 'severely distressed housing,' assessing HUD's housing inventory, and proposing solutions.<sup>6</sup>

In 1992, the commission issued a report, titled "The Final Report: A Report to the Congress and the Secretary of Housing and Urban Development." According to this document, new public housing programs should receive support from "Congress, other Federal agencies, and State and local governments and, of course, the active, meaningful participation of residents and community-based organizations" (5). The report proposed several new policy directions, such as moving beyond physical rehabilitation and developing a plan to help tenants achieve self-sufficiency. They argued for a multifaceted approach to public

housing redevelopment, one that would pay "equal and significant attention to both the human and the physical conditions" (NCSDPH 1992: 3). Thus the Commission recommended increasing federal funding not only for physical revitalization but also for resident support services, such as job training and other social programs.

Responding to the commission's recommendations, Congress instituted a new housing program called HOPE VI in 1993.<sup>7</sup> The program proposed the demolition, modernization and redevelopment of at least 86,000 public housing units nationwide.<sup>8</sup> The program was not limited to the physical redevelopment of distressed public housing developments. It also aimed to change residents lives by connecting tenants to jobs and other opportunities (Naparstek, Freis and Kingsley 2000). Goals set by HUD, in exchange for the grants that the federal agency would provide, required local housing agencies to assume additional responsibilities such as providing social services and connecting their residents to working-class people.<sup>9</sup> The plan anticipated a cost of \$7.5 billion over a ten-year period. To date, HUD has awarded approximately 500 demolition and revitalization grants totaling nearly \$6 billion.<sup>10</sup>

In HUD's 1995 reinvention plan, Secretary Henry Cisneros mandated the restructuring of all public housing programs. A decrease in funding for project-based public housing developments was paired with an increase in funding for vouchers and other demand-side policies. This, in theory, would

give public housing residents the opportunity to choose where they wanted to live and perhaps benefit from better services, schools, and job opportunities. Furthermore, through mixed-income public housing redevelopment, the plan consequently would enable middle-class professionals to relocate to distressed public housing areas, increasing city tax base. Cisneros added that this new approach would "give state and local authorities maximum flexibility to tailor federal resources to local circumstances, needs and priorities" (Cisneros 1995: 145). He also called for a change in HUD's role, whereby the agency would become "the supporter of local initiatives, catalyst for change, and equal partner in local collaborations" (145).

The current public housing program still preserves the core objective of urban revitalization through mixed-income housing, but it has undergone several changes. The program initially targeted the demolition or rehabilitation of 6% (86,000 units) of the U.S. public housing stock. This number has since increased. For fiscal year 2003, HUD approved the demolition of 135,000 public housing units, 70,000 of which were approved under the HOPE VI program.

With the introduction of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 and the Quality Housing and Work Responsibility Act of 1998, the federal government introduced new regulations repealing the one-for-one replacement rule and eliminating admission preferences for the lowest income families. In

future redevelopment programs, there would be no guarantee that all demolished units would be rebuilt, giving less assurance to needy, low-income families. Such regulations also enabled private developers to use public housing funds and permitted local agencies to use capital and operating funds to finance mixed-income projects (Wexler 2001). These regulations not only redefined local agencies' responsibilities, they also reconfigured the dynamics among city agencies, the private sector, and public housing residents. The remaining section examines the manifestations of these shifts in Chicago.

At the same time HUD expanded the scope of the HOPE VI program by enabling local housing agencies to use federal grants both for public and private housing partnerships, Congress reduced HUD's budget by nearly 25%, reducing money for Section 8 vouchers and public housing construction (Austin 1997). In response, local housing agencies diversified their operations and sought non-federal funding for their redevelopment projects. In addition, HUD redefined their role as a partner in public housing redevelopment rather than as a sole provider or landlord. This new arrangement required them to attract investors and private firms, a change that theoretically would help them use their federal grants more efficiently.

Thus the mixed-income approach implies a shift not only in the HOPE VI program itself, but also in the roles of the federal government and local housing agencies. Once owners of a large inventory of housing for the poor, local housing

agencies are now expected to control a wide range of activities, from finding money for their proposed plans to marketing redeveloped neighborhoods, distributing vouchers, and relocating public housing residents to private market housing. From the federal agency's perspective, the new role of local housing agencies assumes a "transition from landlords to housing developers, from isolated providers to service connectors, from property managers to catalysts for community and economic change" (U.S. Department of Housing and Urban Development 2002).

Chicago's revitalization efforts, however, precede these larger federal shifts by several years. Under the threats of federal takeover, Vincent Lane was appointed as the executive director of the agency in 1988. During the seven years Lane acted as the chair of the CHA, his primary objective was to convince people that public housing in Chicago was not working. He argued that people who lived in these developments were "victims" of hands off, welfare-disbursement policies and emphasized the need to integrate the poor with the middle-class not only because integrated communities would function better, but also because the two groups had a lot to learn from each other (Nelson 1995).

In the early 1990s, Lane's vision of integrated communities manifested itself on the local and national level in several ways. He was one of the co-chairs of the National Commission on Severely Distressed Public Housing, which later created the HOPE VI program. He also initiated

the first mixed-income development in Chicago, Lake Parc Place, which was later acclaimed as a "national model" for mixed-income communities (Ihejirika 1994b).<sup>11</sup> Under Lane's leadership, the CHA acquired HOPE VI funds to redevelop the Cabrini Green and Henry Horner housing projects. These developments were renowned not only for their poverty, segregation and crime, but also for their high land value. However, by prioritizing these communities for redevelopment, Lane invoked resident contestation. In 1991, Henry Horner residents filed a lawsuit that stated that the CHA intentionally failed to rehabilitate the buildings and had let them purposefully deteriorate to enable private redevelopment (Ihejirika 1994a; Talbott 1995). By contesting redevelopment, residents gained some power in the planning process; the court order reinstated one-for-one replacement in Henry Horner and required community involvement in future negotiations.

After mandatory resident involvement at these sites, redevelopment efforts proceeded in a piecemeal fashion.<sup>12</sup> In 1995, federal funds further decreased from \$400 to \$300 million, and the CHA realized that a large scale public housing demolition plan would require new methods and additional funds.<sup>13</sup>

## Mixed-Income Housing and the CHA's New Role

Through the HOPE VI program, HUD enabled local agencies to adapt redevelopment to local conditions. By incorporating local housing authorities into HOPE VI policy, the federal government has reconstituted their role by attributing them a greater role in the decision-making process on public housing. However, this increased flexibility also required local agencies to rely on external sources to fund their plans. Mixed-income developments would not only have to attract private sector involvement, but also upper-income resident investment. Thus, local agencies were encouraged to think and act as private business owners with appropriate marketing skills where they have to come up with the right product, packaging and publicity. The CHA's Plan for Transformation in 2000 embodied this changed role, calling for the redevelopment of over 18,000 public housing units into mixed-income complexes.

The opening remarks of the Plan for Transformation stated that the CHA would:

...invest in or facilitate housing opportunities for very low and low-income households, including persons with disabilities. With the flexibility made possible by recent legislation, the Agency should no longer view itself as primarily an owner or manager of public housing. More broadly, the Agency can own, lease, finance, or subsidize housing opportunities as cir-

cumstances warrant (Chicago Housing Authority 2000b: 12).

To fulfill this new role, the CHA aimed to transfer "all property management functions to professional property management organizations," its social services to the City of Chicago and private providers, and reduce its workforce by about 70% (Chicago Housing Authority 2000a: 3).

Although the privatization of Chicago public housing has enabled the federal government to get out of its financial responsibility for providing shelter for the poor, it has adversely affected its low-income minority tenants. Private enterprise—under the cloak of property managers—bring forth their own set of criteria in selecting public housing residents to reside in new mixed-income developments in addition to their lease compliancy requirements. These criteria range from good house-keeping to employment. Prospective residents must prove that they either meet such requirements or are working towards meeting such requirements (Chicago Housing Authority 2004). A close analysis of these criteria reveals that they strongly reflect middle-class values. By imposing a certain lifestyle on public housing residents, these criteria categorize them as a social group who can share a community with more affluent residents only after meeting certain requirements.<sup>14</sup> Moreover, the criteria overlook the informal habits that many public housing residents must employ just to survive. In their attempt to create pristine communities attractive to prospective market-rate resi-

dents, property managers set unrealistic thresholds for many disenfranchised public housing residents, further exacerbating their struggle to find suitable housing. The CHA regards these criteria as 'logical' since buildings now are owned by private developers, which clearly illustrates how they have become caught between the interests of the private enterprise and those of the public housing residents (Michaeli 2004).

The CHA also uses housing vouchers to disperse public housing residents in high-rise developments. The implementation of the housing voucher program, known as Section 8, has been managed by a private company, CHAC, Inc., since the mid-1990s.<sup>15</sup> In the Plan for Transformation, the CHA has determined the number of units to be demolished and CHA residents to be relocated on an annual basis. According to 2003 annual report, 695 of 931 residents in buildings that were slated for demolition used Section 8 vouchers and relocated to private market units, while the rest of the families opted for relocating into remaining public housing units (Chicago Housing Authority 2004b). A research report published in 2004 on the relocation activities of the CHA indicates that 97% of these families have relocated to segregated or high-poverty areas (Venkatesh et al. 2004).<sup>16</sup> The fact that most relocated public housing residents end up in high-poverty neighborhoods deserves attention. Chicago's tight rental market and the historical and structural conditions that deem it one of the most segregated cities in the U.S. contribute to this situation (Massey and Denton 1993). Also,

residents tend to rely on informal networks to find apartments and generally prefer to live close to their old communities, where they have easy access to facilities and services (Venkatesh et al. 2004).

In the relocation process, organized resident activism also has preserved some tenant rights. In December 2000, a Relocation Rights' Contract was included in the transformation plan. This document not only defined the conditions of lease-compliance, but also specified the rights of public housing residents.<sup>17</sup> According to the Contract, the housing authority has to notify residents 180 days ahead of a scheduled move and guide them through the relocation process.<sup>18</sup> Starting in 2002, the CHA also instituted a resident tracking system. According to the data collected, as of October 2004, 87% of residents preferred to remain in their public housing developments rather than use a voucher to find housing elsewhere (Chicago Housing Authority 2005). It is not certain why a majority of public housing residents prefer public housing over private market units. However, taking into account the Plan for Transformation's present demolition of 14,000 public housing units, the repeal of the one-for-one replacement rule, and demanding site-specific criteria set forth by the developers, it is not clear how the residents' choices will be met in the end.

The Plan for Transformation also mandated the CHA to pursue mixed-income housing in a more systematic manner. According to a recent report issued by Metropolitan Planning Council, by

2009 the CHA aims to complete the development of 16,654 units in mixed-income developments, 37% of which will cater to market-rate residents while 24% and 37% will be comprised of affordable and public housing units, respectively. As of October 2005, the CHA has only built 3,880 units, just 23% of their goal (Raquejo 2005).

The CHA is implementing their Plan for Transformation within a context of rapid, macro socio-economic urban change. As cities become sites for industries like finance and technology production, they have started to attract a new population of young, upwardly mobile, middle-class professionals who prefer living in the city centers as opposed to suburbia (Sassen 1991; Zukin 1993). This trend coincides with the redevelopment of otherwise poor inner city areas, which have experienced increased land values. The stigmatized image of public housing developments legitimizes their demolition and overshadows the private interests profiting from redevelopment.

## Conclusion

In this paper, I contextualized the changing role of local housing agencies within broader neoliberal policy shifts. In a climate of financial cutbacks and rising city property values, the CHA is no longer an administrator of public housing, but a "facilitator of housing opportunities." However, this new role not only changes the function of a city agency, whose prior role was to provide safe and sanitary housing for low-income people. In the end, the

social and economic costs of neoliberal policies that promote private market redevelopment are ultimately borne by public housing residents.

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### Notes

<sup>1</sup> The plan stipulates that mixed-income developments should contain equal thirds of market, affordable and low-income units.

<sup>2</sup> The first attempt limit public housing to the very poor took place in 1949 Housing Act, which required that “the highest rents be 20% lower than the lowest prevailing rents for decent housing in the private sector” (Bratt 1986: 339). The Brooke Amendments to the Housing Act of 1937 in 1969 and 1970 contributed by limiting tenant payments to 25% of their income (Popkin et al. 2000). This percentage later increased to 30%.

<sup>3</sup> *Gautreaux v. Chicago Housing Authority*, 304 F. Supp. 736 (N.D. Ill. 1969) enforcing 296 F. Supp. 907 (N.D. Ill. 1969) and *Gautreaux v. Landrieu*, 523 F. Supp. 665, 674 (N.D. Ill. 1981).

<sup>4</sup> For detailed information on *Gautreaux* court rulings and the *Gautreaux* program, see [www.bpichicago.org/pht/gautreaux.html](http://www.bpichicago.org/pht/gautreaux.html)

<sup>5</sup> Moving to Opportunity is a voluntary program whereby public housing residents are relocated to

so-called ‘opportunity areas,’ which have poverty levels less than 23.49% and an African-American population lower than 30%.

<sup>6</sup> In the appendix of their report, the Commission defines ‘severely distressed housing.’ Briefly, there is a four-part rating system for determining severe distress: family distress, rates of serious crimes, barriers to management, and physical deterioration.

<sup>7</sup> It is important to note that this was not the first time that the federal government triggered the idea of mixed-income communities. Beginning with the Nixon moratorium on the construction of new public housing units in 1973, the role of the federal government had already started to diminish and the idea of mixed-income communities had been introduced into the agenda by the late 1960s. During the Nixon era, rent subsidy through housing vouchers, as opposed to spending federal money on the construction of hard units, was adopted and put into practice. This shift also called the state and local agencies to assume increased roles while decreasing the role of the federal government significantly (Orlebeke 2000). With the introduction of the HOPE VI program, the devolution of housing subsidies gained a different momentum. This time federal money would be used as a leverage to raise money from various other sources, including state resources, tax increment financing, tax credit equities, and private developers.

<sup>8</sup> The report stated that this number was a minimal assessment. That is, as long as the housing policies remained unchanged and local housing authorities



were not granted sufficient funding for upkeep, this number would increase.

<sup>9</sup> For an elaborate discussion of new responsibilities assumed by PHA's within the HOPE VI program, see Alex Schwartz and Kian Tajbakhsh, (1997), "Mixed-Income Housing: Unanswered Questions," *Cityscape: A Journal of Policy Development and Research* 3(2).

<sup>10</sup> [www.hud.gov](http://www.hud.gov)

<sup>11</sup> For a more detailed account of the experiences of Lake Parc Place residents, see Rosenbaum et al. (1998)

<sup>12</sup> The only HOPE VI grant received from HUD in the first half of the 1990's was a \$50 million grant for the revitalization of Cabrini Green.

<sup>13</sup> In May 1995, Lane had to resign from his job due to a federal takeover with the allegation that there was conflict of interest between his personal business and his duties concerning the CHA, as well as the ongoing corruption in the agency. After Lane's resignation, HUD's Secretary Cisneros appointed his Assistant Secretary for Public and Indian Housing, Joseph Shuldiner, as the executive director of the CHA.

<sup>14</sup> A historical and institutional account of how public housing projects have served for the 'deserving poor' can also be seen in Lawrence J. Vale, *From the Puritans to the Projects: Public Housing and Public Neighbors* (Cambridge, MA: Harvard University Press, 2000).

<sup>15</sup> For more information, see [www.chacinc.com](http://www.chacinc.com).

<sup>16</sup> In Chicago, census tracts with poverty rates lower than 23.49% and with an African-American population below 30% are regarded as opportunity areas. The figure 97% indicates the proportion of relocating families that failed to meet these criteria.

<sup>17</sup> In order to be lease-compliant the leaseholder should comply with a set of rules including prompt payment and utilities, good housekeeping, and not housing unauthorized dwellers.

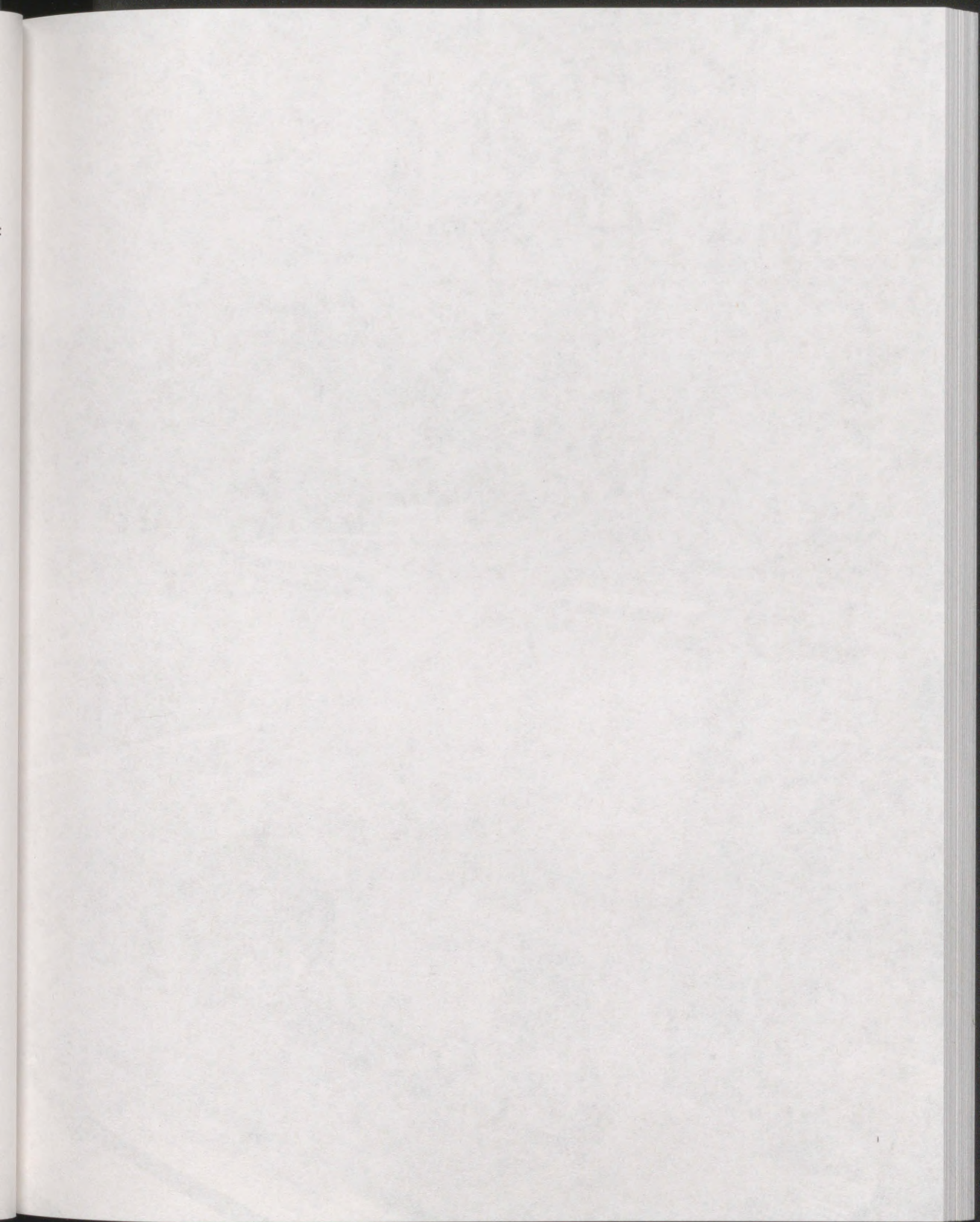
<sup>18</sup> A resident can make three choices. S/he can either choose to stay within the public housing system. If she chooses this option, the resident is moved to a temporary public housing unit until redevelopment is complete. The other two options employed are Housing Choice Vouchers (HCV's), either temporary or permanent. If this option is chosen, the resident is assigned to a relocation counselor. The counselor has to provide the prospective voucher holder a list of available units as well as help her with signing a lease and moving into the new home. Residents who choose to use the temporary vouchers retain the right to go back to redeveloped public housing units once they are completed if they meet the site-specific criteria. By choosing permanent vouchers, residents make a complete entry into the private housing market as stated in the Relocation Rights Contract.

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# Gated Communities, Sustainable Cities and a Tragedy of the Urban Commons

**Renaud Le Goix and Chris Webster**

**This paper explores the political, financial and environmental sustainability of private communities. Using a theoretical approach that views the private residential community as a club economy, we analyze the planning and managing practices of 219 gated residential communities in the Los Angeles area. This investigation demonstrates that private urban governance is a locally sustainable solution that might help stabilize the financing of urban growth, redevelop aging neighborhoods, maintain social diversity, conserve non-renewable urban resources, and encourage reinvestment in urban infrastructure. However, these gains are not made without social costs and spillovers. Breaking down municipal management into smaller units might deliver a more economically sustainable urban system on the whole, but only at the expense of marginalizing those excluded from the club economy. In addition, private urban governance is still dependent on state subsidy. This new urban dynamic will become more important as private associations attempt to increase the public subsidy of their activities, and municipal governments look for ways to reduce their liabilities through private sector providers.**

## Introduction

In the U.S., South Africa, China, Brazil and many other countries, the spontaneous actions of entrepreneurs have spawned a new urban product (privately governed urban neighborhoods) that will have a major impact on the form and function of future cities. Whether this phenomenon is economically and politically sustainable or not is the subject of this paper.<sup>1</sup>

To understand the phenomenon of private communities, we first must understand the arguments put forth by current scholars. First, gated communities are part of a trend towards the commoditization of urban public space (Dear and Flusty 1998; Sorkin 1992). Often this view is linked with a discourse on the spread of ideologies of fear developed by economic and political actors, including municipalities, the homebuilding industry, the security industry, and the media (Davis 1998, 1990; Flusty 1994; Marcuse 1997). A second type of argument presents gated communities as a symptom of an urban pathology in which social polarization and exclusion are the principal risks. In this discourse, the decline of urban public spaces is detrimental to the poorest social classes, and voluntary gating is associated with increased social segregation (Blakely and Snyder 1997; Caldeira 2000; Glasze, Frantz, and Webster 2002; Low 2003). Others view the shift from the “public” city to urbanization by private enclaves as a “secession” of the elite and a

regressive redistribution of resources and wellbeing (Reich 1991). Based on notions of equality and social justice, these arguments stand awkwardly, but not necessarily in opposition, to the efficiency arguments for gating and private governance, which are based on the assumption that the public provision of services leaves potential welfare gains unrealized (Foldvary 1994).

As yet, no author has crossed these lines of debate to analyze the sustainability of the private city. In attempting this, we apply a theoretical approach that views the private residential community as a *club economy* to analyze the planning and managing practices of 219 gated residential communities in the Los Angeles area (Webster 2002).<sup>2</sup> We first examine how private communities might be pro-sustainability tools. Next we consider whether private governance puts urban equilibrium at risk. Finally we analyze how private governance might indeed lead to unsustainable local urban political economies.

### **Private communities as a pro-sustainability tool in managing urban growth**

This section examines how urban territorial enclosure might yield sustainable benefits to the city. There are several underlying hypotheses. First of all, compared to municipal-scale governance, micro-scale collective decision making is made on the basis of superior information and theoretically leads to a closer fit between the demand for

and supply of local public goods and services. Secondly, most local public goods are consumed by subsets of the wider public and are therefore better supplied as “club goods”.<sup>3</sup> Where a good is consumed as part of a ‘club’ but produced as a public good for the whole city, conflicts of interest will inevitably arise, typically leading to over consumption. Territorial enclosure (i.e. controlling access) is a mechanism for preventing over-consumption and premature degradation of urban public goods. The alternatives to territorial enclosure are regulation, taxation, and investment, all of which incur costs and have side effects. Controlling access (not necessarily restricting access, which is different) may be a less costly and more effective mechanism for preserving residential quality of life.

Thirdly, reorganizing a public city into a city of clubs may increase funds for collective goods. When property rights over collective goods are clearly defined, with responsibilities and liabilities established by law, there is a stronger incentive to reinvest. Given the growth of private communities, it is clear that many citizens are willing to be “double taxed” to acquire better environmental conditions and services. Municipalities capitalize on this extra source of revenue by off-loading responsibilities to Home Owners Associations (HOAs). On the other hand, HOAs also attempt to capture general tax revenue for their residents.



*Political, financial and environmental sustainability*

Debates about gated communities are more about local territorial governance than about gates. U.S. HOAs are micro-governments with three basic characteristics: elected boards that act as neighborhood decision makers, contracts that govern resident's behavior, and monthly fees that finance local amenities and services. Between 1970 and 1998, the number of privately governed residential units rose from 701,000 to 16.3 million. By 2000, over 15% of the U.S. housing stock was contained within these developments (McKenzie 2003, 2005a, 2005b). In 2002 the Community Association of America estimated that 47 million Americans were living in 231,000 community associations and that 50% of all new homes in major cities belonged to community associations (Glasze, Frantz, and Webster 2002).

The rapid growth of this phenomenon provides qualified support for the libertarian political-economy view that the public provision of collective goods and services is inefficient. This view holds that bureaucracies create diseconomies of scale and are wasteful. In part, these inefficiencies are explained by the lack of competition to check overgrowth and the information handicap bureaucracies face in the absence of prices. As a result, cities oversupply public goods, skewing their distribution toward the most powerful interests. These researchers see private communities as a more politically and financially sustainable institution. For example,

since 1867, residents on private streets in St. Louis have financed their own collective services (trash collection, street sweeping, security, etc.) according to their perceived value. Since public governments must estimate infrastructure and services demand, they risk under or oversupplying the market. Furthermore, many of the investments made by HOAs (or in the commercial sphere, by malls, science parks, etc.) can be capitalized in land rent. Not only do owners have an incentive to invest in their local environments, but also they can recover investment costs from rents (Foldvary 1994).

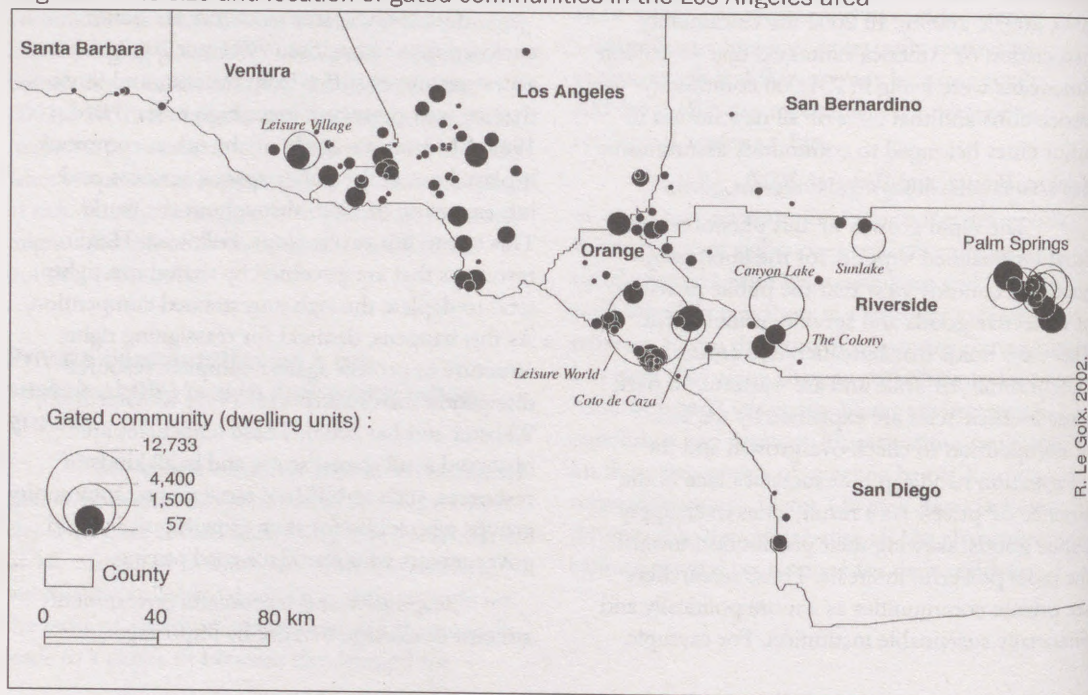
Generally, scarce resources are better enclosed than unenclosed (Webster 2005). Open access resources suffer from overuse, and those that are well-preserved incur high costs (Hardin 1968).<sup>4</sup> Indeed, a tragedy of the urban commons is played out in the public spaces, services, and infrastructure of cities throughout the world. This occurs for two reasons. Following Hardin, resources that are governed by shared use-rights tend to deplete through unrestrained competition. As this happens, demand for reassigning rights structure to protect against complete resource dissipation increases (Barzel 1997; Webster 2003; Webster and Lai 2003). These tendencies are observed at all spatial scales and in all kinds of resources, such as NIMBY movements, community groups who lobby for slow growth policies, and governments who introduce road pricing.

Responsive and resourceful governments attempt to manage overuse by imposing

regulations, raising the capacity of congested infrastructure, and improving facilities and services. However, as rising incomes result in higher expectations and increasingly differentiated tastes, even the most responsive governments have little hope of managing citizen demands in a way that avoids premature depletion. Civic goods and services provided through taxation will always be undersupplied, either through limited tax funds or rising expectations.

Not only do residential clubs contribute to the financial sustainability of urban governance, but also they provide a way of preserving, protecting and enhancing the “urban commons”.<sup>5</sup> The introduction of road pricing in Central London illustrates these trends. What was formerly a public good subject to overuse and degradation was converted overnight to a club good in which the user pays. Membership is on a pay as you use basis; fees are set to balance demand and supply of

Figure 1: The size and location of gated communities in the Los Angeles area



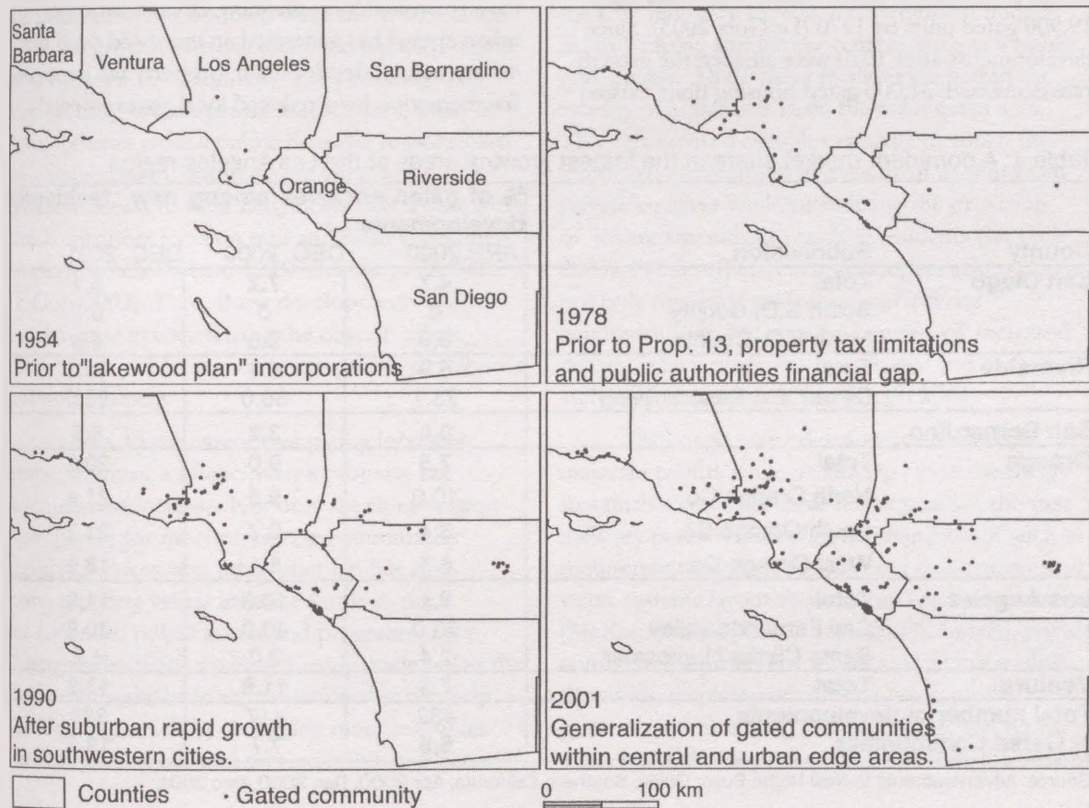
Source: database Gated Communities, 2002, UMR, Geographie-cites 8504; US Bureau of Census Boundary File.

central area road space. By assigning property rights to road space, the municipality has lowered demand and increased revenues for road investment and management, factors that produce a more sustainable transport system land-use pattern.<sup>6</sup>

*Fiscal sustainability – the cash cow factor*

Gated neighborhoods also enable public authorities to manage growth with greater fiscal sustainability. Figure 1 shows that gating is highly correlated with fiscal gaps progressively experienced by local government bodies.

Figure 2: The diffusion of gated communities in the Los Angeles area



Source: database Gated Communities, 2002, UMR, Geographie-cites; US Bureau of Census Boundary Files/ Le Goix 2002.

Rolling Hills (1935) and Bradbury (1938) were the first gated communities in Southern California. After World War II, these were accompanied by well-known developments such as Hidden Hills (1950) and the original Leisure World at Seal Beach (1946). Although there were 1,700 gated housing units in the Los Angeles area by 1960, the development of enclaves such as Leisure World (1965) and Canyon Lake (1968) resulted in 19,900 gated units by 1970 (Le Goix 2003). Since developments after 1970 were smaller, the growth rate decreased: 31,000 gated housing units existed

in 1980; 53,000 in 1990; and 80,000 in 2000. In 2000, these units represented approximately 12% of the new homes market in Southern California (Figure 1).<sup>7</sup>

The regional diffusion of gated communities is related to suburban growth, an endemic anti-fiscal posture, and municipal fragmentation (Figure 2). These three conditions have frustrated local planning efforts: although urban sprawl has generated an increased need for infrastructural development, property tax limits and fragmentation have reduced local governments'

Table 1: A dominant market share in the fastest growing areas of the Los Angeles region

County	Subdivision	% of gated enclaves among new residential developments		
		APR 2000	DEC. 2000	DEC. 2001
San Diego	Total	4.7	7.2	5.1
	South S.D. County	0	0	6.7
	North S.D. County	5.8	9.3	4.8
Riverside	Total	5.9	5.9	14.3
	Desert and Resorts living	23.1	60.0	50.0
San Bernardino	Total	0.0	3.2	5.9
Orange	Total	7.5	9.0	20.2
	North Orange Co.	10.0	9.5	21.4
	South Orange Co.	3.4	9.7	21.2
	West Orange Co.	8.5	8.1	18.9
Los Angeles	Total	9.1	10.3	11.9
	San Fernando valley	25.0	40.0	30.8
	Santa Clarita / Lancaster	2.4	2.0	4.2
Ventura	Total	7.3	11.8	13.3
Total number of developments		432	417	381
% Gated Communities		6.5	7.7	12.9

Source: Advertisements in New Home Buyer Guide, Southern California, Apr 2000, Dec 2000, Dec 2001.

financial resources.<sup>8</sup> As a result, gated communities, which bring wealthy taxpayers at minimal cost, have become the perfect cash cow for local municipalities (McKenzie 1994).

As Table 1 shows, gated communities now represent a major share of the market in the fastest growing parts of the Los Angeles region, especially in Orange and Riverside counties where the population has boomed since the 1960s. Since 1990, the growth rate has remained high, averaging 14% between 1990 and 2000. By providing their own security, infrastructure and services, these developments reduce public financial responsibility. As compensation, homeowners are granted exclusive access to their neighborhoods, a condition which enhances location rent and positively affects property values (Lacour-Little and Malpezzi 2001; Le Goix 2002). Thus, these developments are instrumental in transferring the cost of urban sprawl from public authorities to private developers and homeowners.

Also, to the extent that gating increases property values, a municipality's property tax revenues also increase. Not only are cities exempt from paying for most of private communities' security, services, and infrastructure, but also rising property values increase funds to pay for enhanced public goods and programs. This illustrates the point we have already made – that the club neighborhood is an institution that can help sustain city growth by unlocking more resources for collective goods and services. This may cease

to be the case if club residents were able to opt out of certain municipal tax obligations, but even then they may be willing to pay more for private urban governance than for public urban governance, just as some families are willing to pay more for private education than state education.<sup>9</sup>

In Calabasas (west of Los Angeles), where 30% of the housing stock is locked behind gates, the City reinvests 13% of its operational budget in landscaping and leisure centers, such as a public golf course. All of these facilities are within the vicinity of Calabasas Park, the main gated area. This represents a complex synergy in which the municipal government derives fiscal benefit from private enclaves while subsidizing the provision of leisure amenities to enclave residents (Le Goix 2005). Public officials and developers acknowledge not only the fiscal *quid-pro-quo*s of private neighborhoods, but also the benefits of increased density, which preserves open space and enables architectural diversity (Ben-Joseph 2004).

Although some developers are able to maintain profits while producing environmentally sustainable and affordable developments, the vast majority perceive that planning regulations, such as requirements for open space, land dedications, and water systems layout and hookup fees, are excessive (McKenzie 2003; Ben-Joseph 2004). Indeed, private communities proliferate under several interesting dynamics, involving on the one hand, public governments enlarging their tax bases, and on the other hand, developers seeking to offset the burden

of public planning regulations through flexible design within private subdivisions (Ben-Joseph 2004).

#### *Economic sustainability – the functional integration factor*

When a high-income gated community was built next to a poor squatter community on the outskirts of Santiago, Chile a few years ago, lower-income residents welcomed their new neighbors as sources of employment. The new development also brought trunk water, sewerage and other utilities to the location-- services that the squatters had lobbied for unsuccessfully for years (Salcedo and Torres 2004). In turn, the wealthier residents valued their poorer neighbors, who supplied essential trades and services. Surprisingly, this ethnographic study found that inter-community relations were much healthier than intra-gated community relations (gated residents did not always speak well of each other but spoke well of their poorer neighbors).

It also is possible that gating, by creating a closer proximity of income groups, increases trades in some urban areas – especially in municipalities with high levels of income segregation. Thus, gating may make a city more economically sustainable by reducing travel distance. For instance, many complexes in Northern San Fernando Valley (near Sylmar, North Hills and Panorama City) and Kaufman and Broad's schemes in Northern Orange county (Lori Lane in Garden Grove and Stonegate in Anaheim, developed in

2000) are small infill developments of less than 50 units or semi-detached residential complexes retrofitted with gates in areas where property values are highly varied. Since many are in Hispanic or Asian neighborhoods that were heavily urbanized during the mid-1960s, developers now use gates and HOAs as a renewal tool (see Figure 3).

According to real estate agents in Lori-Lane and Stonegate, these are “executive communities” appealing to the “snob value” of prospective buyers. They were originally targeted at ethnic niches in the housing market and might help to keep wealthier residents in these cities. If this happens, they may increase local job opportunities for existing residents as higher income owners demand more shops and services, a process already observed in London's inner city boroughs.

#### **Urban equilibrium at risk**

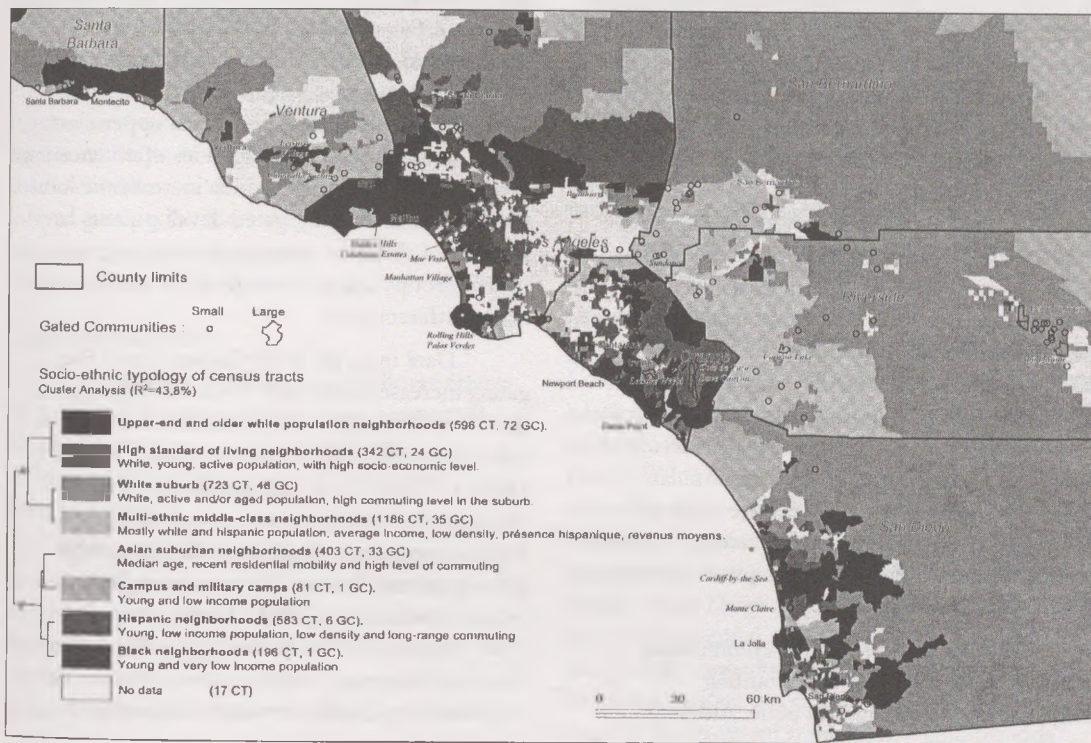
As explored above, a city of clubs may be more sustainable than a public city. However, there are many well-founded arguments against private neighborhoods as well. In this section we consider whether pre-emptive neighborhood protection carries risks for other city residents, factors which potentially may render urban areas unstable and chaotic.

Cities are land-use systems consisting of interpenetrating private and public spaces governed by complex patterns of property rights (Scott 1980). The production of urban space by owners of capital (developers, manufacturers,

and homeowners) means individually optimal, subjective decisions have a social cost. Private transactions generate spillover effects, such as material and auditory pollution, road congestion, and underused land. From one point of view, these externalities are market failures: since market-based transactions fail to give them a price, third parties inefficiently bear the costs. Neighborhood clubbing

is a private, pre-emptive solution to market failure. However, although it supplies residents with greater power to reduce spillovers, it also imposes externalities on its neighbors.

Figure 3: Gated communities in their socio-economic environment



Source: US Bureau of Census Boundary Files, 2000 Census (fi as SF1 & SF3), Gated Communities, UMR Geographie-cites.

*Long-term system stability: status exhibition vs. segregation*

Resident filtering occurs when restrictive covenants and property values limit potential candidates for homeownership. The result is neighborhood homogenization by wealth, age, race, and status. Whether the homogenizing effects of privately governed communities are greater than those of conventional neighborhoods is an empirical question, the answer to which depends on local context. Market-driven cities tend to filter people by income or race into well-defined areas. Micro-regulation through private covenants and exclusionary zoning further increases segregation. Yet Los Angeles gated communities are available within every market segment (Figure 3). While the majority is located within upper- or middle-class white areas, 20% of the surveyed communities were located within middle- and lower-income Asian or Hispanic neighborhoods, which proliferate in the northern parts of Orange County and the San Fernando Valley (Le Goix 2003, 2002). This illustrates the diversity of the gated community phenomenon, as Sanchez and Lang also document (2003, 2005) using a nationwide sample of census data. Contrary to popular conceptions, gated communities are not solely composed of wealthy, white and retired residents; buyers of various classes seek to purchase homes in clubbed neighborhoods.

The way in which gated communities differentiate themselves from abutting neighborhoods is a complex issue. Although

developers try to assure prospective buyers that they will feel comfortable in their broader neighborhoods, they also provide them with the 'snob value' of a status exhibition. Following these practices, social patterns inside gated communities should be generally consistent with abutting communities. However, where development sites are in short supply, this may not always be possible, and where the gated development is large enough, the area effect may not act as a disincentive to buyers. In addition, it is more likely that a large, high-end CID development would locate near a lower-income neighborhood than upper-class single-family homes. Municipalities often encourage these gentrifying actions, which increase the local tax base. Consequently, gated developments have a powerful ability to sort people into preference-related groups and to intensify income-related and status differentiation.

Data from the 2000 Census shows that gating increases social and economic segregation (Le Goix 2005). The combined effects of property values and community socio-economic structure create 1.7 times more segregation between gated developments' block groups and abutting areas than in non-gated neighborhoods. Secondly, gated communities are 2.7 times more likely to be segregated by age from adjacent areas than other neighborhoods. Indeed, gated developments attract middle-aged people and seniors, who desire to protect the lifetime investment capitalized in



their home. Finally, the effect of race or ethnicity must be analyzed carefully: findings show that gated communities do not generally create 'worlds apart'. All else being equal, gated communities are 2.5 times less likely to be segregated by race or ethnicity than other regions of the city (Le Goix 2005). Nevertheless, Figure 3 shows that many gated communities locate within ethnically homogeneous neighborhoods. Many developers, concerned that diversity may deter potential buyers, intentionally locate in these areas.

In sum, the evidence on the segregation effects of gated communities is mixed. While in some circumstances they may encourage investment in poor neighborhoods and facilitate the functional economic integration between income groups, in others they may reinforce historic segregation patterns.

#### *Local interaction effects*

In theory and practice, the spillover effects of public-private transactions often favor gated community residents and their property values at the expense of their adjacent, non-gated neighborhoods.

By physically blocking an area, gating may increase congestion and noise on neighboring streets (Burke and Sebaly 2001). In addition, internal property and homeowner behavior regulations may create property premiums within gated developments while reducing the value of

non-gated, adjacent properties (Bible and Hsieh 2001; Lacour-Little and Malpezzi 2001; Le Goix 2002). However, neighboring properties may also enjoy increased prestige and value. Therefore we suggest caution once again about generalizations in this respect. Much depends on external, regional factors, such as the nature of the local housing market. Where there is an excess of middle-income housing, for example, an emergent gated neighborhood market may deflate the values of neighboring middle-class homes. This is also evident in waves of house or office building and is not necessarily a peculiar effect of gating. On the other hand, if middle income homes are in short supply, a gated development in a deteriorating neighborhood may uplift the value of non-gated properties, bringing them into more valuable use.

Gated communities may also divert crime onto neighboring properties. As widely discussed, gated communities proliferate within a climate of growing security concerns. In Argentina, Brazil, the U.S., Mexico, and Europe, gating is associated with a lack of confidence in public law enforcement (Caldeira 2000; Querrien and Lassave 1999; and Low 2001). The theory of gating as defensible space was developed by Newman (1972) and the Institute for Community Design Analysis. These practices are now commonly called *Crime Prevention through Urban Design* and are intended to increase safety in residential areas by changing spatial perception, controlling public circulation, and increasing private ownership. The erection of street barriers in retrofitted residential neighborhoods

is a way to enforce public safety and control gang activities. Managers and developers have employed these practices in several low-income and public housing subdivisions, such as Mar Vista Gardens and Imperial Courts in South Central Los Angeles (Leavitt and Loukaitou-Sideris 1994).

### **Allocating responsibilities and liabilities**

If the inhabitants of a city of clubs are more satisfied with the quality of goods and services they receive from their financial contributions to urban governance, then the city is more politically sustainable. However, gating also may throw social and political systems out of equilibrium and make cities less politically sustainable. In this respect the history of urban governance in a region matters. Virtually all new urban development schemes in contemporary China, for example, are gated and governed and managed privately. There is no alternative history governing market-driven development; urban enclosure is widely accepted (Webster, Wu, and Zhao 2005). This represents a transition in urban mixed-market cities from municipal to club governance. The remaining part of our discussion in this section addresses whether private governance might also lead to an unsustainable local urban political economy. It is based on a case study of the city of Laguna Woods, a.k.a. Leisure World, a 1964 development of 19,500 residents aged 55 years or older.

The breaking down of municipal

management into smaller units might in the end deliver a more sustainable urban political economy on the whole, but only at the expense of marginalizing those excluded from the “club economies” in *minimal cities* (Miller 1981). How sustainable this is depends on the wealth redistribution institutions that arise in the “club cities.” Gated communities are both public actors and private governments. The developer and the subsequent homeowner association substitute for the public authority and privately provide public services (Kennedy 1995; McKenzie 1994). But some gated communities also transform into public entities by incorporating into autonomous cities or taking part in a broader incorporation process. This issue is important in understanding the nature of the new territorial maps built by gated enclaves.

Incorporated gated communities include Bradbury and Rolling Hills (1957); Hidden Hills (1961); Canyon Lake (1991); and Leisure World (1999). Enclaves incorporating as part of a new city where a substantial part of single-family housing developments is gated include Dana Point (1989); Calabasas (1991); and Dove Canyon (incorporated with Rancho Santa Margarita in 2000). These communities incorporate for two primary reasons. On the one hand, they aim to prevent a potential annexation by a less affluent city looking for an extended tax base (such as Rolling Hills, Hidden Hills, Rancho Mirage or Indian Wells). On the other hand, they aim to protect local lifestyles, values, and planning control (Leisure World, Canyon Lake, Dana Point, Calabasas) (Le Goix

2005). After incorporation, local affairs are shared with private homeowners associations, which take charge of road maintenance, security, and compliance with land use regulations and restrictive covenants. These minimal cities also reduce operation costs by contracting with the county and other public agencies to supply public services, such as police, water, sewers and fire (Miller 1981).

Instead of acting as a separate entities, minimal cities are extensions of their HOAs.

The incorporation of the gated community of Leisure World as the City of Laguna Woods is a peculiar case. As the largest gated retirement community on the West Coast, incorporation was necessary because of the lack of active resident involvement in the operations of the *Golden*

Table 2: Incorporations of private communities: sharing responsibilities and liabilities?

Gated Community (development date)	City (incorporation date)	Nb housing units in GCs	% of OC housing in city*	Services and amenities transferred from the POA to the municipality after incorporation*		Miscellaneous costs and liabilities transferred to the municipalities
				Externalization of services formerly provided by POA	New services provided by municipalities	
Rolling Hills POA (1938)	City of Rolling Hills (1957)	636	100%	Building permits. Trash collection, recycling program	-	- Property of leisure facilities, let to the POA for a nominal fee - Instrumental in implementing exclusionary zoning.
Hidden Hills POA (1950)	City of Hidden Hills (1961)	592	100%	Building permits	-	- Instrumental in implementing exclusionary zoning. (paid \$ 1 million to prevent the development of public housing)
Indian Wells / Eldorado POA (1957)	City of Indian Wells (1967)	2,135	56%		Development of municipal high-end amenities : <i>The Golf Resort</i> , College, Recreational Center.	
Canyon Lake POA (1968)	City of Canyon Lake (inc. 1991)	4,047	100%	Building permits, transfer of property of parks, greens, access roads abutting the gated community	Youths Services	Instrumental in implementing slow-growth policy : planned to acquire undeveloped Federal Land to avoid further development.
Calabesas Park (1978)	City of Calabesas (1991)	2,228	30%		Creation of public parks and a golf (13% du budget) close to private enclaves.	Refinancing by the municipality of a \$ 30 millions debt previously paid by Calabesas Park Homeowners for landscaping and streets improvements (Community Facility District)
Leisure World -Golden Rain Foundation (1964)	City of Laguna Woods (1999)	12,736	100%	Building permits ; transfer of property and maintenance of parks, greens, access roads and ramps abutting the gated community	Improved police service (+ 30% manpower)	Project of transferring sewer and trash collections (municipal bids). Municipal grants for the Senior Center (\$100,000/year) to organize events accommodating residents
Pelican Hills (2000) – 300 units built in 2001 ; 4000 forecast in 2010	Annexation by Newport Beach (1.1.2002)	1,790 (in 2000)	4.8	Free trash removal, transfer of property and maintenance of parks, greens, access roads and ramps abutting the gated community	Building of a Community Center, a gymnasium and a library (total : \$ 7 millions). Improved security and police services (+ 2 vehicles).	Refinancing by the municipality of a \$18 millions debt previously paid by Pelican Hills' homeowners (by the means of a Community Facility District)/

Source: 2000 Census, 1969-2002. Author's survey and database. Gated Communities. C.R. Le Goix, 1999-2005. \* Ordinary transfers of jurisdiction from the county to the incorporated municipalities are police and fire department planning and building permits.

*Rain Foundation* (the master association of the community). Since 1964, several regeneration projects had been considered but never passed. After Orange County forced its bankruptcy in 1998, the situation radically changed. The County encouraged urbanized areas to incorporate and proposed that new minimal cities should use the local tax-base to supply residents with improved public services, contracting with the County for basic services. Leisure World had several options. One was a joint incorporation with nearby communities housing younger populations in Laguna Hills or Mission Viejo. This option was rejected because of the obvious divergence of interest between a young population interested in public education and a retirement community. Another option was to be annexed by the large municipality of Irvine, but this gave rise to another conflict that helped to make the decision. Irvine supported a project for an international airport, but the approach path would have crossed over Leisure World. According to Robert Ring, residents felt incorporation by itself-- the third option--

- could be used to fight the International Airport project in El Toro. Incorporation also allowed the private government better access to rent-seeking strategies.<sup>10</sup> Table 2 analyzes tradeoffs in recently incorporated Los Angeles area municipalities that are predominately composed of gated communities. It suggests that by incorporating, local leaders seek:

- to prevent their upscale fiscal basis from being redistributed to other (poorer) areas, a common

goal in incorporation driven by upscale U.S. developments (Miller 1981);

- to legally transfer public resources and assets for the profit of exclusive and enclosed neighborhoods;

- and to legally obtain public infrastructure financing within gated areas (Le Goix 2005).

At the end of the 1990s, Leisure World's obsolescence had reached a critical level; it needed a long-term renewal strategy. For example, according to a 2001 report to the property owners association, 86% of the housing units did not fit the safety requirements for heating and electrical systems and 72% did not provide enough square footage to meet contemporary standards.<sup>11</sup> Electrical, water, telephone and sewage systems were between 25 and 36 years old and needed to be replaced. Shifts in Leisure World's property values also indicated its decline. Although during the 1980s average annual change was 15.1%, a rate equivalent to adjacent tracts, during the 1990s values depreciated. In this context, homeowners were unable to pay to maintain the gates, sewage system, lighting, and walls-- improvements totaling over \$31 million dollars (more than five million dollars over their annual budget). In this case, private governance provided public goods far less efficiently than standard non-gated developments in the vicinity. The club economy failed, demonstrating that gated communities often require public sector subsidy or must incorporate to subsist. Indeed, in 1999 Leisure World

incorporated as the city of Laguna Woods, with the public subsidizing sewer and transportation upgrading (Le Goix 2003; Le Goix 2005).

Leisure World illustrates the dangers of offloading municipal governance responsibilities to private entities, a decision which may lead to massive failures down the road if adequate provisions are not made. Thus, in some circumstances, fragmentation yields short term efficiencies at the expense of long-term system disruption with potentially high recovery costs. Homeownership inside a gated community is primarily a real-estate investment offering property and lifestyle security. It also is a private attempt to gain local control over an environment, which adds to the security of property and lifestyle. But gated communities have a private cost (as distinct from the social cost discussed already). Homeowners must sustain both the costs of infrastructure construction and maintenance. In Tiebout's market-clearing city system, citizens choose location to balance the quality of public services with their costs. Perfect knowledge and perfect mobility brings a perfectly efficient supply of public goods via the exercise of choice (Tiebout 1956). Where an HOA market is extensive and mature, this might also be applied within a city-- people gravitate to neighborhoods that give them their preferred bundle of priced goods. This assumes, however, that a homeowner association is always more effective than a public central government in providing collective goods in a way that meets residents' demands. As evident

from our case study, this logic can break down. Inadequate information, state enabling legislation, management, and product design can render a private neighborhood unsustainable. Leisure World was not well-managed and failed. Being a real estate product, its consumers could not easily exit the market and had to be bailed out by institutional reform.

We draw two conclusions from this analysis. To start, first generation private neighborhoods-- experimental in design and without the safeguards of sophisticated enabling and protecting state legislation-- may well prove to be unsustainable communities. Some will fail, others will have to be bailed out. This is clearly the case with the first generation of condominiums in Asian cities built during the 1970s and 1980s, many of which are falling into disrepair (Malek 2002). Yet in responsive political economies, government legislation will evolve and make these problems less likely to occur in the future. Condominium and other forms of co-ownership laws are rapidly evolving, putting in safeguards and gradually redefining the boundary between public and private urban governance (See Chen and Webster 2004 and Webster and Le Goix 2005). The sustainability of clubbed cities rests in the context of the shifting boundaries between public and private ownership and liability for collective affairs.

## Conclusion

Private urban governance has the potential to stabilize the financing of urban growth, redevelop aging neighborhoods, maintain social diversity, localize decision making, protect non-renewable urban resources, raise city maintenance revenues, and foster cross-income trade and integration. But these gains are not made without social costs and spillovers. Although some are trivial, others are critical for urban sustainability. Private neighborhood markets may solve some of these problems we have noted. For instance, entrepreneurs often use new technologies and legal innovations to turn externalities into markets. Yet without state intervention, they will ignore consequences beyond their payback period. On the other hand, through overregulation, localities may lose the features of private neighborhoods that help make cities more sustainable.

Private urban governance is dependent on public subsidy and national laws. Without these conditions, it will degenerate under costly competition fought out in public and private courts. It also needs to coordinate with the public government in the provision of civic goods and services. The alternative is for small private neighborhoods to federate, but this leads to an outcome resembling public government by incorporation. At the heart of the issue is the sustainable division of responsibilities between private and public governments. HOA contracts are inevitably incomplete and require public

underwriting. Lawmakers and policy makers will have to manage risks by mitigating social costs and contributing to redistributive taxation, thus shaping a more equitable outcome.

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### **Notes**

<sup>1</sup> Unless otherwise noted, by sustainability, we mean political, financial and environmental sustainability. This is indeed the usual meaning found in reports and researches on cities and sustainable development, UN Conference on Human Settlements Habitat II, 1996; Global Conference on the urban future URBAN 21, 2000. For further reference: <http://www.sustainable-cities.org>.

<sup>2</sup> The database is based on a set of 219 gated communities built before 2000 and located in 7 counties of the Los Angeles area (Los Angeles, Riverside, Orange, Ventura, San Bernardino, Santa Barbara and San Diego). This database is derived from the same sources that a prospective homebuyer would use (realtors' listings, advertisements) and was supplemented with materials from interviews with local officials, as well as data from assessment maps and the 2000 Census.

<sup>3</sup> A club good is a category of good (or service or resource) distinguished in the economics literature from both private and public goods. It is similar to the idea of a local public good and the terms overlap in meaning. Club goods are collectively consumed, like public goods, but by a finite set of consumers. Theoretically, a public good is capable of being consumed without congestion by an infinite set of co-consumers. An economic club (an organization supplying a club good) may be organized by an entrepreneur or government. Where distance or culture create barriers to consumption, clubs may form spontaneously (here is the overlap with the idea of local public goods). The big thing about clubs is that they permit co-consumed goods to be supplied efficiently – by the organizers exercising control over (a) the number of consumers and (b) the quantity and quality of the good. Clubs exercise such control via membership rules and fees. See Cornes and Sanders (1996) *The theory of externalities, public goods and club goods*. Cambridge: CUP, for a heavy duty introduction to the economic theory of clubs and Webster and

Lai (2003) *Property rights, planning and markets*, Northampton MA and Cheltenham UK: Edward Elgar, for an application to urban theory

<sup>4</sup> Biologist Garrett Hardin suggested in his seminal 1968 article on the tragedy of the commons, that “As a rational being, each herdsman seeks to maximise his gain. Explicitly or implicitly, more or less consciously, he asks, ‘What is the utility to me of adding one more animal to my herd?’ This utility has one negative and one positive component. 1. The positive component is a function of the increment of one animal. Since the herdsman receives all the proceeds from the sale of the additional animal, the positive utility is nearly +1. 2. The negative component is a function of the additional overgrazing created by one more animal. Since, however, the effects of overgrazing are shared by all the herdsmen, the negative utility for any particular decision-making herdsman is only a fraction of -1” (Hardin 1968: 115). His point was that commonhold resources tend to deplete because each consumer enjoys 100% of the benefit of consuming an extra unit but bears only a fraction of the cost – which is shared with others.

<sup>5</sup> Financially sustainable if well managed. See discussion later in the paper.

<sup>6</sup> We use the term ‘property rights’ in the sense used in the economic theory of property rights, to mean legal or de facto rights to benefit from the use or disposal of a resource or some attribute of a resource (see Barzel Y (1997) *Economic Analysis or Property Rights*. Cambridge: CUP). The road tariff grants a legal right to the use of road space

in Central London for a certain period. The idea that property rights subdivide in some proportion to the rate of population and economic growth is an important one for understanding the process of economic specialisation and spatial concentration that we call urbanisation (Lee and Webster 2006). Consider the process of rural land enclosure. A substantial amount of common land rights were formally in existence in Britain until the Tudor times. In the 16th century, however, a sharp change in land value occurred as the demand for wool and cloth rose quickly and sheep farming became the most profitable form of agriculture. Exclusion of the commoners from free access to land was necessary if the landlords of England and Wales were to capture more of the value of their assets. Fences and hedges were erected and field patterns emerged. The cost of establishing these physical barriers was substantial. Some owners of small land parcels sold what they owned to other landowners. For those able to afford it, however, the cost of enclosure was clearly exceeded by the expected returns from the increased sheep acreage, and by the 19th century more than 7 million acres of rural Britain were enclosed.

† Interestingly, some developments occupied land that was originally fenced and gated. For example, Rolling Hills and Hidden Hills used to be farm and ranching land and were gated to control cattle. Developers kept and reconditioned the former gated entrance of the ranch to make it their own. Canyon Lake used to be a summer camp and trailer park - also a gated land use. It became a 9,500 person

gated residential development in 1968.

<sup>8</sup> In Los Angeles, the anti-fiscal posture has been associated with the incorporation of numerous cities - the first of which was Lakewood (1954). Incorporation is the legal process by which unincorporated land (under county's jurisdiction) becomes a city, through the approval of the State (in California, the LAFCO, Local Agency Formation Commissions are in charge of supervising the process) and 2/3 of the voters. A new municipality can either be granted a charter by the State as large cities are, or be incorporated under the general law, which is the common case. Localities incorporated to avoid paying costly county property taxes and attain local control over development and other municipal affairs (Miller 1981). A second step was the 1978 "taxpayers' revolt" - a homeowner-driven property tax roll-back known as Proposition 13 (Purcell 1997). Passed in 1978, the Jarvis Grann Initiative introduced a 1% limit on the assessed value for property taxes and a maximum annual increase of 2%. This tax limitation increased the need for public governments to attract new residential subdivisions, especially those that would bring wealthy taxpayers into their jurisdiction. A third influence on the spatial diffusion of gated enclaves was the rapid growth of the Los Angeles area, sustained by massive population flows during the 1980s.

‡ Up to now, Courts have rejected requests by gated community to opt out from municipal taxation (i.e. : the double-taxation debate). Some tax rebates have been granted, but these are exceptions (Ken-



nedy 1995).

<sup>10</sup> 'Rent seeking' refers to behavior whereby an individual, firm or government seeks to obtain benefit by manipulating the economic and political environment rather than through productive wealth creation and trade.

<sup>11</sup> Ring R. 2001. Leisure World Housing, Laguna Woods: Senior Citizens Advisory Council, Feb. 2d, 2001; Leisure World Staff Report Dec. 5th, 2000 ; Leisure World / Laguna Woods. Golden Rain Foundation 1999-2000 Progress Report (2000).

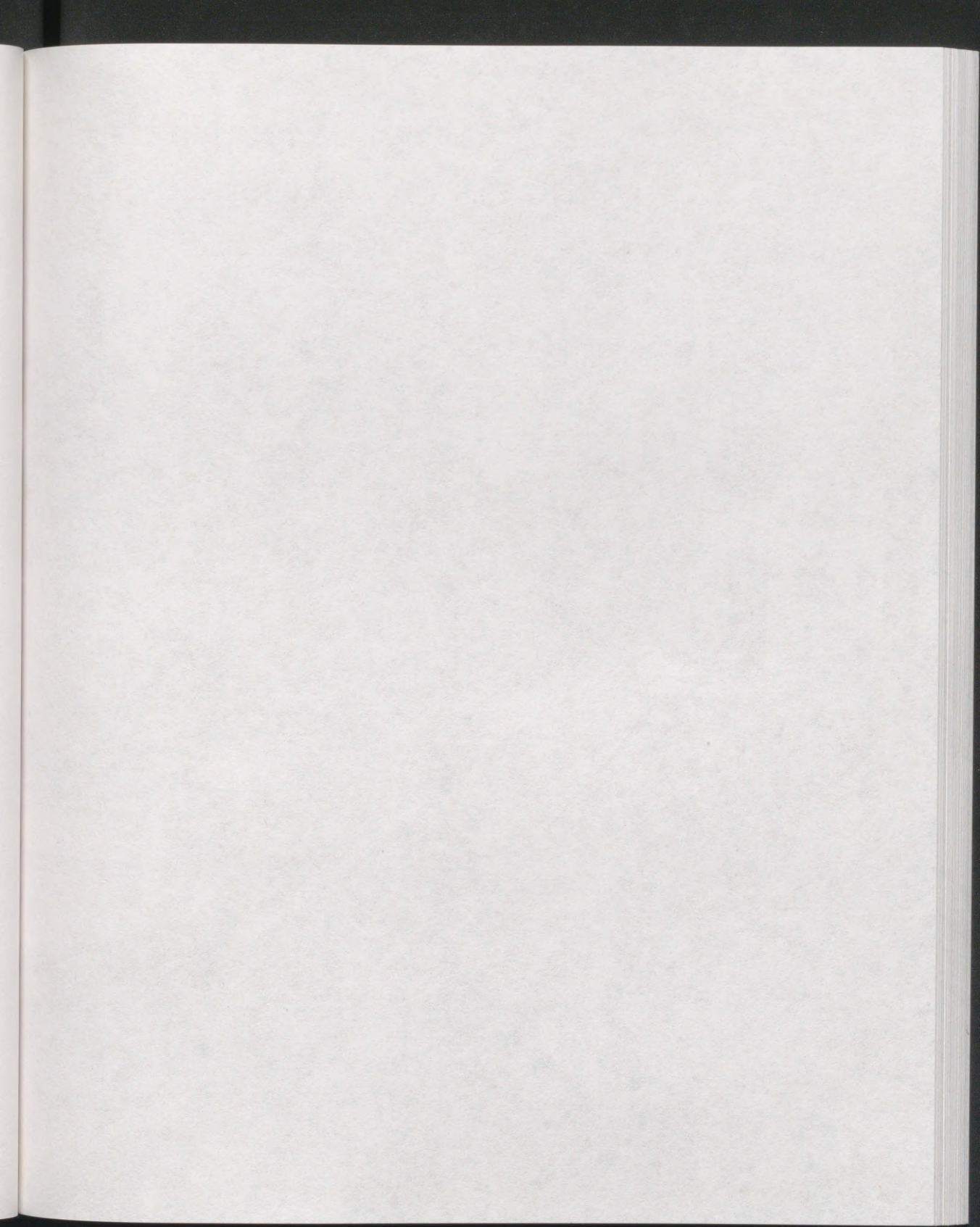
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# El Salvador's ARGOZ: A Private Developer Houses the Urban Poor

**Michelle Espinosa Coulter**

**This paper examines the conditions that enabled ARGOZ, a private developer, to provide non-predatory, affordable housing opportunities in El Salvador. Using a two-tiered leasing system and operating in a stable, liberal economy, ARGOZ supplied housing sites to a quarter of the country's population. As this case study reveals, the private sector can and will provide fair and affordable housing given flexible public policies. Yet housing privatization generates significant equity issues. Public investment and supply-driven development are also essential to ensure basic service provision. Only through a complex set of public and private policies can housing and infrastructure needs be addressed on a comprehensive level.**

## **Introduction**

Like many Latin American countries, El Salvador recently experienced a period of rapid urbanization. From the mid-1970s to the early 1990s, a twelve-year civil war and several natural disasters caused major population migration to El Salvador's cities. As a consequence of rapid urban growth and damage to infrastructure and housing, more than half of all city dwellers live in informal settlements (United Nations 2006). Since the formal housing sector lacked the capacity and capital for building at such a significant scale and pace, they proved incapable of meeting the basic shelter needs of low- and moderate-income households.<sup>1</sup> Housing investment was minimal and affordable only to those earning above the area median income. Those households earning less were relegated to informal housing, where housing suppliers and occupants ignored building regulations by necessity. Mired in an ongoing civil war and postwar rehabilitation efforts, public officials abandoned the rapidly growing informal housing sector. Instead numerous private housing developers competed to reap the profits from providing low-cost plots. One such private developer, ARGOZ, is the focus of this study.

Currently development externalities and lack of tenure rights threaten the sustainability of this *laissez faire* system. Informal housing communities do not include water or sewage disposal systems because this requires large financial outlays. In addition, few leaseholders gain title to the land, which limits their ability to accrue equity and attain social mobility (Siddiqui and Khan 1994).<sup>2</sup>

Having fostered an affordable housing stock that lacked basic services and formal property rights, the Republic of El Salvador is liberalizing its economy, strengthening its legal system, and enacting measures that democratize state protections of informal housing purchasers. Initially, the state executed a two-tiered approach of rolling back its involvement in housing-related sectors and rolling out new policies designed

to encourage greater market-based housing development (Hacksworth 2004). "Rollback" policies include the privatization of state-owned banks and other segments of the economy and disengagement from the state production of affordable housing (Bamberger 1982; Medal and Meltsner 1999). "Rollout" policies are designed to stimulate housing demand and include strengthening property rights and increasing mortgage and commercial finance opportunities (World Bank 1993).

The Legislative Assembly of El Salvador strengthened its legal system in three ways. In 1991 a national Urban Planning and Construction Act was passed that included a special regulation authorizing progressive development subdivisions near urban centers. This enabled subdivisions to be approved officially before investments were made in infrastructure. Prior to their legalization in the 1990s, the housing crisis was so severe that developers ignored law by providing subdivisions without infrastructure or housing, and occupants self-built their homes (United Nations 2006). Rather than disregarding the informal housing sector, the 1991 Act adapted the legal system to existing circumstances. Secondly, since 1991 the Republic of El Salvador has modernized its real property and official land registers, updating the computer technology that supports them. A radical institutional restructuring process was completed in 1995 with the creation of the National Registry Center, which brings together registers that were previously scattered. From 1991 to 1999, the new system registered three times more applications than the for-

mer systems, and procedures have been streamlined so that in the simplest cases it takes only a few days rather than months to award a land title. The World Bank has supported this process with a loan since 1994 (Inter-American Development Bank 2002). Thirdly, programs to improve low-income people's access to legal and registered property were undertaken in tandem with the systems modernization process. An office was set up in the Vice Ministry of Housing and Urban Development (VMVDU) under the Ministry of Public Works, Transport, Housing, and Urban Development to approve subdivisions for social interest, and decrees were issued to expedite the process of normalizing illegal settlements.

Development agencies contend that legal, registered property tenure is the key enabler of an efficient, market-based housing sector (World Bank 1993). They argue that once people acquire documented property rights, they will access financial markets, invest in their homes, and accrue equity. Without legal title, housing demand will remain unmet. However, as I argue in this paper, El Salvador's title system is unnecessarily formal and prohibitively expensive for most low-income people. Furthermore, the system more appropriately mitigates risks for institutional investors rather than consumers of informal housing.

Finally, to protect the broad range of consumers in the informal housing market, El Salvador has begun to regulate the sector and subsidize infrastructural development. The VMVDU established a



land developer certification program that regulates informal subdivision providers and ensures consumer protection for low-income families (Inter-American Development Bank 2002). Under this program, the state required consistent, transparent language in lease agreements and the certification of informal housing providers.

Salvadoran leaders anticipate that this package of reforms will increase market presence in the affordable housing sector and mitigate market failures that are especially harmful to the poor. They expect to alleviate the risk that inefficient and imperfect land markets, with high land values and insufficient incentives to utilize land, will preclude current landowners from entering the affordable housing market. They foresee virtually eliminating the legal and economic impediments that preclude more expansive low-income housing development, such as tenuous legality and higher returns on alternative investments. Salvadoran leaders appear to have chosen effective policies. Indeed, the Republic has successfully enabled the private sector to provide affordable housing that directly serves the poor.

This paper examines the role of ARGOZ, a private developer of informal housing settlements, in the El Salvadoran housing market. The first section gives an overview of the country's land policy and density characteristics. The second section discusses the general characteristics of ARGOZ and its developments. The third section examines ARGOZ's business model and El Salvador's finan-

cial system, which together ensure the company's sustainability and profitability. The last section highlights the possible policy challenges of regulating and formalizing the informal housing sector.

For the reasons listed below, I conclude that ARGOZ is an exceptional demonstration of how the private sector can meet affordable housing needs within a liberal economy and a democratic legal system. First of all, the company has provided almost two million low-income people (almost a third of the country's population) with secure housing opportunities at affordable prices (United Nations 2006). Secondly, ARGOZ's business model has not only ensured its own sustainability for more than twenty-five years, but also it has enticed almost 200 competitors to enter the informal housing market (Ferguson and Haider 2000). Thirdly, the company has demonstrated that it is not simply profiting from low-income families, but that it is committed to equity. The Vice Ministry of Housing and Urban Development and the El Salvadoran government contribute to its success by providing a regulatory environment that embraces incremental development projects. In addition, the Superintendency of the Financial System, with the help of Inter-American Development Bank, provides a legal framework and finance industry capable of channeling long-term resources to institutions that finance housing (Inter-American Development Bank 2002). This allows ARGOZ to leverage private capital, which preserves high profit margins as well as affordability.<sup>3</sup>

## Agrarian Land Use and Urbanization

The Salvadoran landscape is characterized by close living conditions, concentrated landownership, and rapid urbanization. El Salvador is the smallest and most densely populated country on the American continent (Pelupessy 1997). The country is the size of Massachusetts, and with a population close to seven million, its density is roughly equivalent to India (Murcia de Lupez 1997).

The country has a deeply rooted dependence on the export of agricultural commodities. As investment increased in the agricultural industry, landownership and wealth became more concentrated. Beginning in the 19<sup>th</sup> century, the government began to privatize the coffee industry, the nation's largest export. Since peasant lands, which covered 40% of the county, were superior for coffee cultivation, the governing oligarchy imposed ownership restrictions and redistributed land to anyone who agreed to produce the good. As a result, peasant landlessness, poverty, and social and economic marginalization increased. Many landless farmers fled to cities.<sup>4</sup> Yet without major changes to their land markets, these places offered little space to the new peasant class.

The 1980-1992 civil war further increased urban migration. The population of San Salvador increased from 340,000 in 1976 to 1,600,000 in 2000 (Pena 2001). Though members of the rural resistance squatted on unprotected land during the war, the holdings of large landowners were reinstated

through the National Reconstruction Plan outlined in the 1992 Peace Accords of Chapultepec (Beard 1997).<sup>5</sup> Even though economic restructuring made agricultural production less profitable, low property tax rates allowed owners to hold onto their land.

## The Informal Housing Market

As illustrated previously, after unprecedented urban growth severely taxed the formal housing sector, the informal sector ballooned. Now more than half of city dwellers live in squatter settlements (*tugurios*), extralegal subdivisions (*colonias ilegales*) or in dense city tenements (*mesones*). Demonstratively, it is estimated that between 50 and 75% of the Salvadoran urban population live in housing built in violation of one or more planning laws (Bamberger 1982).

This paper will focus on *colonias ilegales*, which account for 40% of annual informal construction. These developments are characterized by land subdivided for sale or lease with the option to buy without the installation of basic services (Inter-American Development Bank 2002).

As discussed earlier, El Salvador has a long history of excluding property rights from the indigenous and the poor. However, the Freedom and Progress Institute (an autonomous institution attached to the Office of the President of the Republic) is currently administering a program to help low-income families living in informal settlements to normalize the status of their property ownership

(Inter-American Development Bank 2002). This is significant because according to the World Bank, market-based housing efficiency requires complementary legislation that supports legal, registered tenure (World Bank 1993). Since they enable access to financial markets and lead to housing investment, legal property rights strengthen demand-side performance. For this reason, the legal tenure of *colonias* is of great importance to not only the housing market, but also El Salvador as a whole.

Prior to 1992, *colonias* were considered illegal for two reasons. First, since they lacked basic services, the Department of Urbanism and Architecture refused to approve them.<sup>6</sup> Second, *colonia* developers often employed lease contracts with promises to sell, which are prohibited by the Commerce Act (Bamberger 1982).

To provide ownership incentives to the urban poor, the central government passed rural land apportionment by-laws which allowed for progressive urbanization on the urban fringe. Developments located on the outskirts are exempted from including infrastructure that meets municipal standards (United Nations 2006). By removing a barrier to widespread *colonia* development, the government anticipated that this measure would further popularize existing urban upgrading trends and cultivate a boom in the private housing industry. In addition, a radical institutional restructuring process was completed in 1995 with the creation of the National Registry Center, under the program "El Salvador, Land of Owners" (Murcia de Lopez 1997).

## ARGOZ - A Private Developer

Unlike most Latin American countries, El Salvador has a thriving national industry of 200 development firms that supply *colonias ilegales*. Three of these private, commercial firms have operated on a large national scale for 20 years or more (Ferguson and Haider 2000). Established in 1977, ARGOZ is the largest private developer. It has financed over 630 "progressive social development plots" throughout El Salvador and expanded the country's chief municipalities by more than 50 % (World Bank, 2006). As of 2000, after 23 years of operation, ARGOZ had enabled over 300,000 families to gain legal access to urban land (Sevilla 2000).

ARGOZ was initially conceived as a profit making venture. However, behind its business model one can identify the following implicit objectives:

- Initiate the progressive improvement of low-income housing;
- Increase accessibility by adapting standards and costs to a customer's capacity to pay;
- Generate profit by providing for low-income families' basic need for shelter;
- And prevent slum growth by making land accessible to low-income families.

## Business Model in Brief

ARGOZ's uses secure land provision and accessible financing to lease privately-owned tracts located on the outskirts of urban centers to low-income families. To obtain the land, they identify private landowners with unencumbered arable tracts in areas where demand and growth are expected and sign a contract with them. Although the company provides landowners with engineering designs, plot subdivision is completed by the landowner or by a specialized subdivision company (Massachusetts Institute of Technology 2005). Once this process is completed, ARGOZ begins to lease plots to low-income families. ARGOZ retains 40% of monthly lease payments and passes on 60% of lease payments to the private landowners.

Their leasing system embodies the second reason for *colonia* illegality by giving low-income families the option to buy their plot at the end of the contract (The World Bank Group 2005). To avoid collateral risk, the company sets up transactions as leases with the option to buy rather than as sales with long-term loans. Since title is not transferred to the lessee, if they default, ARGOZ can easily recover the land on behalf of the owner. In Salvadoran courts, leased land is easier to confiscate than loaned land. In addition, there is a perception that occupants are more willing to voluntarily turn over property if it is leased rather than purchased with carry-back financing.

Leasing also benefits low-income plot holders. Obtaining legal title is a prohibitively long and

expensive process. Thus, a housing sector that requires legal title may eventually prove unaffordable and inaccessible to low-income people (Ferguson and Haider 2000). The cost of title registration is approximately \$200, in excess of one month's salary for a typical *colonia* family. Though the World Bank has supported an effort to streamline the National Registry Center's title processing since 1994, administrative bottlenecks, a small staff, and heavy reliance on outsourcing have delayed processing time. Now it takes over one year on average (it should take only 60 days) for the Freedom and Progress Institute (ILP), which was created for low-income families living in informal settlements, to register property ownership. Consequently, only 64% of El Salvadoran properties have registered titles (Inter-American Development Bank 2002).

Aside from these benefits, this leasing model also presents several challenges to plot holders. To start with, lease contracts do not facilitate competitive private sector financing, since only ARGOZ can provide it (Massachusetts Institute of Technology 2005). Thus, the company restricts housing opportunities through their underwriting criteria, financial capacity, and business objectives. Secondly, landowners may jeopardize future title transfer by putting liens on their property without the developer's knowledge. Thirdly, since ownership transfer is informal and unregulated, many contracting residents never eventually own their plots (Ferguson and Haider 2000).

To address these risks, the VMVDU has be-

gun adding additional legal and technical measures to *colonia* policy to make the leasing process more transparent, such as requiring developers to outline contract financial conditions to lessees. Through these consumer protections, the government seeks to prevent market failures that might unjustly harm the poor. However, there is a risk that these rules will burden developers with compliance costs, which are transferred to consumers and make *colonias* unaffordable to low-income families. In addition, there is also a chance that these regulatory measures will cause developers to leave the industry, thus decreasing housing supply. The government should carefully consider whether regulation costs outweigh consumer benefits.

Despite the challenges, *colonias* offer low-income families an alternative to precarious squatting without ownership opportunity or buying units in dilapidated slums. Even with its 50% poverty rate, only 14% of El Salvador's rural population and 24% of its urban population live in rented housing (Murcia de Lopez 1997). As evidenced by low title registration and high *colonias* participation, Salvadorans care more for secure tenure and autonomy than they do for legal title.

### Infrastructure Upgrading

Infrastructure is also necessary to ensure the sustainability of private sector housing provision in developing countries (World Bank 1993). In El Salvador's case, however, the private sector already

supports minimal infrastructure on a scale much greater than municipal capacity. ARGOZ, for instance, voluntarily uses 18% of its profits to initiate basic services.<sup>7</sup> Though research is inconclusive, ARGOZ might provide subdivisions characterized as "social interest," which require the VMVDU's special approval. The "social interest" designation may require certain supportive actions by ARGOZ, such as reinvesting profits in infrastructure. However, research has not revealed the terms of the "social interest" program. Under the rural land apportionment by-laws discussed earlier, *colonias* require only demarcated lots, green spaces, and planned roads and do not require costly and time consuming upfront structural development (Inter-American Development Bank 2002). Although minimized land regulation benefits low-income people by making land acquisition affordable, it also hurts the poor by depriving them of key basic services (World Bank 2002).

Sewerage connections are the most limited service, with 40% of urban homes lacking such facilities (Inter-American Development Bank 2005). A quarter of *colonia* inhabitants buy their water from water trucks while some sink their own well or draw water from public taps located outside their subdivisions. However, *colonias* do receive some services. Electricity, for instance, is often readily available since many subdivisions are located near power distribution systems, which enable inexpensive acquisition and installation. Neither schools nor clinics pose a major problem; in general they are also close to *colonias* (The World Bank Group

2005).

To receive municipal services and infrastructure, *colonia* occupants organize and lobby local officials to obtain financial support. Despite using protracted pressure, full service attainment sometimes takes as long as 15 years. ARGOZ contributes to this process by ensuring that each development has a community elected board, which can use community property as collateral to finance improvements (Ferguson and Haider 2000). Indeed, community strength and cohesion determines a *colonia's* capacity to acquire additional services, a factor limiting infrastructural improvement in less organized, non-ARGOZ developments (Sevilla 2000).

### Incremental Construction

As part of their 1992 deregulation program, the Salvadoran government legalized incremental construction. This process was already so common that in 1990 an estimated 50% of new urban housing and 70% of new rural housing was informally constructed by its inhabitants (Ferguson and Haider 2000). Furthermore, 85% of *colonias* homes were built by their present owners (Bamberger 1982).<sup>8</sup>

Though housing deregulation helps ensure affordability, structures constructed on ARGOZ lots are often precarious and characterized by inferior materials such as mud plaster, adobe, and wood framing. Flimsy materials become liabilities in the wake of natural disasters, such as Hurricane Mitch in 1998 and the earthquakes that hit the country on

January 13 and February 13, 2001, which left 1.2 million people homeless. To encourage improvements and provide for such emergencies, ARGOZ offers very low interest loans (3%) of up to half of the cumulative payments on the lot to families with good repayment records (The World Bank Group 2006).

### Price and Financing

ARGOZ differs from private banking institutions and bureaucratic government agencies in that they provide plot financing through local offices. Staff members use simple procedures that are adapted to their low-income customer base. For instance, they often hire social workers to make paperwork and information accessible to illiterate individuals (Massachusetts Institute of Technology 2005).

Once the plot survey is complete and roads are open, the lots are leased to families that present evidence of their capacity to make monthly payments. Since ARGOZ accepts informal and formal sources of income, less than 20% of applicants are turned down (Massachusetts Institute of Technology 2005). This is especially important, considering that most potential clients work in the informal sector, which employs almost 50% of the country's population, and make only one to two times the legal, minimum daily wage of \$2.47 (U.S. Department of State 2002; Sevilla 2000).

Leases are provided at fair terms that are ac-

cessible to low-income families. No down payment or additional collateral is required. Remaining debt is spread over a five to 10-year period with a 20% interest rate, which is four points above formal mortgage rates.<sup>9</sup> After the last payment, the lot informally becomes the “property” of the purchasing family. ARGOZ also provides beneficiaries a free insurance policy covering any outstanding debt in case of the lessee’s death (United Nations 2006).

Though *colonia* developers are commonly criticized for not informing tenants of interest rates during the contracting transaction, research indicates that ARGOZ does not engage in predatory financing.<sup>10</sup> In addition, their local offices and social workers provide some level of transparency, and ARGOZ’s interest rates are also comparatively low. Financiera Calpia, for instance, has disbursed more than 250 mortgage credits in El Salvador at interest rates ranging from 27 to 42%. Similarly, commercial bank mortgage lenders in Mexico charge borrowers a 23% annual interest rate (Ferguson and Haider 2000). As previously mentioned, the government has proposed a regulatory certification system that would legally compel ARGOZ to provide transparent financial contracts and land title guarantees. This measure also would enable *colonias* families to access loans from formal institutions, thus increasing competition and decreasing customer costs. However, it is questionable whether ARGOZ would lose its finance customers, since its local, fair, customer-friendly service is likely to have secured it a niche market.

Since ARGOZ is deeply committed to its low-income niche market, they encourage customers who fall behind to negotiate a plan to return to compliance. However, if a family is unable to pay, ARGOZ will repossess the plot and refund them half of their accumulated monthly payments. At this time, families also are able to negotiate the sale of their lot and house directly and thus recover increased value from incremental construction (World Bank 2005). By lessening asset loss, this option greatly benefits *colonias* families.

## Revenue Streams

ARGOZ’s success is evidenced by its high profitability and lifelong growth rate. From 1977 to 2004, its assets grew from \$50,000 to \$151 million. The company earned over \$9 million in 1999 alone. ARGOZ’s ability to profit from mass low-income housing production is attributable both the company’s business model and low national interest and inflation rates (Sevilla 2000).

The company derives revenues in two ways. First of all, it receives 40% of monthly plot lease payments.<sup>11</sup> These fees cover services such as subdivision design and advertisement, credit checks and contracting, and payment collection (Massachusetts Institute of Technology 2005). Secondly, it earns an interest from acquisition and construction loans to leaseholders. ARGOZ acquires fixed-rate, low-interest, commercial loans from private banks, funnels these funds into its lease financing

pool, and re-lends to qualified leaseholders (Sevilla 2000).<sup>12</sup> Though I did not examine their financials, the company's growth and operational ability indicate that interest fees, combined with monthly payments collected from leaseholders, exceed management expenses. In addition to covering costs, ARGOZ's leveraged capital model enables the company to achieve scale. Instead of tying-up all of its capital in an individual project's lease financing pool, ARGOZ only devotes a percentage of company capital and uses remaining funds for other projects.

The strength of this model is aided by low inflation, which reduces the risk of fixed-rate contracts. High inflation has several negative effects on fixed-rate contracts. Firstly, it raises real interest rates and shrinks the terms of the liabilities available to a mortgage lender. In other words, in a high inflation environment, ARGOZ would have to borrow at higher interest rates and shorter terms. As a result, ARGOZ would have term mismatches between its lease contracts and its borrowed funds and potentially insufficient revenues to cover principal repayment obligations and interest expense. Secondly, high inflation increases the risk that real interest rates on fixed-rate lease contracts would become low or even negative in a few years. In short, high inflation would threaten the sustainability of ARGOZ's current business model. However, El Salvador has a low inflation environment that is a product of the 1992 economic restructuring and stabilization reforms previously discussed. These efforts included the privatization of the banking

industry, which resulted in increased competition, consolidation, and competitive pricing (Ferguson and Haider 2000).

### **Landowner Profitability**

Not only is ARGOZ's business model cost effective, but also the company is able to access leased land by making subdivision opportunities profitable to landowners. Like the company, private owners profit in two ways: 1) by receiving 60% of monthly lease payments and 2) from property appreciation stemming from urbanization (Massachusetts Institute of Technology 2005).

Before this arrangement, landowners underutilized their land for agriculture production or speculation. Inefficient land use is particularly harmful to the housing market because it constrains the supply of land available for housing. To mitigate the monopolistic powers that individual owners have over land, ARGOZ provides them with opportunities to capitalize on land appreciation. However, their land must meet three conditions. Firstly, it must be arable and unencumbered so that it does not inhibit plot holders from obtaining a clear and free title. Secondly, it must be located on the outskirts of urban centers so that it will qualify under rural land development by-laws that allow progressive development. Finally, the land must be located in areas where demand and growth are expected so that ARGOZ can ensure that a market exists.



As previously mentioned, a defaulting lessee recovers 50% of their accumulated monthly payments. Yet current research fails to reveal who covers the cost of returned payments, ARGOZ or the landowner with whom they share monthly lease revenue. Depending on how costs are shared, this provision can have different effects on the partners. If ARGOZ absorbs or shares the costs, they are particularly compelled to ensure that they employ appropriate underwriting criteria. Poor underwriting can result in significant financial losses to the company and the landowners. If the owners absorb the costs, they might be compelled to leave the informal housing market. What is certain, however, is that ownership of the lot reverts back to the landowner if a leaseholder is unable to make monthly payments. Since the landowner will eventually reap the benefits of appreciation on any returned land, one could argue that they should bear a portion of the default risk. Indeed, this is an important issue for future research.

## Conclusion

This case study provides evidence that the private sector can efficiently provide affordable housing opportunities to low-income families, given a sufficiently liberalized national economy. Although incremental development makes housing affordable to the poor and middle-class, equity issues arise, particularly in terms of their minimal infrastructure. Developers overwhelmingly fail to provide services such as sewage disposal and water,

so private citizens must buy these services outright. The Salvadoran government recognizes that these circumstances will hinder housing market efficiency and fuel criticism of their liberalized economy and are developing ways to leverage private foreign capital to service these communities.

To enable poor people to accrue equity and attain social mobility, the government is also developing a property title registration system. They anticipate that with legal title, *colonia* leaseholders will obtain competitive financing to develop their homes more quickly, a condition that will enhance the wealth, safety, and affordability of these developments. The government also intends to certify *colonia* developers like ARGOZ and require that they comply with consumer disclosure rules to make lease costs and terms more explicit to poor and sometimes illiterate consumers.

Despite the success of present efforts, additional research is required to better replicate this system in other developing countries. Research has yet to reveal how ARGOZ came to be and if its service orientation is influenced by a government mandate. The scope of ARGOZ's success, such as the number of people helped and sites provided, requires updating. Little is known of ARGOZ's competition and why they have secured such a significant market share. ARGOZ customer testimonies and satisfaction measures are unavailable. Finally, details of ARGOZ's business model require clarification, specifically in determining who covers the cost of returned payments in the event of default.

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## Notes

<sup>1</sup> In this paper the term "formal housing" refers to controlled urban housing production that meets urban development by-laws such legal housing standards, regulations and building codes. This type of housing is viewed as investment grade that qualifies and demands mortgage loans. The term informal housing refers to the phenomenon of uncontrolled urban housing production that does not meet urban development by-laws.

Examples include self-help, self-build housing, and incremental settlements and subdivisions.

<sup>2</sup> Eviction is of little risk in ARGOZ colonias because the company has secured legal agreements with large landowners, completed due diligence to ensure that land is unencumbered, and provides no-cost insurance policies to tenants for the debt balance in favor of the beneficiary of the tenant.

<sup>3</sup> In 1992, new legislation was adopted that allows for the progressive urbanization of the lands on the outskirts or urban centers.

<sup>4</sup> Interestingly, even Salvadoran cities are located in agriculturally productive valleys, see Pelupessy 1997.

<sup>5</sup> These were negotiated by President Alfredo Cristiani Burkard of the conservative National Republican Alliance (ARENA).

<sup>6</sup> The Vice Ministry of Housing and Urban Development in partnership with several

international aid agencies is now driving housing sector restructuring.

<sup>7</sup> Available literature does not address the rationale behind the allocation of company profits to infrastructure amelioration. Speculative possibilities include securing a niche market, benevolence of founders, or funder requirements. Researchers hope that in upcoming fieldwork we will find the answer to this question.

<sup>8</sup> Although the construction varies from traditional to concrete and brick homes, as of 1999, 80% of houses in El Salvador were permanent structures, see Inter-American Development Bank 2002.

<sup>9</sup> Mortgage rates are significantly higher in developing than developed countries.

<sup>10</sup> *Colonia* developers mask interest rates to avoid a 13% federal tax on interest payments, see Ferguson and Haider 2000.

<sup>11</sup> Research did not reveal why 40% of revenues are held by ARGOZ, as opposed to 50 or 60%. Before replicating ARGOZ's business model, development agencies should strive to understand this business decision.

<sup>12</sup> ARGOZ's interest margin is the difference between its lending and borrowing rates. The interest margin equals interest revenue earned from plot leaseholders minus interest expense paid to banks that provide ARGOZ commercial loans.

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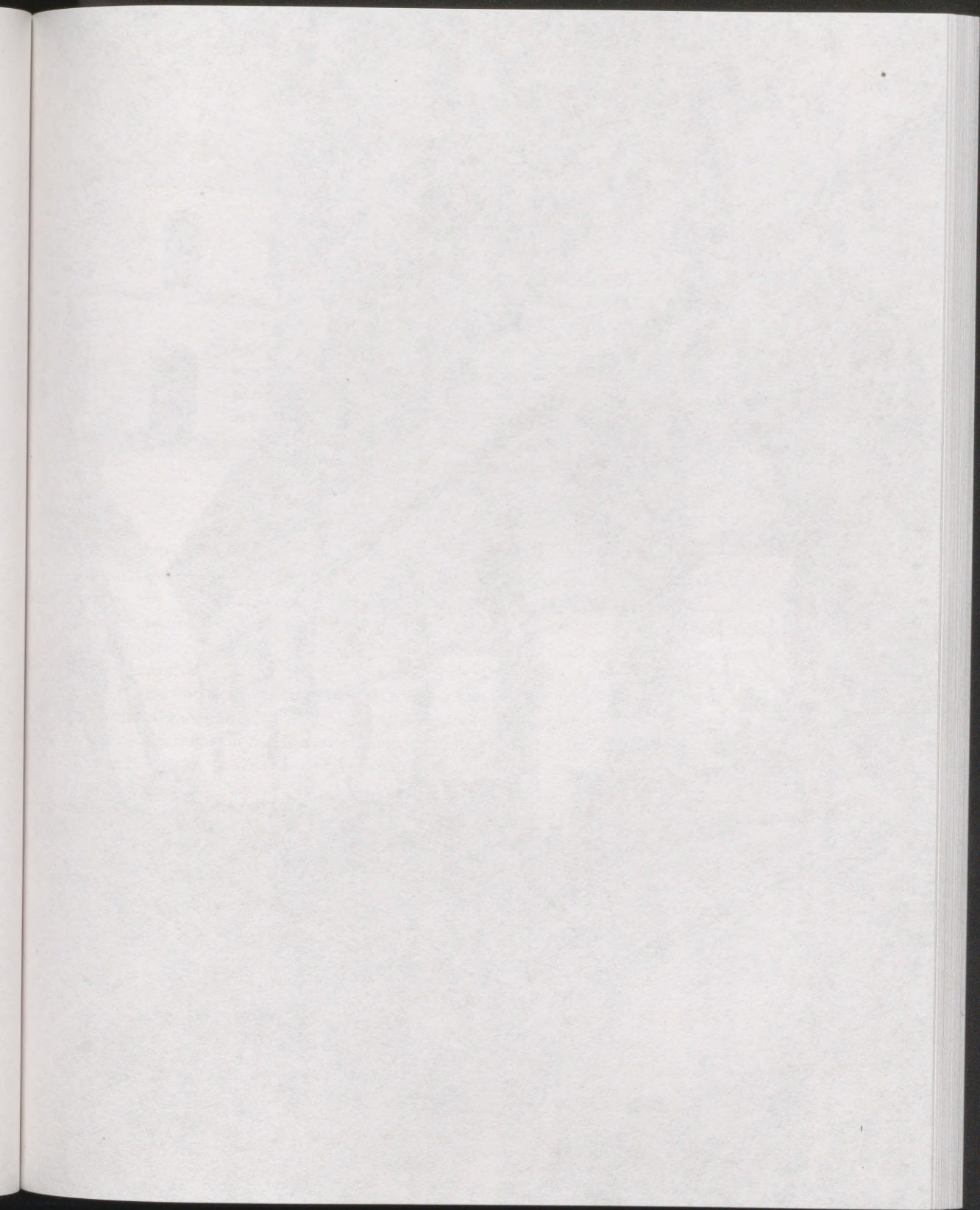
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# Culture, Economy, and Redevelopment in San Francisco's Fillmore District

Thomas Puleo

**The redevelopment of San Francisco's Fillmore District generated private and public cultural landscapes. The privately constructed landscapes are flourishing— they are vibrant and dynamic hubs of social, cultural, and economic activity. Capital, culture, and people come together across space to create vital and meaningful places. The publicly constructed landscapes, however, are languishing. Constructed as part of a symbolic economy, they have so far failed to attract capital investment or create places that are useful, meaningful, and accessible to local residents. Instead, they mostly transmit sentiment based upon the static history and memory of the Fillmore's jazz era. This paper examines the relationship between culture and economy to provide a fresh approach to the public-private debate that is at the heart of contemporary urban redevelopment.**

## Introduction

We understand the world by simplifying it into binaries such as time-space, local-global, and public-private. The two opposing parts of the binary provide the parameters of a concept yet only in an incomplete and radically simplified form. The real work comes in bridging the two extremes, in constructing, reconstructing, or reverting back to hybrid forms that come closer to describing everyday phenomena as they really exist in all of their complexity and nuance. In mediating the two extremes, actors blur the distinctions between them. But this bridging and blurring, which yields the more complex truth, first requires the identification of a thing and its opposite. Although binaries are simplifications, they are the first necessary step in the process of conceiving the world and creating knowledge about it. Binaries are imperative to the construction of knowledge, even if they are also paradoxically inimical to truth (Cloe 2005; Latour 1993).

This article draws principally upon two binaries, both of which are related to landscapes created under urban redevelopment. The public-private binary as it relates to the transformation of cities has already been bridged, not only theoretically but also in practice. Over the past three decades, as cities have lost federal funding for projects such as affordable housing development, they have sought relief and new revenue streams through the capital investment and management expertise of private enterprise. Since the 1980s, public-private partnerships have financed most urban redevelopment projects (Logan 1987).

The second binary is the culture-economy pairing. As developed by Trevor Barnes, the culture-economy binary is the basis of a perspective that classifies phenomena as either cultural or economic. As

Barnes argues, many human phenomena have both cultural and economic characteristics.<sup>1</sup> The true natures of phenomena that are often classified as either cultural or economic lie somewhere in the middle (Barnes 2005).

Barnes calls these middle grounds of truth “hybrids”. As in nature, the hybrid forms of many human processes and phenomena have characteristics of each part of the culture-economy binary, but they are combined in such a way as to make the hybrid a distinct and separate entity. I adopt the concept of cultural-economic hybrids to describe and analyze landscapes such as those involved in the redevelopment of a residential and commercial center in the Fillmore District, because such landscapes are meant to combine and engender both cultural meaning and economic functionality. While economic functionality is achieved by increasing entrepreneurial, employment, and consumer opportunities for local residents, cultural meaning is attained by reifying local, especially historical, place identity. Not all of the landscapes in the development, however, have proven to be equally effective in achieving these goals. Hybrid landscapes created by private enterprise have supported the creation of dynamic, prosperous, and culturally significant places in the neighborhood, while those produced by the local redevelopment agency have failed to mediate and generate cultural values and economic utility in ways that support the social and economic revival of the depressed neighborhood. By adapting Barnes’ ideas about the culture-economy

binary and cultural-economic hybrids to examine landscapes emerging from urban redevelopment, this article seeks to offer some explanation for the disparate strategies and levels of success achieved by publicly built landscapes on the one hand, and privately-built landscapes on the other.

### **The culture-economy binary**

The practice of creating meaning by constructing paired opposites, or binaries, is the product of logocentric thinking. A positive is matched with its negative to generate a reality bounded by two contrasting and mutually exclusive elements. In the culture-economy binary, culture is everything that economy is not. While culture is ideal, symbolic, and human, economy is real, functional, and industrial. Popular media representations strongly hold to these divisions. Newspapers contain separate business and arts sections, and many magazines are devoted to either one process or the other. Television networks and programs concerned with economic and cultural topics abound, but few, if any, address these topics as the union of the two processes. Real estate, the stock market, and international trade are products of both elements. Similarly, phenomena that are typically thought of as cultural, such as the opera, are as economic as they are artistic. Unabridged and unmediated binary thinking inhibits human understanding of the true nature of many common things and activities (Barnes 2005).

The culture-economy binary has a long intellectual tradition. Marx cleaves to this purified



and polarized conception of economy and culture in his critiques of capitalism. For Marx, economic factors in the modes of production determine all aspects of human social, political, and intellectual endeavor. Within this perspective of economic determinism, culture is removed from or subordinated to economic activity. While economic processes form the base of human society, culture exists in the dependent superstructure. When culture figures prominently in his analyses, he depicts it as an active force that the capitalist class engages to mesmerize and control the proletariat, but economy and culture are never given equal weight (Harvey 1982). Even more drastically, neoclassical economists eschew culture altogether because it is unquantifiable and resists purely spatial modeling and therefore is difficult to study empirically. They argue that individual actors seek only to maximize utility and base their decisions on preferences considered immutable and unresponsive to cultural factors. From this perspective, cultural matters have no place in rational and rigorous economic analysis (Barnes 2005).

Both of these conceptions suffer for their exclusion or diminishment of cultural factors on economic processes. As an economic geographer, Barnes argues for the incorporation of cultural influences into economic analyses rather than the other way around. But his overarching point, however, is that true conceptions of human projects lie between the culture and economy poles.

### **Cultural-economic hybrids and hybrid landscapes**

Barnes proposes that the concept of hybrids, borrowed from physical geography, offers a way out of the binary trap found in human geography. In developing the concept of a cultural-economic hybrid, Barnes draws on the work of J.K. Gibson-Graham and Nigel Thrift. Gibson-Graham complicates the culture-economy binary, and therefore capitalistic frameworks, by investigating sites of production that challenge the traditional object-based model, such as factories, and attendant phenomena such as 'masculinity, heterosexuality, domination, and closure' (Barnes 2005: 75). They offer alternative modes of production and consumption, such as Local Exchange Trading Systems<sup>2</sup>, as well as capitalistic forms that counter traditional models, including 'femininity, homosexuality, resistance and openness' (Barnes 2005: 75; see Gibson-Graham 1996). Alternatively, Thrift argues that contemporary changes in economic time and space horizons demand flexible models of capitalist behavior based on an understanding of the culture-economy relationship as fluid and mutually constitutive. Rapid changes brought on by technological development and globalization demand new ways of conceiving the culture-economy dynamic, one that fosters the creation of hybrids that more closely match changing modes of human cultural interaction and decision making (Barnes 2005; see Thrift 1999, 2000).

I adopt Barnes' concept of a cultural-economic hybrid to form the idea of hybrid landscapes: spaces that are both culturally meaningful, in that they facilitate the development of place identities, and economically functional, because they support business and consumer activities. It is the combination of these qualities that is the core goal of urban redevelopment as practiced by both public and private actors, frequently working in partnership, but often with different agendas and varying degrees of success.

### Webster Tower and Terrace in San Francisco's Fillmore District

Webster Tower and Terrace is a residential and commercial redevelopment project located on Geary Boulevard between Fillmore and Webster Streets in San Francisco's Fillmore District, also

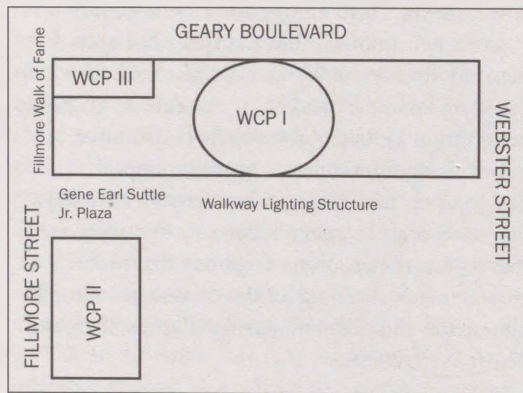
known as the Western Addition. It was built by Western Commercial Partnership (WCP), the name for the subsidiary corporations of American Realty and Construction Incorporated, in partnership with the San Francisco Redevelopment Agency (SFRA). The development consists of three buildings constructed between 1985 and 1989 (Figure 1). One is a 14-story, 156-unit residential tower surrounded by three floors of retail, restaurant, and office space (WCP I). Another is a three-story medical-dental building with restaurants and retail stores on its ground floor (WCP II). The third is a pair of commercial spaces located on Fillmore Street between Geary Boulevard and O'Farrell Street (WCP III).

### Publicly constructed landscapes and the San Francisco Redevelopment Agency

Many of the landscapes in Webster Tower and Terrace were designed and built by the SFRA. The agency operates under three goals: to promote and help fund the development of new affordable housing; to create jobs, assist minority businesses, and increase the tax-base of economically depressed neighborhoods; and to remove physical blight from these neighborhoods (SFGOV 2004). As evident from these objectives, they approach urban redevelopment as a process that has both cultural and economic aspects.

From its inception, the redevelopment of the Fillmore District has been highly controversial. The SFRA claimed that the neighborhood had become blighted due to the depressed postwar

Figure 1: Webster Tower and Terrace



Source: Author

economy that produced massive layoffs in local war industries such as shipbuilding, the trade of many of the Fillmore's African-American residents (Broussard 1993). Under federal law, declaring a neighborhood as blighted gave municipal redevelopment agencies the right to exert eminent domain by forcibly evicting tenants from their homes and businesses to make room for new developments, such as public housing, wider streets, and other infrastructural changes (Logan and Molotch 1987). Local African-American residents claimed that the Fillmore was far from blighted and that the SFRA had unfairly targeted San Francisco's largest African-American neighborhood for redevelopment for racist reasons. According to these residents, this thriving African-American community, called 'Harlem of the West' and renowned for its black-owned jazz clubs, diners, and other establishments, was struck down in its prime. For this reason, they refer to neighborhood redevelopment as 'Negro removal' (Hegranes 2005: 4; PBS 2001). Even Justin Herman, the executive director of the SFRA from 1960-1971, admitted that '(w)ithout adequate housing for the poor, critics will rightly condemn urban renewal as a land-grab for the rich and a heartless push-out for the poor and non-whites (Hegranes 2005: 4).'

Given the troubled history of redevelopment in the Fillmore, the SFRA not only had to restore prosperity to the still-troubled neighborhood, but also it had to redress the wrongs of its previous redevelopment efforts

(PBS 2001).<sup>3</sup> Free of federal regulations and lacking federal funding, the agency formed a public-private partnership with American Realty to build the development. In exchange for providing inexpensive land and low-interest financing to American Realty, the SFRA secured the power to select some of the development's landscape elements, such as the walkway lighting structure (Figure 2), which was installed at the private partner's expense in 1989 (Wysinger 2004). Conversely, the agency paid for the Gene Earl Suttle, Jr. Plaza, which lies between WCP I and WCP II, and the Fillmore Walk of Fame, which

Figure 2: Walkway lighting structure with African symbol, 2005



Source: Author

runs adjacent to the west side of WCP I and WCP III. The Plaza and Walk of Fame were installed between 2002 and 2003 as part of the Old Fillmore Jazz Preservation District, a cultural landscape designed to foster a symbolic economy that would encourage entrepreneurs to open businesses, such as nightclubs, movie theaters, and restaurants (see Zukin 1995). The SFRA hopes to attract enough private investment to turn the neighborhood completely over to private enterprise, a stage of the project that should have been reached several years ago (Wysinger 2004, Hegranes 2005).

The walkway lighting structure in front of the development stretches almost the entire length of the building from the corner of Webster Street and Geary Boulevard to the Gene Earl Suttle, Jr. Plaza. The design incorporates a modern architectural version of a traditional African

Figure 3: Gene Earl Suttle, Jr. Plaza, Webster Tower and Terrace, 2005



Source: Author

symbol meaning “abundance” and “development” that consists of a circle with three parallel lines running through it. Originally the form of the lines depicted a river laden with bounty, which was represented by the circle (Faik-Nzuji 1996). The SFRA mandated the inclusion of the symbol into the design of the lighting structure to help create a place that celebrated African culture and symbolized the rebirth of a vibrant African-American community (Wysinger 2004).

This cultural landscape facilitates economic development in the neighborhood in two distinct ways. First, American Realty paid for the construction and installation of the walkway as a part of the contract it negotiated with the SFRA and incorporated the African symbol into its overall design. This concession met the agency’s demands and allowed the construction of Webster Tower and Terrace to continue to completion. Second, as a part of the larger cultural landscape that the SFRA developed to generate a symbolic economy, the structure has the potential function of attracting private capital investment. However, the African theme that characterized this earlier stage of Webster Tower and Terrace’s redevelopment was abandoned for the current jazz theme. The African symbol no longer fits neatly into the updated cultural environment (Wysinger 2004).

The Gene Earl Suttle, Jr. Plaza is another part of the SFRA’s attempt to integrate local culture into the project’s design by displaying the names of people instrumental in the Fillmore’s development (Figure 3).<sup>4</sup> The list includes Jewish,

Japanese, and African American local activists and international music and film stars with connections to the neighborhood (Wysinger 2004) <sup>5</sup>. Most of the people named in large concrete squares in the plaza played a distinct role in fighting for the civil rights of their particular group, whether it was Saburo Kido, a Japanese American attorney who led a three-year movement against Japanese internment; Lefty Gordon, an African-American neighborhood activist who headed the Ella Hill Hutch Community Center for ten years until his death in 2002; or Mary Rogers, an African-American housing advocate who fought against the redevelopment agency's plans for over 40 years.

In their design of the plaza, policymakers articulated the multicultural nature of the 1940s and 1950s Fillmore District as a model for contemporary social relations in the neighborhood (Wysinger 2004). Unlike the highly conceptual African symbol in the walkway lighting structure, the plaza is rooted in a particular historical environment. But since place is as dependent on time as it is on space for its definition, the image of the Fillmore as a symbol of multicultural harmony is made possible only through the compression of the neighborhood's history. The earliest commemorations date from the early 1940s during the time of Japanese internment and the arrival of the first African Americans during the wartime migration. Every period since then, from the postwar growth and development of the African American community to the Civil Rights

era and the protracted redevelopment process, is also included. The names of the dead are mixed with the names of the living to show an unbroken chain of multicultural community throughout history. While the names of representatives from the Japanese, Jewish, and African American communities create a nominal sense of ethnic diversity, nothing about the plaza suggests that there was considerable interaction between the groups. Civil rights leaders are commemorated for fighting for the rights of their own particular ethnic group, not for residents of the Fillmore as a collective whole. Saburo Kido, a civil rights attorney, is commemorated for fighting for the rights of Japanese Americans who were interned during World War II. Lefty Gordon was the director of the Ella Hill Hutch Community Center, an African American social and cultural center.

In fact, the dates that do exist suggest more of a succession of ethnic groups, a fact that is supported by recorded histories of the neighborhood, rather than the existence of the kind of contemporary multiculturalism that is supposed to serve as a model for the Fillmore's future development. After much of San Francisco was destroyed by the 1906 earthquake and fire, many poorer residents began to move into the neighborhood. The Japanese community established itself in the area, having moved from its earlier location in Chinatown. During the next few years, the Fillmore boasted an ethnically diverse mix of residents from the city's Filipino, Mexican, African American, Russian, and Jewish populations.

However, curtailments on Japanese immigration in 1908 and 1924, and the Alien Land Law of 1913, which prevented “undesirable” immigrant groups from owning land, hindered the growth and prosperity of non-white communities. Beginning in the mid-1930s, local housing covenants prohibited the rental or sale of housing to African-Americans in many neighborhoods, but not in the Western Addition. The following three decades saw the ascendancy of the Fillmore’s Jewish community, followed by the eviction and internment of thousands of local Japanese-Americans and the in-migration of 30,000 African-Americans to work in San Francisco’s wartime industries, the vast majority of them renting housing in the Fillmore and Bayview Districts. Many Jewish residents moved out, retaining possession of the neighborhood’s commercial and residential real estate (PBS 2001; Broussard 1993).

While the Plaza commemorates the lives

Figure 4: Malcolm X’s bricks in the Fillmore Walk of Fame, 2005



Source: Author

of people who played political roles, the Fillmore Walk of Fame celebrates those who were important contributors to the jazz scene. The names of eighty-two people who defined the daily round between the 1940s and 1960s, such as night club owners and musicians, are commemorated in a walk of fame, which features bricks and curbstones with their names. The list reads like a history of the genre: Duke Ellington, Billie Holiday, Charlie Parker, Dinah Washington-- just to name a few. Virtually every great and pioneering jazz artist took part in the Fillmore jazz scene, not to mention the many more less-famous and local talents. Luminaries from outside of the jazz world are also included, most notably Malcolm X, who spoke at the Fillmore Auditorium in 1962 (Figure 4).

Although the SFRA sought to include individuals who had a significant impact on life in the Fillmore District, they used vague criteria. The brochure published by the SFRA describes those who are included in the walk of fame as being “from the Western Addition Community” and includes famous jazz artists and political leaders such as Billie Holiday, Miles Davis, Dinah Washington, Malcolm X, and Al Jarreau (SFRA 2004). Billie Holiday was born in Baltimore and spent many years in Harlem before taking her singing career to New Orleans and Europe (VH1 2004). Miles Davis was born in St. Louis before moving to New York City to attend the Juilliard School of Music, later entering the jazz scene in Paris (VH1 2004). Dinah Washington was born in Chicago and found success while living mostly in

Los Angeles (VH1 2004). Malcolm X was born in Omaha, moved to Boston and then Harlem, spent seven years in jail in New York, and then moved to Detroit before returning to Harlem (Natambu 2002). Only the biography of Al Jarreau mentions that he spent several years playing in clubs “up and down the West Coast” (VH1 2004). As brief as these biographies are, they are careful to note the cities and places where each person was born, spent a considerable amount of time, or met with a particular success or trauma. None of them mention San Francisco, let alone the Fillmore District.

But according to the SFRA, whether the people celebrated in the Walk of Fame were born in or lived in the Fillmore is unimportant (Wysinger 2004). While the conception of the Fillmore District symbolized by the Walk of Fame is historically bounded by the years spanning the 1940s and 1960s, it is very loosely defined geographically. In one sense, few of the African Americans living in the Fillmore during its heyday were from the neighborhood because they were all from somewhere else: Chicago, St. Louis, Milwaukee, or Texas (PBS 2001). In fact, these migrants encountered hostility from the few African Americans who had been born there and whose families had been established in the city for multiple generations. Yet because the place offered these new migrants from the South unprecedented levels of prosperity and freedom, it remains an enduring symbol of their cultural and economic success (Wysinger 2004; PBS 2001).

The redevelopment agency’s conception of the Fillmore community strongly supports a primarily social, rather than a predominantly spatial, concept of space (see Agnew 2005; Entrikin 1991). But it is one that runs against the values and the notion of place held by neighborhood residents who see a dire need to improve the Fillmore in real and immediate ways. At a SFRA Fillmore subcommittee meeting held in late 2005, neighborhood residents went ‘ballistic’ when they were told that \$20,000-\$30,000 would be spent on Christmas decorations. “Thirty thousand dollars? How can we keep putting the emphasis on celebrations when so many kids are dying?” said one resident (Hegranes 2005: 2). A local minister echoed a similar viewpoint: “The agency doesn’t even recognize that they are responsible for economic development in this area . . . Before the Redevelopment Agency came in, the black businesses were thriving and growing. The agency aborted our chances for success, and now they have the responsibility to restore some of that (Hegranes 2005: 8).”

As a cultural landscape, the Fillmore Walk of Fame represents the area during its heyday. By commemorating the names of the people and places that made it a fun, lively, and prosperous place, the SFRA celebrates what the Fillmore once was and offers a vision of what it could become again. This vision is challenged, however, by a period characterized by weakened municipal agencies, decreasing public funds, and changing neighborhood demographics, which are

distinguished by the exodus of middle-class African Americans beginning in the 1970s and the influx of Korean immigrants beginning in the 1980s (US Census Bureau 2006; Chey 2002). Like the Plaza, the Walk is a cultural landscape that is designed to be a part of a symbolic economy, the Fillmore Jazz District. However, unless these places attract capital investment, they will remain purely cultural. So far none of the cultural landscapes created by the SFRA have become important parts of the daily round, and in this sense, they have yet to become economically functional. Since they provided no good or service, the places that emerged from redevelopment neither engaged the attention nor supported the routine activities of neighborhood residents. Therefore they remain unimportant to local residents. As the local minister observed, 'Redevelopment is more than just putting up buildings (Hegranes 2005: 8).' An article in the *SF Weekly*, a San Francisco newspaper, emphasized the SFRA's failure to stimulate economic activity in the Fillmore:

But neither racism nor mere mismanagement seems to fully explain the near abandonment of the 'economic revitalization' component of the redevelopment effort. For example, even though 40 years of redevelopment have produced little such revitalization, the agency's primary focus in the last three years of the project will remain on the physical development of the remaining empty parcels of property in the area. (Hegranes 2005: 8)

None of the landscapes created by the SFRA have attracted the amount of capital needed to construct a place with economic as well as cultural value. Their intended role as symbolic economies remains unfulfilled.

### **Private landscapes and the Korean business community**

Korean-language business signs have existed in the Fillmore neighborhood since at least the early 1980s. With the creation of the Fillmore Jazz District, however, the Redevelopment Agency tried to discourage business owners from posting any sign not consistent with the jazz theme on street frontage. But their effort was weak, inconsistent, and largely ignored by the merchants, especially by those with second and third floor businesses that needed to advertise their office location to attract customers.

Korean business owners tend to create signs and advertisements with Korean writing and images taken from contemporary Korean culture. Sometimes the text is translated roughly into English, but often it stands alone, suggesting that the offered goods or services are meant for Koreans only (Figures 5). Other times, Korean writing ensures the cultural authenticity of an experience, service, or product. For instance, Korean writing on a restaurant's storefront attests to the authenticity of its cuisine. On a karaoke or compact disc shop, it promises a selection of bona fide Korean music. Usually these signs consist of contemporary images, a decision which symbolizes



their connection to an existing Korean culture, rather than a nostalgic or timeless one. These texts strongly contrast to the decontextualized and compressed cultural symbols created by the SFRA. More importantly, the landscapes are an alloy of culture and economy. The signs are integral components of the services they represent: cultural meaning and economic functionality are fused

Figure 5: Korean CD shop, Webster Tower and Terrace, 2005



Source: Author

into one process and phenomenon. An aspect of Korean culture and an invitation to buy a product are conveyed in a single medium.

The use of fresh and current images and symbols is essential to creating cultural and economic Korean business landscapes. Since most Korean residents are recent immigrants or visiting students who find modern representations appropriate and appealing, stores catering to these populations must employ contemporary texts and images. Symbolic landscapes that evoke nostalgia for a timeless or historical Korea would not effectively sell these goods or services and thus are not present in the current Webster Tower and Terrace environment.

### **Public versus private: understanding the differences sociologically and historically**

Sociologist In-Jin Yoon presents a framework for analyzing differences in the rates of small business ownership among various ethnic groups in the United States (Yoon 1997). He discusses their structural, cultural, and historical characteristics to explain why some groups have higher rates of small business activity than do others. When applied to the task of understanding the composition of Webster Tower and Terrace, his approach yields several plausible explanations for the disparity between the development's public and private business landscapes.

In Yoon's model, structural factors play a major role in pushing an ethnic group toward small-business ownership as a means of making

a living. Exclusion from the majority group prevents them from accessing a range of work opportunities across all business types at all levels of employment, from entry-level to managerial. Within the sphere of work open to them, ethnic stratification further limits the opportunities open to members of a particular ethnic group. Therefore, a member of an ethnic minority group that is separated from the majority and is not well-represented in a particular industry will have difficulty finding work and will see self-employment as the most viable option for earning a livelihood. Immigrants open small businesses not because they prefer self-employment, but because they have few viable alternatives (Yoon 1997).

There is also a social aspect to small-business ownership. Some ethnic minority groups have a stronger tradition of small business acumen than do others. Ethnic groups in which small-business ownership is common tend to socialize its members in such a way that they develop a level of familiarity with and confidence in running a business. This comfort is absent from those groups in which business acumen is not a strong or common value. Within the field of business acumen, Yoon emphasizes the particular skill of finance. He cites the experiences of Jewish and Chinese immigrants who are successful throughout the world not only because they are hard workers with strong familial ties, but also because they come from cultures that value and cultivate a sophisticated knowledge of how to manage capital. These groups succeed not only because

they are competent business owners and skilled craftspeople, but also because they are superlative investors (Yoon 1997).

The structural and social factors presented in Yoon's analysis fit neatly onto examples taken from the public and private landscapes found in Webster Tower and Terrace. The most significant structural feature affecting Webster Tower and Terrace is the changing demographic composition of the Fillmore. Population data specific to the neighborhood is difficult to find, but figures pertaining to San Francisco provide an indication of what is happening at a smaller scale. From 1990 to 2000, the number of African Americans in San Francisco declined by 28%, while the number of Korean Americans increased by 23% (US Census Bureau 2006, SFGOV 2004). Even though San Francisco's Korean community is much smaller than its African American community, it is growing in Webster Tower and Terrace. Unlike Koreans, African Americans have never constituted a strong presence in the development's residential population, and black businesses have had little incentive to establish themselves there (Rosales 2004, Figure 7).

Korean businesses proliferate in Webster Tower and Terrace despite the relatively small size of the Korean community (Figure 7). One reason for this is that buses carrying Korean tourists stop at the neighborhood's many Korean restaurants, retail, and service shops. This increases the pool of potential customers who are likely to buy Korean goods and services. No such practice exists to

Figure 7A: Ethnicity, Webster Tower, 2005

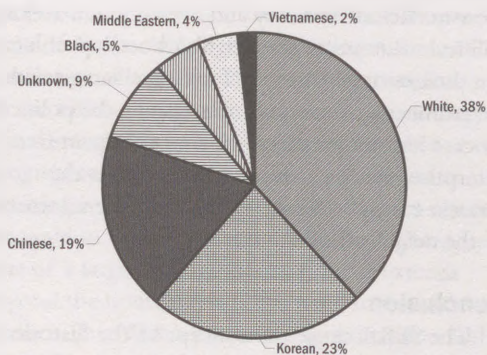
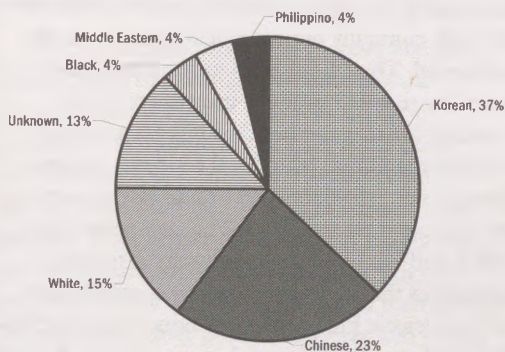


Figure 7B: Ethnicity, Webster Terrace, 2005



Source: U.S. Census Bureau.

boost the trade of African American businesses. There are no organized groups of African or African American tourists in search of black cultural goods or services. In addition, the African American population has decreased in all nine counties of the San Francisco Bay Area, with only Contra Costa County showing a slight increase (SFGOV 2004). Any business or government agency hoping to draw African-Americans to San Francisco and the Fillmore is fighting a strong demographic trend to the contrary.

Another feature of the Korean business community is its ethnically-based lending groups. As described by Yoon, a group of approximately twenty investors will pool their resources so that each member can take a turn in accessing the accumulated capital to start a business. After one partner depletes the accumulated funds, the members again contribute an equal amount for use by the second person in the rotation. The process of accumulation, borrowing, and replenishment continues until all members have had a chance to borrow an equal amount of capital. In this way, small amounts of money are gathered together to become large enough to start a business. In Webster Tower and Terrace, Korean restaurant, travel agency, and grocery store owners belong to such a lending group. I found no evidence of similar organized investment groups in the African American community.

Historically, the African American community has had its greatest successes in the political arena. The ending of slavery, the economic

boom created by the Second World War, the Civil Rights Movement, and certainly the fight against redevelopment were watershed moments for African Americans and ultimately interactions with the state rather than with free enterprise (Yoon 1997). This has made African-Americans strong believers in the political process and, in particular, in the power of resistance against unfair policies and institutions.

The African American affinity for political action is strongly evident in Webster Tower and Terrace. Scores of local African American residents regularly turn out for community meetings to discuss the future of the Fillmore, and volunteers for a local group that monitors the development for acts of anti-African-American discrimination have never been in short supply (Hegranes 2005, Rosales 2004). While these actions are admirable, they have resulted in few, if any, real advances for the African-American community. The number of African-American residents and businesses continues to decline (Hegranes 2005). Their alliance with the SFRA gives them little advantage because the power to change the neighborhood both materially and socially has shifted to private enterprise. And despite strong incentives that were offered only to potential African American entrepreneurs, such as several months of free rent, very few African-Americans ventured to take advantage of these offers and open businesses (Hegranes 2005, Rosales 2004). In fact, as noted in the *SF Weekly* article, 'there has only been one small business loan issued by the agency so far, though

more than \$800,000 remains for similar loans' (Hegranes 2005). Local African-Americans have a passionate desire to improve the Fillmore, and they show no lack of industry and dedication in seeking political solutions to the neighborhood's problems. But their strong history of forming alliances with government agencies and of engaging the political process has not prepared them to engage in free enterprise, the force that currently wields the greatest control over the social and material nature of the neighborhood.

### **Conclusion**

The SFRA chose the concept of the historic Fillmore of the 1940s and 1950s to represent the values it wants to cultivate in the neighborhood, especially for the betterment of the local African American community. These values have proved difficult to translate into business activities that accumulate the capital needed to make places that are both culturally meaningful and economically functional. Their strategy to create a symbolic economy that will produce investment from potential business owners has not yet attracted capital expenditure from local residents because the redeveloped spaces offer no goods or services that people want and need. The task before the SFRA and the Fillmore community is to find businesses that can transform the abstract values of the historic Fillmore into products and services for which people will spend money. So far, this task has proven to be difficult and the landscape and economy have remained merely symbolic.

The SFRA developed a symbolic economy through a number of cultural landscapes: the walkway lighting structure with African symbols, the Gene Earl Suttle, Jr. Plaza, and the Fillmore Walk of Fame. Although the lighting structure was designed to symbolize the African origins of the Fillmore's African American community, it is abstracted from a particular historical or geographical context. Therefore, it holds no meaning and garners little popular support or even recognition. The Plaza and the Walk of Fame are part of a larger cultural landscape that extends beyond the boundaries of Webster Tower and Terrace. The Walk's purpose is to materialize and symbolize the jazz theme selected by the SFRA, an image upon which its redevelopment efforts are based. But without capital investment, these landscapes will remain unimportant, segregated from the neighborhood economy, and abstracted from residents' daily round.

The landscapes created by Korean business owners more successfully integrate cultural and economic activities. Not only do their businesses contribute to the daily round, they also symbolize and celebrate Korean culture and are successful mediators of a Korean social network. They achieve these ends through their use of contemporary Korean images and the incorporation of Korean writing into their designs. These cultural clues promise services and goods that will meet the needs and values of members of both local and overseas Korean communities.

Korean business owners create successful

places by integrating the symbolic and functional aspects of the landscape. They ensure that their built environment and the activities they contain directly serve the functional needs of specific social groups in the community. The commercial appeal of these places yields two results: it attracts capital and makes the landscape an important part of the neighborhood's daily round. The place structures produced by the SFRA lack both of these qualities. I suggest that the Korean businesses, because they are locally-owned and serve mostly local customers, represent the kind of neighborhood development the SFRA is striving for: landscapes and places that offer both cultural meaning and economic function to the Fillmore District neighborhood and its residents.

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## Notes

<sup>1</sup> The examples he uses are Christmas, punk rock, and a plank of wood. Rather than being constrained and relegated to either the cultural or economic categories, the true nature of these phenomena lies in their conception as combined forms – the Sex Pistols were as much a commercial enterprise undertaken for the economic benefit of its members and manager as they were a cultural force that mocked middle-class values. Similarly, a two-by-four has those dimensions for reasons related to traditional Western housing design, not because it is the most efficient way to market wood.

Christmas is as much about buying and exchanging gifts as it is about celebrating the birth of an important cultural and religious figure.

<sup>2</sup> LETS is a form of trade that fosters connections between local producers and consumers of goods and services. By using an alternative form of currency, the system gives participants more control over where and to whom their money goes, and allows them to avoid paying taxes.

<sup>3</sup> The Public Broadcasting System produced and aired a documentary on the Fillmore District in 2000-2001. A website that grew out of this project is currently available on the Internet at: <http://www.pbs.org/kqed/fillmore/>.

<sup>4</sup> For twenty-five years, Gene Earl Suttle, Jr. directed the Fillmore District redevelopment. During this time, he oversaw the construction of over 10,000 housing units and numerous commercial corridors. The plaza also celebrates the lives and achievements of sixty-two other leaders from the Fillmore.

<sup>5</sup> Among the other names found in the plaza are Mel Blanc, the well-known voice actor for Warner Brothers, and Isaac Stern, the famous classical violinist, both of whom were Jewish.

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# Understanding Privatization: A Roundtable Discussion

**Gregory D. Morrow**

On February 13, 2006, seven Los Angeles academics and practitioners came together to debate and better understand the greater participation of the private sector in urban affairs – what we are calling the “privatization of cities”. The event took place at the UCLA School of Public Affairs and was moderated by Gregory D. Morrow, Managing Editor of *Critical Planning*. Deirdre Pfeiffer, Office Manager for *Critical Planning* and MA student in the UCLA Department of Urban Planning transcribed the event. Participants were:

**Anastasia Loukaitou-Sideris**; Chair, UCLA Department of Urban Planning

**Charisma Acey**; Doctorate Student, UCLA Department of Urban Planning

**Gilda Haas**; Executive Director, SAJE & Lecturer, UCLA Urban Planning

**Gregory D. Morrow**; Managing Editor, *Critical Planning*

**John Given**; Principal, CIM Group

**Peter Gordon**; Professor, USC School of Policy, Planning and Development

**Ted Balaker**; Jacobs Fellow, Reason Public Policy Institute

**Morrow:** It is clear that over the past two decades, we have witnessed an increased participation of the private sector in of “public goods” in cities, whether it is subsidized housing, water, infrastructure, social services, or even public space. We’ve brought together a diverse group, representing many different viewpoints, in order to debate this trend -- what we’ve called the “privatization of cities.” I’d like to start off by asking: what do you think are the key factors that have led to this trend? Is it just the general political climate? Is it an efficiency argument? Is it a scarcity of public funds?

**Loukaitou-Sideris:** First of all this is not a recent trend. It really started thirty years ago. We really have to go back to the days of Reagan and Thatcher. I think some have called it a crisis of public authority, especially from what was called the “new conservatism ideology”, a kind of attack on the welfare state and on liberalism. This attack against “big government,” was perceived as the failure of the welfare state. And then we have to think about a number of things -- the Vietnam War crisis, the Contra government, Iran... So it was certainly political. Then, in the 1970s, there was also attacks based on inefficiency. The conservatives were concerned about the inefficiency of the public sector, the inefficiency of the big government. There was dilapidating infrastructure in certain urban areas, cities like New York. And the third thing that

we also have to remember is that in the late 1970s and early 1980s there was also an economic depression. So I think all these combined to bring about what you're calling the "trend of privatization." This is the political context. There are other things that have happened since then.

**Balaker:** I think it also depends on who you ask. There was a recent survey that asked budgetary people, "why do you privatize?" and their number one reason was cost savings. And they asked the same question to agency heads, and cost savings usually around three or four. Their primary reason was better quality, better access to expertise and things like that. So as you were saying, there's kind of a confluence of reasons, I think.

**Gordon:** Anastasia chose a thirty year window, but we can take a sixty year window, a hundred year

window... especially the tip off, your word "liberalism." Liberalism a hundred years ago was very different. There is a phrase I like, I wish I would have invented it, by this fellow Brink Lindsey, who's an economic historian. He writes about the "industrial counter-revolution". Everyone knows the industrial revolution, but he said the industrial counter-revolution was when people were reacting to the radical changes in their lives, and they embraced all the twentieth-century "isms." In Europe there was Socialism, there was Fascism. In America there was Progressivism. It was part of the same historical theme: that there is help available, there is solace available in top-down, technocratic, so-called scientific planning solutions. So I think that was kind of a hundred year hiatus from the other liberalism. And the pendulum never stops in the middle, right? So even if you enter no judgments into this,



it's almost inevitable that it had to go the other way. There is maybe a recognition these days that was missing thirty years ago, fifty years ago, in the power of spontaneous orders. And my objection to what most of planning discourse is these days at my university, your university, I think, is that the importance of spontaneous order is overlooked, or is given short shrift, because we're stuck, some of us are stuck, in the "isms" of a hundred years ago where we have an attachment to top-down remedies and approaches.

**Morrow:** But wouldn't you say that the trend since the early 1970s, responding to the perceived failures of top-down planning -- urban renewal, public housing, federal highway programs, etc. -- has been away from top-down planning and more to bottom-up planning processes, at least in the U.S. context? Cities have moved away from comprehensive master plans, to more strategic plans. And cities certainly don't do urban design themselves. Nearly all urban design is done privately, by consultants, who work with neighborhood groups and other interested parties.

**Gordon:** Well there's a lot of rhetoric at least about taking things upstairs -- regional land use planning or state-level land use planning. So all kind of currents are going up. And I would love it if we had a better understanding of how the top-down and the bottom-up interact.

**Acely:** I think the trend of privatization has been top-down and has been driven by, as Anastasia said,

the recent rise of neo-conservatives. Water and sanitation was provided privately in the nineteenth century. But it was a recognition of public health and this desire for universal service that led to it being seen as something that needed to be provided by the government. But following the rise of neoliberalism in the North, there was through the IMF and World Bank, some of the international institutions, this same ideology that came from the North was translated into the international scene through loans, aid, provisions to increase private sector participation and service delivery. And it's been driven by donors -- very top down. And you see reactions to this from the ground to this imposition of privatization.

**Morrow:** I wonder how specific that is to international development. It seems that what we're seeing today at the local level, the growth of privatization in terms of urban development, I would say is actually not being concentrated from the top, but it's rather private organizations, whether it's homeowners associations or providing infrastructure through contracting out ...

**Haas:** But isn't that the punch line? There are different kinds of ways to frame privatization depending on what your goal is and so Thatcher and Reagan really represented a dismantling of the public sector, because the public sector was a waste of the public's money and we really had to have a market driven economy, yada, yada, yada. And if that's your policy goal and if you also run a country where the whole notion of private property and

private initiative is ideologically core, then shit happens. That's what I'm interested in ...

**Gordon:** What do you mean "shit happens"? What does it mean? Because I can say quite honestly that if I take away private property, shit happens.

**Haas:** The debates that happened did so in certain kinds of frames. You can start moving towards contracting out without examining what efficiency means. For example, I can just talk about my block -- where they took down my tree by accident. There are day laborers being hired by city contractors working on my block. Is it OK to pay people \$6 an hour? Is it OK to pay people \$8 an hour? Is it better for the city that people make poor wages? Where's the quality control? Who do I get to call when the person cut down my tree? Etc. The debate isn't whether we'd be better off with a private

company or if we'd be better off with the city doing it, etc. There is no debate -- we're just going to contract this out. But that's one level of shit happening. Because that's actually what does happen, the cities start to contract out to the lowest bidder. That's one thing...

**Gordon:** But wait a second. Excuse me for interrupting. If the city opts to pay more, is that a free lunch? Where does it come from? See what worries me is that all of these little anecdotes, all these little solutions...

**Haas:** I wasn't offering solutions. But do you have to pay for participation? Do you have to pay for people having decent wages and benefits? Yes. Somebody has to pay for that. Is it appropriate for taxpayers, for example, to benefit from the exploitation of other workers in the city?



**Gordon:** But when you say “exploitation,” you say it as though we know what that means.

**Haas:** Oh, I know exactly what it means. Name one person that you know that can live off of seven dollars an hour. Name one person that you know who can do well without having health insurance, especially when people in this city, particularly enormous portions of this city’s public sector workers are people of color and don’t have stable jobs.

**Gordon:** OK, that’s a personal definition of exploitation, and we should go on. But there are people around the world starving because property rights are taken away from them, that’s all.

**Haas:** Oh really? What I was actually trying to say is that real policy activities happen. Contracting out was an *example*. The other kind of *example* is that, you were pointing out too, is that the private sector, meaning the populous, comes in to fill gaps, for example, BIDs or homeowner associations. For certain kinds of activities in my neighborhood association, there is a quiet consensus that if we want to get something done, we’ll have to do it ourselves. And these are class-based things as well. BIDs aren’t the only kinds of grassroots activities. At the organization that I run, which is a membership organization, a coalition organization -- we do an enormous amount of work to fill the gaps for people. We have to raise our own money for that, and we have volunteers for that, and we’re just as

enterprising as entirely property-based organizations. The thing that concerns me the most about privatization is not those things actually. It’s privatization as a new way of *being*. It’s privatization as a phenomenon, where you can look at the results of government and more importantly a society that has been stripped bare of social infrastructure, so that you can actually turn on your television and see what everybody saw when Hurricane Katrina happened. To me, that is the most phenomenally troubling aspect to an ideologically-driven discussion about privatization, rather one that’s looking at the merits of whether this is something that the private sector can do better, or if it’s something that the public sector can do better, whether it’s actually the idea of privatization, the largest policy initiative in the world, and it has been for decades. So, that is the point that I was trying to make. In Los Angeles, there are other kinds of activities going on which are less stark, but they’re activities that are going on that act as *though* the Hurricane had demolished certain neighborhoods, and that it is incumbent upon the private sector to save what is unsatisfactory to the general public.

**Morrow:** The key point Gilda is making is that if the argument for privatization hinges on the one hand efficiencies arguments, that there are consequences of that. One of the consequences of framing the argument only in terms of lowest-cost, is that the people who are actually doing the labor are not going to be paid as much. So the question is, who pays? When you’re evaluating things project

by project, then you say, of course, then it's more efficient. But Gilda is saying that there's a larger social cost to that. That somebody has to pay ultimately, if contracting out results in low-pay jobs.

**Loukaitou-Sideris:** The idea is that public goods are being offered to everyone because quite often it is not profitable enough for the private sector or because there is a larger good, a public good. Sometimes with privatization, what might happen is that it is profitable for the private sector to invest in specific neighborhoods and not in others, where there is a market for certain services. So there is a discrepancy. We're now talking about issues of equity. You see that in playgrounds and open spaces where they're allocated by the private sector versus a public agency. Not always, but when you have a public agency -- actually I have looked into the planning department and other planning departments, the parks and recreations department in Los Angeles -- you find discrepancies if you look into the inner city parks and the valley parks. You still have discrepancies. The valley parks are much better maintained. But at least there is the expectation, and there is some level of possibility that these services are allocated in a more equitable way. When things are privatized, quite often you find concentrations of services, concentrations of activities, concentrations of goods where the market can afford them. Because it is really the ability to pay that defines where the service is going to be given. That's another issue that I think we have to discuss.

**Morrow:** This is at the *core* of the typical debate -- what we're calling "efficiency," or the delivery of public goods in a more market-driven way, versus the equity issues that come out of that. Are these things really at odds with one another?

**Given:** It's not either/or. And it seems to me that government-delivered services can be just as inequitable, or just as poorly done, or leave so many people behind as privately-delivered. Equity is a choice. And if you set equity up as a choice, if that's a high value, then you can choose to decide whether to fund the delivery of a service through the taxpayers through public employees or funded through the taxpayers through private enterprise, because there's more vehicles through private enterprise to distribute services than through the public. So to me, the debate is arcane. The real question is why is it that it gets screwed up, and why is it that when it gets screwed up, it's hard to fix. The government is really terrible at dealing with complexity...because they're one size fits all! And equity almost dictates that one size fits all, which makes government even worse in some cases since it feeds the lowest common denominator for everybody and it doesn't lift anything up.

**Haas:** But I really think that it makes a difference if scarcity is what's driving the discussion about efficiency. There just isn't enough money, we have to get stuff cheaper...

**Given:** But scarcity is a decision that an economy that has no private sector would also face. At some

point there's scarcity. I think that the scarcity we have is the unwillingness to fund public services, whether funded through private or public.

**Haas:** But there's objectively speaking less money, because we have less taxes...

**Given:** But that's not the fault of privatization of service delivery...

**Haas:** No, but what we're talking about is contextualizing privatization as well, and where do these debates and choices come from.

**Given:** Set aside for a minute the essential role of government in assuring adequacy, equity and redistributive aspects in the ongoing maintenance and expansion of public infrastructure. If individually and collectively people do not feel they have a stake in the good of the whole we have a big problem. Privatization of policy making and allocation runs the risk of separating classes of people from the common view of the good of the whole. I am more comfortable if we focus discussion on privatization of how public service products are developed and delivered. This includes brick and mortar as well as basic public safety, health, education, housing and transportation. This may be less ideologically interesting, but it could be more powerful in that the level of delivery is disaggregated to one where individual enterprise and creativity is not stifled by homogeneous bureaucratic and centralized systems.

**Haas:** Right. You have a self-fulfilling prophecy that is not going to work.

**Given:** That's a scarier scenario for me. One last thought I have, that goes to the heart of who we are as people, not about systems of belief ...

**Haas:** About values.

**Given:** ... it's about who we are as people -- do we still have a stake in the well being of the commonwealth?

**Morrow:** Rather than have this nebulous single public out there, it seems that privatization hinges on recognizing that there are actually multiple publics. And that you can have smaller entities through which you normally deliver services. Isn't part of the debate about the scale at which services are delivered?

**Gordon:** When you say "normally," do you mean over the last thirty years, last fifty years, last hundred years? This is a federal system. And the division of responsibilities in a federal system is very considerable over the years. And I think what we have now is that we have a new layer in the federal system which includes private communities -- homeowners associations. But what's interesting is that people are voting with their feet! So this is not anything that's imposed by some evil genius, it's fifty million people voting with their feet to say service delivery is better here than it is in the other. I think that, I said "spontaneous orders" originally....

**Haas:** But spontaneous orders where you have to pay for them yourselves are somewhat restrictive. We've had discussions in my own homeowner's association about, whether we should have restrictive parking, and whether we should do this or that. But I'm very, very cautious about it ... just personally, as an illustration, my husband's black and I am white. When we looked for a neighborhood to live in after living in South Central for years where I was the only white person in my neighborhood, in the terms of having kids, there was actually a neighborhood in Los Angeles that was half black and half white. It's a fantastic neighborhood, and I've lived there for twenty years. But recently, as the property values have gone up, and the way things are economically skewed in Los Angeles and everything's becoming increasingly white, increasingly white, increasingly white, and increasingly, I could never afford to live in my neighborhood. So what's the problem with that? The problem is that people start to think about how to try to make things more restrictive. My son was four months old when we moved there. He was an adorable little boy, no one was afraid of him. Now he's six foot three, and he's a young African American man, and the police stop him in front of our house. The police come because people who are new to the neighborhood saw a couple of young black men standing around on the sidewalk, in front of their house! They didn't know that, but...

**Given:** What's that got to do with...

**Haas:** It has to do with what Peter is talking about -- the spontaneous dexterity and democracy. He's talking about how these homeowners' associations are a new layer of government, and I'm talking about the tyranny of the majority as things move into those kinds of situations. I was just giving an example of how that is not necessarily the case.

**Gordon:** The response that I would give you is that I would want your neighborhood and all neighborhoods to have the option to secede.

**Haas:** To secede from the city? And have their own government? And pay their own taxes?

**Gordon:** Yes exactly. And to have their own police and all that stuff. I think that the idea that the majority can overrule the locals when they choose to secede is bizarre. That's a real cartel. And I think that if the locals have the option to secede, if state law gave them that option, then I think neighborhoods such as yours would be much more vocal and much more powerful.

**Loukaitou-Sideris:** But that's a little bit of a romantic idea ...

**Morrow:** This is an argument that Robert Nelson makes in his new book, *Private Neighborhoods*. The question that usually comes up in response is: how would poor neighborhoods be able to raise enough tax revenue to provide services? What would the city look like if you had a series of small independent neighborhoods? How would South Central function on its own tax base?



**Gordon:** Very well.

**Loukaitou-Sideris:** I disagree though, respectfully, because it is kind of a romantic idea to think that we have these neighborhoods, and there is this true democracy that people can achieve. But cities have to have some kind of larger order of things, and they're not completely independent.

**Gordon:** They have to have?

**Loukaitou-Sideris:** Yes they do! You're an economist, so you know this stuff much better than I do, but associations and neighborhoods produce externalities, *negative* things that may be *bad* for the neighboring association, so if you don't have the larger ... maybe I'm the romantic here ... but if you don't have the larger good of the city in mind, and little fiefdoms of neighborhoods do their own thing ... I think you will have much more environmental pollution and much more of all the things we don't like...

**Gordon:** You're the romantic.

**Loukaitou-Sideris:** I probably am, but the other thing that I'm worried about is that John mentioned that sometimes the public sector is horrible, and I grant you that, and I think that Katrina showed that sometimes we have tremendous failures. There are always neighborhoods and communities and people that are falling through the cracks. It may be wonderful for some neighborhoods that have the means and the wealth to provide the ser-

vices, to have the BIDs, but there are going to be parts of the town that are going to fall through the cracks. If you don't have some safety valve, something to keep them, then...

**Given:** In the end, we're going back to absolutes. The economic theory is that everyone can break down to the smallest entity of common interest, that trading back and forth everything will balance out and everybody will be made happy. It's a perfectly good theory and it makes sense. But it doesn't always happen.

**Haas:** It's interesting to me to think about what would happen if South Central seceded. Roxbury tried to secede from Boston and the Dudley Street Initiative actually came out of that movement. But I do think it's quite historical, so what reparations would be required to pay the new City of South Central for the fact that there had been massive disinvestment for thirty, fifty, seventy years, that there had been restrictive covenants in the rest of the city that concentrated the poorest people. That there had been financial disinvestment and red lining, etc...

**Given:** To make it work, you have to do all the things you do if you don't secede. You have to come to terms with the fact that there has to be some sort of equitable distribution and the system needs to work better.

**Haas:** But it doesn't mean that you can't have a highly decentralized, participatory thing. It doesn't

mean you can't have different city neighborhoods. I find the Brazilian participatory budget process a fascinating example of how the people, the poorest of the poor, are able to participate in something that's meaningful, that has economic content, and that does have a diversity of needs. But you have to bring it together into some sort of reconciliation that people have to deal with. We don't have structures for that, because we don't have structures for any kind of democratic, economic discussion where there's some kind of depth and equality of purpose.

**Gordon:** If the three hundred cities of the region were independent entities, or many more, if neighborhoods seceded, they wouldn't be islands off to themselves. They would pick up the phone and would cooperate. City managers I know love joint powers agreements that they make ad hoc over the phone. And they chafe at the scags of the world that they find get in the way.

**Loukaitou-Sideris:** But don't you think that sometimes what may be good for one city might not be good for its neighbor? One little pocket may want to close down their streets because they don't want traffic going through ... that might not be good for the rest.

**Gordon:** It's a longer discussion we'll have, but it's about bargaining.

**Acey:** It's hard for me to wrap my head around the discussion of what's happening in the U.S. because

in developing countries it's different. I think about Lagos in the face of government not providing adequate services, for example in water and sanitation you do have neighborhoods banding together to provide their own services to the areas. Some of these are legacies of the colonial system government, residential estates. But new kind of private estates are being set up around the metropolitan area. For the residents who live in these areas, you do have efficient sanitation, waste water collected, but then where is it dumped? It's dumped in places where it's unregulated. It's dumped in poor neighborhoods where they aren't able to pull the resources together to provide the services. Or in some cases in water delivery, wealthier neighborhoods were able to afford to buy borewells and will provide water to the surrounding area. So it's not necessarily an argument against privatization generally, I think this is where we have to get into, not the dichotomy of private versus public, but forms of privatization. This is where regulation and enforcement would come in. So you could have private entities delivering sanitation services and water services like they do, but if they're regulated...

**Balaker:** Do you find a problem with a lack of property rights then? Because you couldn't just dump the waste on a poor person's property, if they have rights to that property.

**Acey:** To some extent that is what's going on. You have people migrating from rural areas into urban areas and becoming the urban poor. Many countries don't have secure land tenure. That becomes

an issue for the larger-scale privatization of the water sector. Who do you provide water to? They can exclude people who don't have secure land tenure on that scale. But on a smaller scale, people who don't have secure land tenure are vulnerable to a lot of things.

**Loukaitou-Sideris:** Charisma brings up a good point that you need to distinguish between the privatization of the provision of services versus the production of services. The provision of services meaning who decides about how they're going to provide it, regulates them, finances them, and subsidizes them. The production, which is much more about the operation, the day to day maintenance, which I think there are different consequences of the one versus the other. I think that some people may have an easier time accepting privatization of the production. If a private company collects your trash, or if a public company...it's not a big difference...but the regulation aspect, however, is more involved. I think a lot of people who may be opposing privatization may have more difficulty with the privatization of the provision.

**Gordon:** Well, we have a lot of half baked privatization where essentially the state is handing over monopoly rights to a crony and then calling it privatization. I want the individuals to have land tenure rights, to have clear property rights, and I want to let them negotiate with whoever is out there. To have it as a top-down negotiation, for example in Mexico, where a single private telecom provider replaces what the government did before,

that's not privatization.

**Haas:** But property rights are great if you have property. We're a city where the majority of the people are tenants. And this is something that's actually causing a great deal of anguish in people's lives as rents rise and as property values rise, people are being pressed to the bottom and it's really hard for them to have a lot of choices.

**Gordon:** Where you have rent controls, you have more people sleeping under the stars than under roofs. In other words, when you take away property rights, bad things happen for poor people.

**Given:** In theory, I agree. If we can roll all the way back and everybody starts the monopoly game with the same chips then we could see how things go and start all over, but what do you mean as of today?

**Gordon:** Where are we talking about? Are we talking about here in Los Angeles or are we talking about? For example, eminent domain is used against people who are, to use your words, powerless. If those people controlled their own neighborhood, then they could say, "Mr. Developer, you want to come in? Then we're going to band together and you can buy our property from us, you needn't go through city hall on our terms." And the status quo that involves city hall does not help poor people. And I think that's something I rebel against, that City Hall is on the side of the poor, it's not!

**Morrow:** Well I'm not convinced that neighborhoods would hold that much power over developers. To give an illustration -- look at Toronto, which was the first regional government in North America in 1951. By the mid-70s, the city had reached its boundaries. They had to decide whether to expand or create multiple governments. They choose the latter - creating five entities that over the next twenty years competed with each other for the same jobs and housing developments. It was a race to the bottom. So when you suggest that South Central can negotiate with the developer, I'm skeptical. I suspect you would get a situation like in Toronto, where whichever entity threw up the least barriers or provided the most incentives -- free land, no property taxes, etc -- would attract the most. You end up with the lowest quality of housing and development. So competition has both a positive and negative side.

**Loukaitou-Sideris:** Or the other thing that often happens, which also happened in the City of Industry, is that municipalities are so strapped for cash that they would much rather have commercial developments, the big boxes, which is fine, but they don't want housing ...so there is this push outside of the border. If everybody does this then...

**Haas:** Obviously we come from different perspectives, and we think differently which is obviously why we're sitting here, but I wanted to go back to what John and I were talking about, where he was bringing it back to values. I do think that a lot of these discussions, if you're coming from totally

different values, then you're going to have totally different conclusions and totally different things... but I also think that I'm hearing certain kinds of values that if you put them together, that perhaps we could reinvent this discussion of privatization. For me, I have a bug about inclusion and equity. As long as your solution - call it what you want -- has this in it, it will work for me.

**Balaker:** That's a good point. Because maybe that's what we're not addressing head on. I don't think it's a distinction of public versus private anymore. Privatization is more of a spectrum of choices than one or the other. So you can have something where you can use the innovation and the creativity of the private sector, but you can still have the public sector say, these are the guidelines, you must meet these guidelines, so if you have a hospital, you must serve everybody.

**Gordon:** Well I don't know about that. Talk about inequity. The worst inequity that we have in Los Angeles in my view is that we condemn the poorest people to the worst schools. If there was going to be an economic remedy or a social remedy, we would not shovel the poorest people into the worst schools where they get education and diplomas and training that makes them worthless for life. So why is there the notion at all that the powers that be, the centralization that be, the public service that be, does any good at all? What I want to do is to purge the romantic notion that the top down status quo does *anything* for the poor. I want to get rid of the idea that there is some kind of equity--efficiency

trade off because we have lots of both.

**Given:** Again, my question is how to strengthen our shared sense of well being. If the tax burden shifts from the top to the middle and if government services are only for one class of people, there is the risk that others will divest and we end up with three groups who are not working along the same political continuum. For example, after the Northridge earthquake, FEMA made money available to everyone. Sometimes it was disgusting that people with many resources got money. But if the government wasn't working for everybody, then it would only be working for a few and the others wouldn't support it. I sort of rationalized, well I could get the money, everybody could take a little money, and you could say, well really, I don't have to. But if it's only for somebody else and not for me, then why should I support it? So that's sort of this great concept of the middle class, as long as everybody is able to partake in the middle class in some way, the system works. When we become separate classes of people, the system, whether it's public or private, whether it's privatization or not, ain't gonna work. I think that's the scary thing about what's happened in this country and it's scary because it isn't about people being able to come out of the classification that we've gotten into. Because it doesn't matter...you're not going to be able to redistribute resources unless everybody realizes that we're going to have to figure out a way to come up with a better distribution of resources before we just cut ourselves off.

**Gordon:** But the New Deal and Great Society programs have *not* redistributed resources.

**Given:** Well there's been an acceleration of concentrations of wealth...

**Gordon:** No there's not. You see, if we take the immigrants out of the picture, what's the distribution now in LA County over 20 years ago? Once I take out the immigrants, and I look at what's the distribution today versus yesterday, it's a different picture. The most important aspect in my view, is what are the odds that you move up? Most immigrants, given enough time, move up. If I take the lowest quintile, most people gradually get out of the lowest quintile. The bottom five percent do not. The problem is the people who are stuck year after year after year in the lowest quintile. That's five percent. And when we have a system which goes back, you can call it regionalism, you can call it turtle soup, where we say that, you know, LAUSD [editors note: Los Angeles United School District] or the state or whatever it is ought to maintain the custodianship of these people, and we condemn the poorest people to the worst schools, there is no hope of *any* redistribution. Or any mobility. And that's problem number one. And I think it goes back to, I think that first of all there's a lobby that wins year after year after year, it's the educational establishment. The educational establishment is facilitated by those of us who say that it's gotta be top down, it's gotta be regional, it's gotta be status quo, it's gotta be big. Those things don't work.

**Acey:** If we want to take away the romantic side of the public sector being so pro-poor, we also have to take away the idea that the private sector is always efficient. Because the private sector can also mask inefficiencies and put that in their prices in terms of services...

**Loukaitou-Sideris:** But education is a good point to make in terms of private and public and who benefits. Because if you look into the private high schools, they cost \$35,000. You look into the private universities, they cost \$40-\$45,000. Yeah, granted, they give some scholarships and there are some kids that get scholarships, but if you really look into the percentage of the kids that have these scholarships in the private schools, and who is wealthy in private schools and who is poor, it's very low percentages of poor people in private schools.

**Given:** I find what's difficult is the question that has to be asked is what allows people to participate in the system and not opt of the system. Many government and large private institutions struggle with policies formation and program administration that is reactive to problems that arise at the lowest common denominator, i.e. fixing the bad apples instead of freeing the good. People opt out because it doesn't serve them on both ends. What allows people to participate is if the system serves you. I started as a city planner and worked mostly in public development bureaucracies and have been working in private development for the last nine years. I am struck by how an entrepreneurial organization remains more adaptive. The thing that large organi-

zations, whether they're public or private, do worse is assimilate change and assimilate new ideas. The public sector especially tends to organize complex policy making around issues that are no longer in existence. But the rules are still on the books, and the mentality is still on the books, and the public has been educated to be responsible to and hold others accountable to those old rules that have little efficacy in the face of current realities. This creates barriers to entry for private, community and social enterprise that are as frustrating to those trying to break into the middle class as it is to those that have resources. Now everybody who's coming in trying to do the right thing has to prove that they're doing the right thing in order to get past the rules. This is sort of in the trivia of land use and zoning relative to what you are all talking about. Human nature is such that at all levels of economic circumstance there are people who want to do and be driven to create stuff and organize. They are going to keep finding a way to do it. To the extent that we create systems which are not capable of responding to the creative and enterprising spirit, business and social entrepreneurs in all communities, including the most disadvantaged will opt out.

**Haas:** But part of the underlying problem is public scarcity... I teach people in this graduate school who have never, *ever*, experienced a robust public sector. They don't know what it looks like. They don't know that when I lived in New York, we had immigrants coming up the wazoo and my family was one of them, and the school system func-

tioned, and stuff like that. There was segregation, and the segregated school system in South Central in 1970s, functioned *better* than the segregated school system of today! Now what's really different, is when little baby Gilda was born in 1950, Eisenhower was president, a Republican, a General, who had the highest marginal income tax pegged at 91%. What's the highest marginal income tax now, 35%? I think I pay the same marginal income tax as Bill Gates. Now you're gonna have scarcity when you don't collect money from people who have it! That's just a fact. I mean there's been an 80% percent reduction in federal support of urban programs. So the fact is that the schools are going to hell in a hand basket, the fact is that we waited ten years before we said, "oh my God, are we going to close down the schools," or are going to do something about it.

**Balaker:** We're spending a lot more on education than we used to and we're not getting the results...

**Morrow:** You are spending more, but isn't it really about matching the scale of a given problem with the scale of the solution? The first question is at what scale is a given public good best provided? Then you can decide whether to look to the private sector or not. More money at the wrong scale doesn't necessarily improve outcomes, as education here demonstrates.

**Haas:** But doesn't it matter what you're trying to do? Doesn't it matter upon what the principles of what you're trying to do? So for example, the Ten-

nessee Valley Authority was a large unit that provided electricity to Appalachia, where there wasn't any. And if they'd done it in smaller units, it might not have been possible.

**Acey:** Scale matters when it comes to public infrastructure.

**Given:** At that moment in time the entrepreneurial spirit was at the federal level and there was no infrastructure from which to small private and communal associations could grow. Perhaps, had the infrastructure and Appalachia been set up to distribute equal units of choice among all consumers, there would have evolved a highly diversified energy and water management market in which smaller units would have formed associations to handle issues of scale. The natural conclusion may have been that smaller units will continue to buy up to effectively what the Tennessee Valley Authority ended up being and doing. So I would suggest that centralized or disaggregated service delivery is not an ideological choice but one that needs to match the situation. Both are appropriate, it's just a question of which gets you to the right solution the quickest and it leaves everybody feeling like they got there.

**Loukaitou-Sideris:** I don't think we should say that big is necessarily bad or small is good. There are efficiencies of scale and inefficiencies of scale, and I think things have to be very much contextualized to know what is good and what is bad. I have recently studied planning in France which is much

more centralized and in terms of transit security, they are doing a much better job than what the Americans are doing where the right hand doesn't know what the left hand is doing. Because everything's so decentralized and each transportation authority is doing their own thing so they don't have the same standards, even in an emergency situation. What happened in London as well, it was quite impressive that they even able to have the system running almost immediately. So there are certain things that you can say centralized planning or large organizations may be running more efficiently and other times that, such as we have the L.A. Unified School District, this is not working as efficiently.

**Given:** We have so many things that are being created -- private school systems, private districts like the Grove providing open space and services -- that are replacing systems that have been underinvested. I think there is an inadequacy of choice because of underinvestment in the central public infrastructure, whether that investment occurs privately or publicly. On the other hand, I can tell you, because I've worked through it, there has been a tremendous public investment in the area that stretches from Downtown out to Hollywood. People are following that, there has been a tremendous amount of public enterprise that has followed it, small enterprise, various kinds... The rail system, the public and private deals. And now with schools getting built, it isn't comprehensive enough, but there has been a tremendous amount of concerted investment in that crescent that runs

from Downtown out to Hollywood. It is, from the standpoint of people voting with their feet, you talk to anybody who's in their twenties, who's making their new life in L.A., who's moving in or starting out, most likely they're living, working and socializing somewhere in that crescent... And part of it is lifestyle and culture and the emergence of an appreciation of that kind of diversity. But part of it is that it's working.

**Haas:** But it's working for who? Just so you know what I do for a living is I represent the people who've been pushed out... who've been evicted illegally, who are being pushed out of the bottom in favor of the Pegasuses, but that's because there isn't a public infrastructure for them... But I don't see the twenty year-olds as the enemy, what I see as the enemy is the deconstruction of the public sector, of the stripping away of civil rights and civil society so that there's nothing left but private property. I find that naked...

**Given:** But Gilda, you're going to have to be representing those people that are being pushed around... forever. They're going to continue to be pushed around, and they're going to continue to need to be represented...

**Haas:** But when I started doing this in 1975, there were 10,000 people in Skid Row. And we had solutions, we were going to implement them. Never in my wildest dreams, and it is precisely because of what I'm talking about, that you can count 100,000 people there. This phenomenon is occurring where



you can have... and if I weren't so morally offended, I would find it intellectually fascinating .... such stagnant wages together with phenomenal increases in real estate values. Now how does that work?

**Morrow:** Certainly, there are no easy answers to these questions. We've had a good exchange here today, hopefully the first of many that try to understand the dynamic behind what we've been calling, for the lack of a better term, the "privatization of cities". As Anastasia pointed out, political ideology is obviously a factor. As Ted pointed out, we are trying to squeeze more value for money spent and looking for more ways to do that. As Gilda rightly mentioned, public sector scarcity plays a role, as a result of choices we make as to appropriate levels of taxation. Charisma's experience with African development suggests that we need to move beyond simple either/or debates. Peter rightly points out that the public sector isn't always on the side of the poor. And Gilda has shown us that as the public sector recedes, we are counting more and more on the market to provide essential services. More often than not, that's not happening, which leads to the polarities that she sees everyday at SAJE. I'm glad we talked about values, because it often gets left out of debates such as this. It is clear, we need equity and efficiency - perhaps we need efficiency to ensure equity and vice versa. Hopefully, we've shed some light on some the issues here today and we can come away with a better understanding of opposing positions. Thanks to everyone for a lively conversation.



# Reducing Non-Point Source Pollution Through Low Impact Development in Los Angeles

**Adina Ringler**

Degraded water quality threatens people's health, damages local environments, and poses complex problems to federal and state agencies that monitor and manage the nation's water resources. Water pollution can be grouped into two categories: point and non-point source pollution. Point-source pollution enters water resources directly through a pipe, ditch, or other conveyance. Industrial and municipal discharges fall into this category. Non-point source pollution enters water diffusely in the form of runoff or leachate from rain or melting snow and is a function of land use. The pollutants of greatest concern in Los Angeles are those that wash off city streets, parking lots, and front lawns into storm drains-- non-point source pollutants. Currently, 50 to 80% of all water quality problems in California are the result of polluted runoff, making non-point source pollution one of the nation's most serious natural resource problems (Mayer 1998).

Although programs exist within the Clean Water Act to assist states with pollution abatement, they have not successfully addressed the problem of non-point source pollution. Public concern over the degradation of water resources has led to a number of Federal, State, and local policies and programs aimed to protect and improve water quality. One such example is Proposition O, which was on the November 2004 Los Angeles ballot. Proposition O provides \$500 million dollars in government bonds to reduce polluted stormwater runoff and prevent toxins, trash, and bacteria from entering Los Angeles' waterways. The goal of this research paper is to create awareness of non-point source pollution, examine the impact of Proposition O, and offer alternative solutions, such as low impact development and green building strategies, to address the problem.

## **Historical Context of Clean Water Regulation**

The Water Quality Act of 1965 was the first major statutory attempt to address the nation's growing water quality problems. The Water Quality Act yielded the development of ambient water quality standards in which states were given flexibility to determine how standards would be met; however, it did

not give concrete authority to force effluent reductions by specific polluters. With the passage of the Federal Water Pollution Control Act in 1972, a uniform treatment for pollution output was established, known as the National Pollutant Discharge Elimination System (NPDES). National ambient standards for water quality were set with the goal to achieve "fishable and swim-able" surface water by 1983 and receive "zero pollution discharge" by 1985 (Andrews 1999: 236). These federal goals were politically popular as symbolic commitments, but were widely ridiculed as unrealistic and achieved minimal changes in industry practices.

Growing public awareness and concern for controlling water pollution led the federal government to play a larger role in pollution abatement. Amended in 1977, the Clean Water Act established the basic structure for regulating pollutant discharges and gave the Environmental Protection Agency (EPA) authority to implement pollution control programs. The Clean Water Act made it unlawful for any person to discharge pollutants from a point source into navigable waters unless a permit was obtained under its provisions (Andrews 1999). By the 1990s, the federal grants program had provided billions of dollars for municipal facilities and pollution control. However, during the Reagan administration, federal funding was revoked and local governments were forced to address water pollution without federal assistance. In 1998, President Clinton tried to increase the role of the federal government by launching a new Clean Water Action Plan to help state and local governments deal

with the problem of non-point source pollution. However in 2000, the Bush administration canceled these regulations and eased Clinton-era rules for protecting wetlands. Whether the Bush administration will create policy initiatives to reduce runoff of land-based pollutants remains to be seen (Vig et al. 2006).

### **How Does Non-Point Source Pollution Affect LA's Water?**

Non-point source pollution continues to frustrate the Clean Water Act's promise of restoring and maintaining the integrity of our nation's waterways. It is necessary to understand the origins of non-point source pollution before considering how to mitigate the problem. In natural settings, the majority of precipitation infiltrates into the ground, while a small portion runs off the surface into receiving waters. As areas are constructed and urbanized, surface permeability is reduced, resulting in increased stormwater runoff volumes that are transported via urban infrastructure, such as gutters, pipes, and sewers, to receiving waters (U.S. Greenbuilding Council: 2003). The amount of stormwater generated from a site depends on the impervious surface area. There are three characteristics that distinguish non-point source pollution from point source pollution. The first characteristic is the indirect means in which pollutants are transported to larger bodies of water. Indirect modes of transport are difficult to analyze in contrast to the end of pipe waste discharges characterized by point

source pollution. A second characteristic of non-point source pollution is that it is intermittent in both time and space. The variability associated with intermittent behavior makes non-point source pollution difficult to quantify and manage. The third basic attribute is that the pollution originates in a diffuse manner from a large and broad landscape. Thus, it is difficult to couple causal relationships with substantial volumes of water and associated pollutants that are generated across entire watersheds (Ribaud et al. 1999).

In Los Angeles, stormwater runoff caused by rain, irrigation and other water sources, carries trash and dangerous bacteria from our streets directly into rivers, oceans, and beaches

through the city's storm drains-- without treatment. Common substances in stormwater runoff include pesticides, herbicides, paint products, pet waste, detergents, motor oil, and trash. Considered separately, each pollutant is small, even inconsequential, but collectively these toxins can cause serious damage. Oil and gas spilled on streets, pesticides from gardens and lawns, polychlorinated biphenyls (PCBs), and dioxin buried in soil at thousands of small, contaminated sites all flow downhill with the winter rains, ending up in estuaries and finally the ocean (Fulton 1999). Table 1 contains a list of major categories of non-point source pollutants and their probable sources (Bocking 2002).

Stormwater pollutants threaten public

Table 1: Urban Pollutants and their Sources

Pollutant Category	Probable Sources
Nutrients	<ul style="list-style-type: none"> <li>• Atmospheric deposition and washout</li> <li>• Septic system effluent through groundwater or system overflows</li> <li>• Lawn fertilization</li> </ul>
Pathogens	<ul style="list-style-type: none"> <li>• Urban wildlife and domestic pets</li> <li>• Wastewater discharges</li> </ul>
Sediment	<ul style="list-style-type: none"> <li>• Channel erosion from increased storm water runoff due to impervious surfaces</li> <li>• Exposed soils at construction sites</li> <li>• Urban runoff (e.g. tire wear from city streets)</li> </ul>
Industrial Chemicals and Pesticides	<ul style="list-style-type: none"> <li>• Intermittent pulse exposures, often weather-related</li> <li>• Runoff and groundwater contamination from land-based sources, including waste disposal sites</li> </ul>

Source: Author

health, litter beaches with trash, and adversely impact beach-based economies. The contaminants have a range of adverse effects on human health including immune deficiencies, reproductive difficulties and skin ailments. The City of Los Angeles advises people to stay out of the ocean for 72 hours after rainstorms because of health impacts (Hecht 2004). According to *Heal the Bay* beach report cards in 2004, more than 10,000 tons of trash washed up on beaches that year-- from cigarette butts to syringes (Heal the Bay 2005). Stormwater pollution is not only harmful to humans, but also it is detrimental to marine life and is tied to an increasing number of sea otter and marine mammal deaths. Furthermore, conveyance and treatment of stormwater volumes requires significant municipal infrastructure and maintenance.

### **Local Action-- Proposition O in Los Angeles**

The placement of Proposition O on the November 2, 2004 Los Angeles ballot marked a major step forward for addressing urban runoff on a local level. Local efforts to reduce non-point source pollution began in 1999 when Heal the Bay, along with the Natural Resources Defense Council and the Santa Monica Baykeepers, successfully sued the EPA, requiring it and the Los Angeles Regional Water Quality Control Board to develop enforceable clean-up plans for 155 polluted water bodies in Los Angeles and Ventura Counties by 2011. This lawsuit resulted in the development of legally-bind-

ing plans to further clean up the region's impaired waterways. In 2001, the Los Angeles Regional Water Quality Control Board issued a new countywide permit that required local governments to take stronger action to ensure that stormwater from their communities would be clean (Hecht 2004). As a result of this decision, the EPA and Regional Board developed Total Daily Maximum Loads (TDML's) that limit the amount of a specific pollutant that can enter a waterway.

Endorsed by the City Council and Mayor Hahn, Proposition O passed with 76% of the votes. Projects funded by Proposition O are designed to address the regulatory requirements of the federal Clean Water Act and are slated to clean up polluted stormwater and reduce dangerous bacteria in the city's rivers, lakes, beaches, bay, and ocean. The measure will also contribute to improvements that protect groundwater quality, provide flood control, and increase water conservation, habitat protection and open space. Federal mandates issued in 1999 established that over 60 water quality regulations would be adopted over the subsequent 13 years (Heal the Bay 2005). Proposition O provides a funding mechanism to achieve these federal mandates. The regulations adopted require the city to implement a water quality work plan to:

1. Remove Trash from the Los Angeles River and Ballona Creek by constructing and installing catch basin inserts/screens to capture and prevent

trash from entering the Los Angeles River and Ballona Creek.

2. Reduce Bacteria and Water Toxins in Santa Monica Bay, Marina Del Rey, Harbor and Cabrillo Beach by installing storm water runoff diversion structures that redirect flows from the streets to the sewer system for cleansing and treatment based on available sewer capacity. Filtering storm water before it enters the ocean will help reduce bacteria and water toxin in Los Angeles' beaches.

3. Address harmful bacteria and water toxic regulations by the capture, clean-up and beneficial re-use of storm water. These projects will include the following:

- a) Construction and purchase of land for basins and structures throughout the city to capture, retain and treat polluted storm water and to beneficially reuse the water for irrigation in open space and parks;
- b) Development of greenbelt areas to help treat and conserve storm water that, along with filtering elements, will reduce water toxics that enter the groundwater, Los Angeles River, Ballona Creek and ocean;
- c) Development and purchase of land to create water-cleansing landscapes and parkways along and surrounding the Los Angeles River and Ballona Creek to reduce storm water pollution through natural filtration and treatment;
- d) Institution of a comprehensive set of controls and a strong management structure, including an Administrative Oversight Committee and a Citizens Oversight Advisory Committee to ensure that all elements of the program are delivered on time and on budget (Heal the Bay 2005).

## **Taking Action—How Should the Funds be Used?**

Language on Proposition O's ballot focuses on mitigation for cleaning up pollution as an "end of pipe" approach. It is important to evaluate the effectiveness of this method and allocate appropriate funds for both prevention and mitigation. Proposition O addresses the problems associated with non-point source pollution by using appropriate technology for cleanup. Funds from Proposition O are slated to benefit neighborhoods in Los Angeles by upgrading storm drain systems, eliminating flooding at key intersections, creating new community parks, and improving overall water quality. However, many questions linger regarding who will receive the money and how the money will be used. It is necessary to have a system of checks and balances to ensure that conservation and clean up efforts are effective. Long term monitoring is necessary to document water quality improvements in key sites such as Ballona Creek. While immediate clean-up is essential to improve Los Angeles' most impaired waterways, a long term approach is necessary to lessen the amount of pollution generated in urban areas. In the second half of this case study, I will discuss several planning and policy related options that attempt to address the problem of urban runoff at its source.

## **Understanding How Polluted Runoff is Generated: Impacts of Suburban Development**

Suburban sprawl is defined as low density, automobile dependent development beyond the edge of service and employment areas (Hall 2002: 303-305). The suburban out-migration, which began in the nineteenth century with commuter trains and streetcars, accelerated after cars became more available and convenient. The growth of the edge or outer city since the 1970s reflected Americans' continued preference for space-intensive single-family houses surrounded by lawns, private automobiles and greenfield development. Suburban sprawl is also due to a whole set of incentives that have made this form of housing the predominant model-- including federal mortgage deductions that favor more expensive houses, the freeway system, the low cost of gasoline, free parking, and better financing packages for single family developments.

Some of the most pervasive effects of suburban development are on water quality, as natural landscapes are replaced with pavement and other impervious surfaces. Within a watershed, as natural surfaces are paved and developed, less rainfall percolates into the ground and more water flows directly into water systems from streets and storm drains. Paved surfaces and rooftops create a level of imperviousness of 40 to 80% in urban areas (Mayer 1998). As little as 10% impervious cover can substantially affect the amount of rainfall that filters into the soil, causing reduced groundwater

recharge, increased flooding and bank erosion, and diminished stream stability. Such surfaces interrupt the hydrologic cycle and degrade the chemical profile of the water that flows through streams (Bocking 2002). As a result, less runoff soaks into the ground, natural filtering systems are eliminated, and streams and rivers rise quicker and flow faster. In the Santa Monica Bay watershed, for instance, 26% of the land is comprised of single-family homes. Those neighborhoods are the largest contributors of nitrogen, phosphorus, copper, and zinc pollution, an expected finding given that residential neighborhoods comprise such a large part of most cities (Mayer 1998).

Non-point source pollution generates what are called "time varying discharges." As the term suggests, these discharges have an episodic, unpredictable nature. Researchers in California, where rain is seasonal and sporadic, have found that the first rains after a long, dry spell produce heavily polluted runoff. This occurrence is known as the "first flush." Scientists cannot ignore or average these spikes since they have disproportionately significant impacts on environmental quality. Time varying discharges introduce uncertainty into ambient and source-specific monitoring protocols and increase the importance of continuous, rather than random, monitoring (Bocking 2002).



## How Can Urban Planning Help to Reduce Non-Point Source Pollution?

Non-point source pollution from suburban areas poses unique challenges for urban planners since there are countless sources that cannot be eliminated or cured through a "magic bullet." As I previously discussed, non-point source pollution is rooted in the expansion of low-density suburban areas, much of which consist of impervious surfaces and lawns. Managerial and technological strategies can be used to ameliorate certain aspects of suburban non-point source pollution. To assist local governments in their efforts to develop more effective stormwater management programs, an innovative approach to stormwater management, referred to as *Low-Impact Development (LID)*, has been developed. LID uses techniques that reduce the impact of development through the use of systems that retain, detain, filter, treat, use, and reduce storm water runoff. The primary goals of LID design are to reduce runoff volume through infiltration, retention, and evaporation, and to find beneficial uses for water rather than exporting it as a waste product down storm sewers. LID practices can be applied to all elements of the urban environment, turning parking lot islands, street medians, planter boxes, and landscaped areas near buildings into specialized storm water treatment systems (Liaw et al. 2000). Retention basins, used to collect runoff from areas of redevelopment or new construction sites, are already required in many cities. Innovative designs for urban areas

may include roof gardens, methods for capturing and re-using rainwater, and permeable pavement in low-traffic areas, parking areas, and walking paths. LID's source control techniques are an economical, commonsense approach that can be used to better manage new development or retrofit existing development.

Private developers may facilitate the creation of eco-friendly buildings that reduce non-point source pollution. Rainwater harvesting is one approach that is being implemented by environmentally-conscious landscape architects and designers to capture precipitation for postponed use. Figure 1A depicts a landscape in which a typical suburban dwelling allows rainwater to flow directly into storm drains and produces large amounts of stormwater runoff. Figure 1B contrasts this model by showing the same dwelling designed to harvest rainwater, which produces significantly less runoff. The process of rainwater harvesting mimics intact and healthy ecosystems, which naturally infiltrate rainwater into the soil. Instead of sealing and dehydrating the landscape with impervious pavement and convex shapes that funnel water into storm drains, as most cities, suburbs, and home landscapes do, harvesting allows rain to follow its natural path towards productivity. Rainwater harvesting from roofs and impervious surfaces can be used for non-potable uses such as sewage conveyance or landscaping and gardening (Lancaster 2006).

Cities are beginning to utilize innovative stormwater management products, such as col-

Figure 1A: A landscape draining resources. Arrows denote run-off.

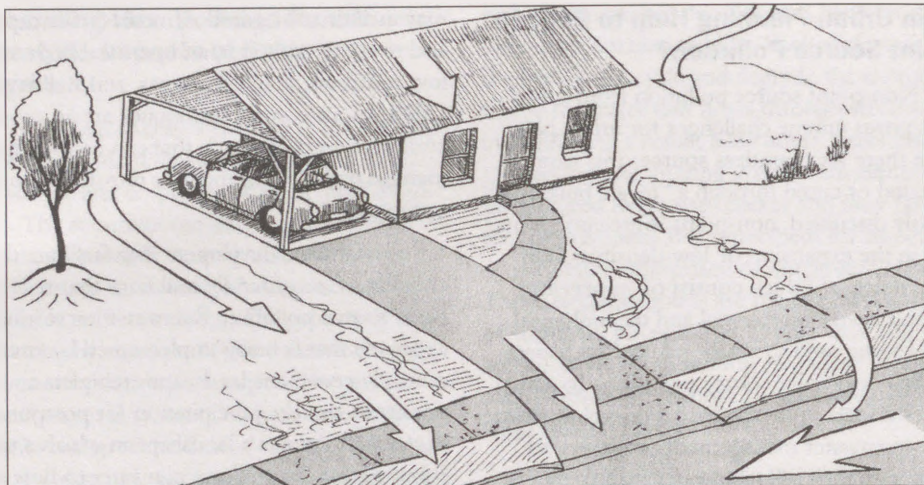
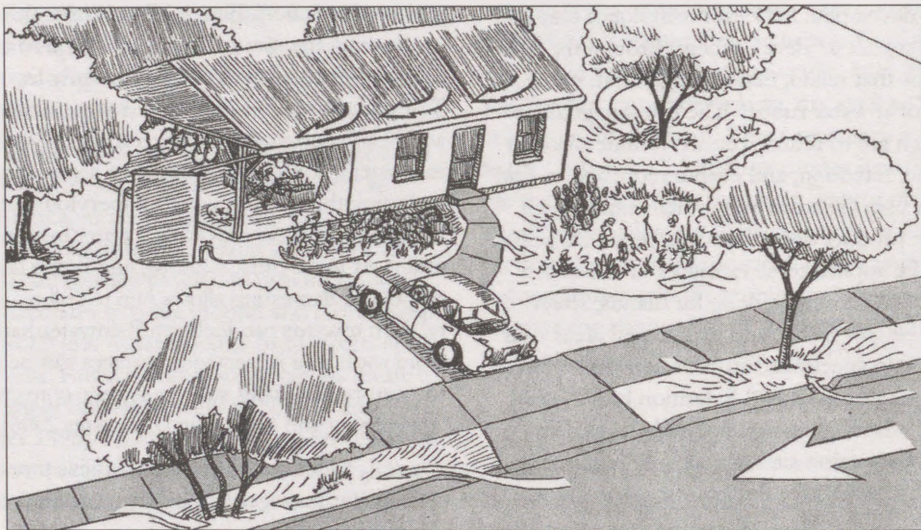


Figure 1B: A landscape harvesting resources. Arrows denote run-off.



Source: Lancaster, Brad. 2005. Rainwater Harvesting for Drylands, Volume 1: Guiding Principles. Tucson, AZ: Rainsource Press, 4.

lection devices and catch basins installed in storm drains, to help in the removal of trash, debris, sediments, oil and grease. Source controls require a shift in structural design. Some examples of source controls include sand filters installed on parking lot storm drains and grassy swales used to slow down, filter, and percolate runoff into the ground. Stormwater retention basins promote groundwater recharge and passively remove pollutants through a combination of filtering, settling, and biological treatment mechanisms. The use of vegetated buffers around parking lots can be used to remove runoff pollutants such as oil and grit (Liaw et al. 2000). New suppliers of environmentally-beneficial pavement systems have designed permeable pavements that reduce runoff volumes and mitigate pollution impact on surrounding surface waters. Interlocking concrete pavers provide drainage openings in the pavement surface, which allow for rainwater infiltration. These systems utilize biologically-based, innovative stormwater management features for pollutant load reduction.

Living roofs are another example of utilizing green building techniques to help reduce the amount of polluted runoff generated in cities. These systems allow for the propagation of rooftop vegetation while protecting the integrity of the underlying roof and can absorb up to 75% of the rain that falls upon them. Living roofs capture rainwater and return a portion of it back into the atmosphere via evapotranspiration (Dunnett et al. 2004). There are several private consulting firms, such as "Green Roofs for Healthy Cities"

that focus on working alongside municipalities to implement eco-friendly changes. These strategies can help beautify the urban environment and create desirable public open space (Fulton 1999).

## Conclusion

Presently there is growing awareness as well as discontent with the state of the environment and its consequential threats to human health. Although Proposition O is a step in the right direction for addressing the problem of non-point source pollution in Los Angeles, it does not institute any regulatory changes. The private sector has introduced many innovative techniques for addressing non-point source pollution mitigation and prevention, such as living roofs, rainwater harvesting, and the use of permeable surfaces. The public sector is also playing an increasing role in the use of these innovative techniques for controlling non-point source pollution. Collaborations between public and private sectors allow these new techniques to be implemented through regulatory changes. A combination of clean up approaches and urban developmental changes will ensure the long-term health of Los Angeles' waterways.

Low Impact Development can help reduce the amount of polluted runoff our cities generate. The adoption of LID practices requires a basic paradigm shift involving educating interested parties on these new principles and removing regulatory barriers that stand in the way of progress.

Mitigating the problem of non-point source pollution can encourage more innovative forms of urban development. Instead of enforcing minimum parking requirements, planners can rewrite general plans and zoning and subdivision ordinances to require compact development, less parking, public transportation, and use of porous surfaces (Greenbelt Alliance 2000). These measures will transform the city from a sea of impermeable pavement into a porous tree-lined sieve that naturally captures, treats, and reuses rainfall. In addition, local governments can regulate land uses, restrict hazardous waste use and disposal, and require detention basins and open space buffers, which also can help reduce the pollutant load entering storm drain systems. Although the virtues of LID are widely noted, Los Angeles city officials lack the economic and political will to enact these measures.

City residents and policymakers increasingly express concern over the environmental implications of suburban development. These include loss of natural habitats, heavy demands on energy, pollution generated by motor vehicles, and low-density development as a generator of non-point source water pollution. Cities can encourage private developers to implement LID and other green building practices by offering tax breaks, fee waivers, and accelerated approval for green building and LEED certified projects. With city support, innovations from the private sector, and structural changes within new development regimes, there is great potential to drastically reduce the amount of contaminants entering Los Angeles' watershed.

Cities are perhaps the most effective unit of environmental change in today's society, as they are small enough to marshal social cohesion for getting things done yet large enough to be an engine of influence on the wider stage. Rethinking the way we plan our cities is imperative to achieve environmental sustainability and ensure public health as Los Angeles continues to grow.

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## Notes

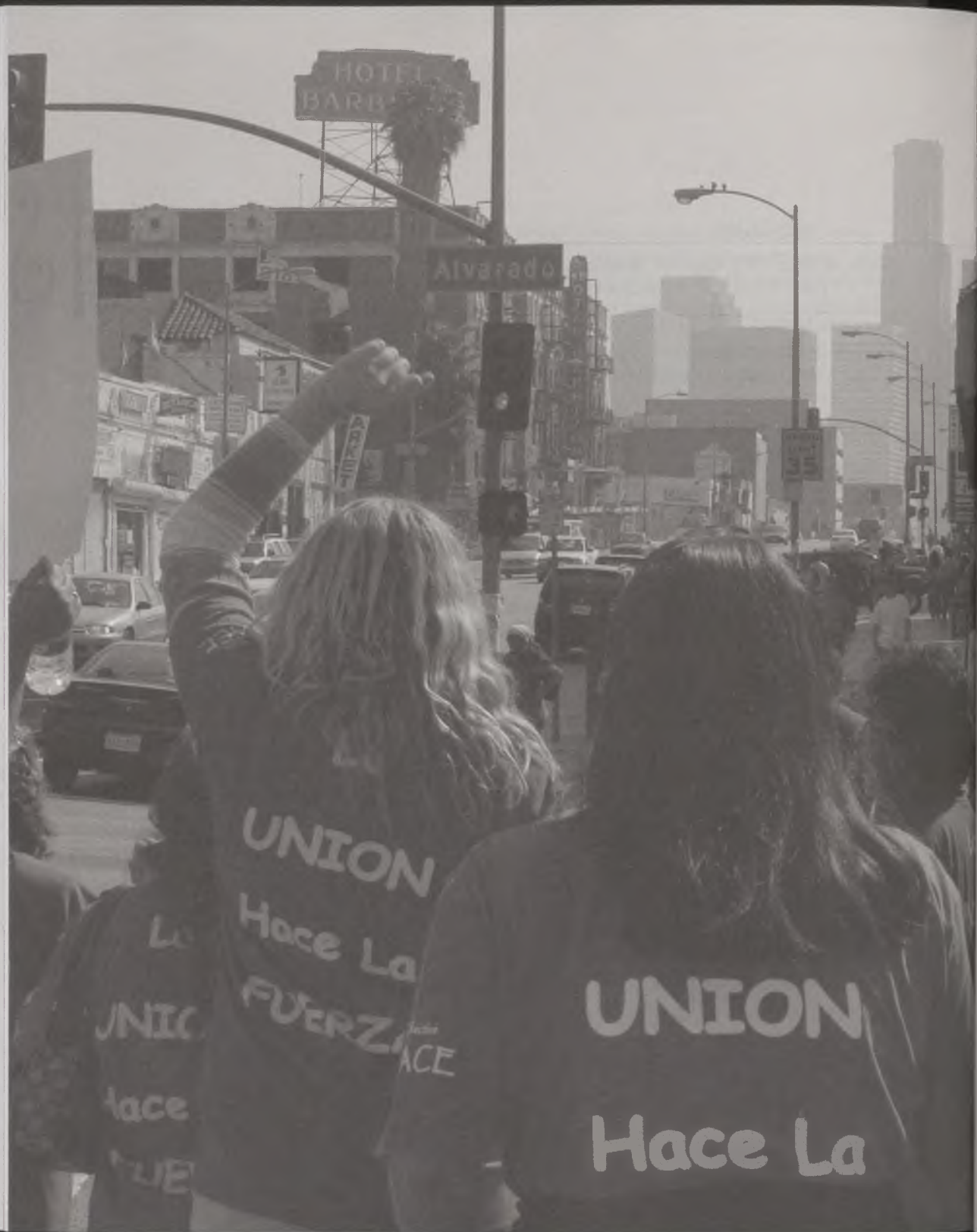
<sup>1</sup> These parkways provide multiple benefits such as controlling storm water runoff and flooding through increasing percolation areas and by creating open space for habitat preservation and recreation.

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# Trouble in Malibu: A Question of NIMBY?

Lily Song

## Introduction

The following presents a case in Malibu, California, where a group of residents counter charges of being “not-in-my-backyard” (NIMBY), contending that their opposition to a local drug rehab facility is more complex in its cause and scope. Although valid, their staple claim that state law enables private rehab programs to proliferate in the area at the community’s expense is insufficient to repudiate NIMBY allegations. In fact, the progression of events and resident statements resemble a classic NIMBY campaign. While the question of whether the statute is fair remains open to interpretation, the success of the opposition movement seems doubtful due to the region’s dire need for drug treatment facilities.

## Zooming In

The City of Malibu is a luxurious, seaside community famous for its sandy beaches and high-profile residents. Bounded by the Pacific Ocean to the south and the Santa Monica Mountains to the north, the city contains some of the most expensive real estate in the nation. In recent years, Malibu’s charm has not only appealed to residents, but also to privately-owned drug treatment programs. Many clinics resemble lavish resort hotels and charge clients over \$30,000 a month. As tabloids feature celebrities and wealthy professionals resolving “personal issues” at these chic spots, twelve new rehabilitation centers opened in Malibu between 2001 and 2004 (Groves 2004). While Los Angeles County has one licensed residential drug treatment program for 58,100 people, Malibu has one for every 810 residents (Groves 2004).

Chris Prentiss, a former real estate broker and developer, founded the Passages Residential Drug Rehabilitation Center of Malibu. Located in a 16,000 square-foot home, Passages features exquisitely furnished bedrooms, shiatsu massage services, and menu items such as *salada grassielle* (Simon 2004). The facility’s location in a quiet, residential neighborhood both contributes to its popularity and ignites community controversy. Prentiss advertises that Malibu, with its “healing area,” is the ideal place for substance abuse treatment and contends that people recover faster in neighborhood facilities. On the other hand, a local coalition called the California Alliance for Residential Ethics (CARE), led by Malibu resident Beth Dorn, asserts that drug treatment centers have no place in residential areas. Some claim that after Passages’ arrival in the gated community, delivery trucks and an increased number of cars have congested its previously quiet streets and diverted prospective homebuyers. In contrast, Prentiss asserts that home values in the area may rise due to the center’s celebrity clientele (KABC-TV 2001).

## Zooming Out

As speculators increasingly convert homes in California coastal communities into rehab clinics, Malibu stands at the front of a trend (Gucione 2001). The mantra, "if you build it, they will come," is precise in this instance. Treatment facilities are needed now more than ever: of over 16 million Americans who needed treatment for drug or alcohol addiction in 2001, less than one in five gained access, partly due to the limited number of options (Substance Abuse and Mental Health Services Administration 2002). On any given day, over 15,000 Californians are waitlisted for treatment services. In Ventura County, youth services are so scarce that teens released from jail have virtually no access to treatment (Groves 2004; MacGregor 1998). Given a demand that so overwhelmingly exceeds supply, drug treatment has become a lucrative business with a potential market estimated at \$12 billion (Ackerman 2006).

Passages represents the high-end of a drug treatment spectrum that is increasingly comprised of private sector administrators, as the federal government has shifted the focus of its drug policy from treatment to enforcement in the face of growing drug criminalization. During the Nixon era, the federal government allocated over two-thirds of their anti-drug budget to treatment, actively supporting methadone clinics through the Special Action Office for Drug Abuse Prevention (SAODAP) (Massing 1998). However, today the government's role in drug treatment, outside of

detention and medical facilities, is largely reduced to subsidizing rehab efforts by non-governmental organizations. While some public-private partnerships are highly successful, many are forced to compromise the quality of their services, given the difficulty of obtaining adequate funding on a regular basis and receiving sufficient payment from clients, who often are experiencing financial hardship.<sup>1</sup> In contrast, boutique rehabs like Passages are able to deliver effective treatment without relying on government subsidies, because they restrict their services to an affluent clientele, a decision that affords them abundant resources (Kuhn 2004).

Although smaller residential rehab centers first appeared in the 1940s, they burgeoned in 1979 after the passage of a state law prohibiting cities from imposing zoning restrictions on facilities with six or fewer beds (Groves 2004). According to Section 11834.23 of the California Health and Safety Code, a single-family home in a residential area that is purchased and converted into a treatment facility with fewer than six beds is still a "residential use of property" and consequently is exempted from local zoning variances, conditional use permits, or other regulations. In the absence of a public hearing, local residents lose their voice in the official siting process, and boutique rehabs are able to open for business with only a license from the Department of Alcohol and Drug Program. The legislation, originally intended to help rehab centers get off the ground, has resulted in an over-concentration of facilities in Malibu, provoking resident contestation.



## NIMBY?

Malibu residents opposing the proliferation of boutique rehabs in their community have been accused of being NIMBYs, a pejorative acronym attached to those who acknowledge the need for certain types of development while simultaneously resisting its siting in their immediate vicinity. NIMBY arguments typically include concerns about public safety, increased traffic, decreased property values, environment degradation, public resources strain, and sullied qualities of life. They particularly arise in cases related to the construction of infrastructure such as power plants, landfills, and major roads as well as the siting of human service facilities related to homelessness, mental health, and substance abuse.

As NIMBY carries elitist and parochial connotations, NIMBYists tend to refute these allegations, pointing to the uniqueness of their case. In contesting this label, CARE members claim that residents do not oppose treatment facilities; instead they want other communities to support their "fair share." Also, they explain that resident opposition stems not only from perceived facility costs, but also from a broader objection to systemic inefficiencies and abuses in the California statute.

## Proceedings

Beginning 2000, Malibu residents testified at city council meetings about the increased presence of drug rehab centers in their community. However, when local officials, led by Mayor

Ken Kearsley, attempted to address the issue, they were blocked by the state law. The subsequent year, after Chris Prentiss converted a mansion on Meadow Court into the Passages Residential Drug Rehabilitation Center, Louis Diblosi Jr. and other neighbors filed for a temporary restraining order on the grounds that Prentiss was violating an anti-commercial covenant in the property's deed. In response, Prentiss reduced the number of patients he planned to treat to six and received protection from the 1979 law. Subsequently, Los Angeles County Superior Court Judge Alan B. Haber denied the homeowners' request, and Passages opened for business in August 2001 (Guccione 2001).

When Diblosi and other neighbors brought Prentiss to court in 2001, the media followed. In an interview with *The Los Angeles Times*, homeowner Joseph McCoy stated his concern for public safety: "People being rehabilitated for drugs are dangerous people... what happens if one of them gets out and goes berserk?" (Guccione 2001: B1). Likewise, Diblosi stated that he would no longer allow his children to ride their scooters in the streets once the drug treatment facility opened. While some homeowners expressed fear that property values may decline, resident Amy Powell maintained that she supported rehabs but not in her neighborhood and further articulated that "she would like to see one of the workers have a home next to them" (KTTV 2001; McDermann 2001).

When their courtroom effort was defeated, Malibu residents along with civic leaders

established Residential Integrity and Peace (RIP), a committee with the objectives of lobbying the state legislature to overturn the 1979 law and giving control over zoning residential drug treatment centers back to local governments (Simon 2004). As local efforts based on the grounds of Passages' environmental impacts proved fruitless, residents preceded with judicial measures, finally resorting to actions aimed at correcting systemic injustice when all else failed. During a January 2004 interview with *The Malibu Times*, RIP chairperson Beth Dorn stated, "I've spoken to people who've seen needles and condoms and drug dealing on the street by the other rehabs" (Kuhn 2004). Later, in a May 2004 article in *The LA Times*, she attributed being "run off the road" several times by unrecognizable drivers to the presence of boutique rehab centers and acknowledged her "fear that home prices will plummet if would-be buyers get turned off by the prospect of living amid so many 12-step adherents" (Groves 2004: A1). Shortly afterwards, RIP expanded its membership to encompass those suffering similar predicaments across the state and changed its name to the California Alliance for Residential Ethics (CARE) to account for the broader orientation (Dorn 2005). Unfortunately for CARE, growing disorganization has accompanied the group's increase in membership, which has resulted in inactivity.

## NIMBY!

Malibu residents adamantly reject designation as NIMBY, but the question remains as to how their situation really differs. The state mandated zoning preemption for drug abuse recovery centers serving six or fewer people functions as the basis of their contestation. Residents reason that theirs is not a NIMBY case because their opposition stems not just from perceived costs associated with the intended site use but also from a conviction to overturn a state law that over-burdens places like Malibu with too many drug rehabs and benefits profit hungry program administrators. While it may be true that the residents are sincerely dedicated to legislative change, such a fact becomes irrelevant given their course of action. The residential opposition movement can be organized into two phases. During the first phase individuals acted in response to Passages' local impacts, while in the second phase they organized efforts (through RIP and CARE) to correct systemic injustices. Only when their efforts at lobbying city council and securing the injunction failed did the residents decide to seek legislative reform. The residents claim to have surpassed NIMBY in organizing for broader, systemic change, but it is doubtful whether their contestation would endure if the facilities were not located in their own back yard.

The residents' public statements also brim with NIMBY overtones. During interviews with the media in both phases of action, the oppositional movement refused the NIMBY label but simulta-

neously made implicating arguments. In 2001, residents Joseph McCoy and Louis Diblosi questioned public safety, while Amy Powell blatantly stated that she supported rehabs but not in her neighborhood. Amidst her 2004 organizing efforts, Beth Dorn associated Malibu rehab centers with increased traffic and diminished property values. Within the same interview, she steadfastly denied that her stance was NIMBY, even though it resonated with its usual charges. Contrary to residents' self-depictions, their campaign closely resembles NIMBY behavior in regards to both its course of action and members' reasoning.

## Conclusion

Although it is clear that Malibu residents are acting from NIMBY concerns, the question of whether the statute is fair or essential rests open to interpretation. The sufferings of Malibu residents are as real and as consequential as the dire need for regional alcohol and drug treatment centers. The California statute overrides local zoning and, in the worst cases, serves the interests of profiteers while victimizing residents. At the same time, by limiting operation size to six beds or fewer, it facilitates a vital service with minimal neighborhood impact.

Still, rather than weighing and prioritizing, perhaps what the present circumstance requires is a change in perspective. Having focused on the actions and motives of Malibu residents through the bulk of this paper, I will momentarily dwell on a statement made by Chris Prentiss to expand on my last point. Despite its function as a justification for his handsome profits, his assertion that people

recover faster in neighborhood facilities may prove valuable, judging from the success of his rehab center. Instead of ending as a lesson of NIMBY, perhaps this story can begin a dialogue on community-based treatment so that we can start to embrace our drug dependents within our communities and help them to heal among us rather than expel and criminalize them, which is what got us here in the first place.

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## Notes

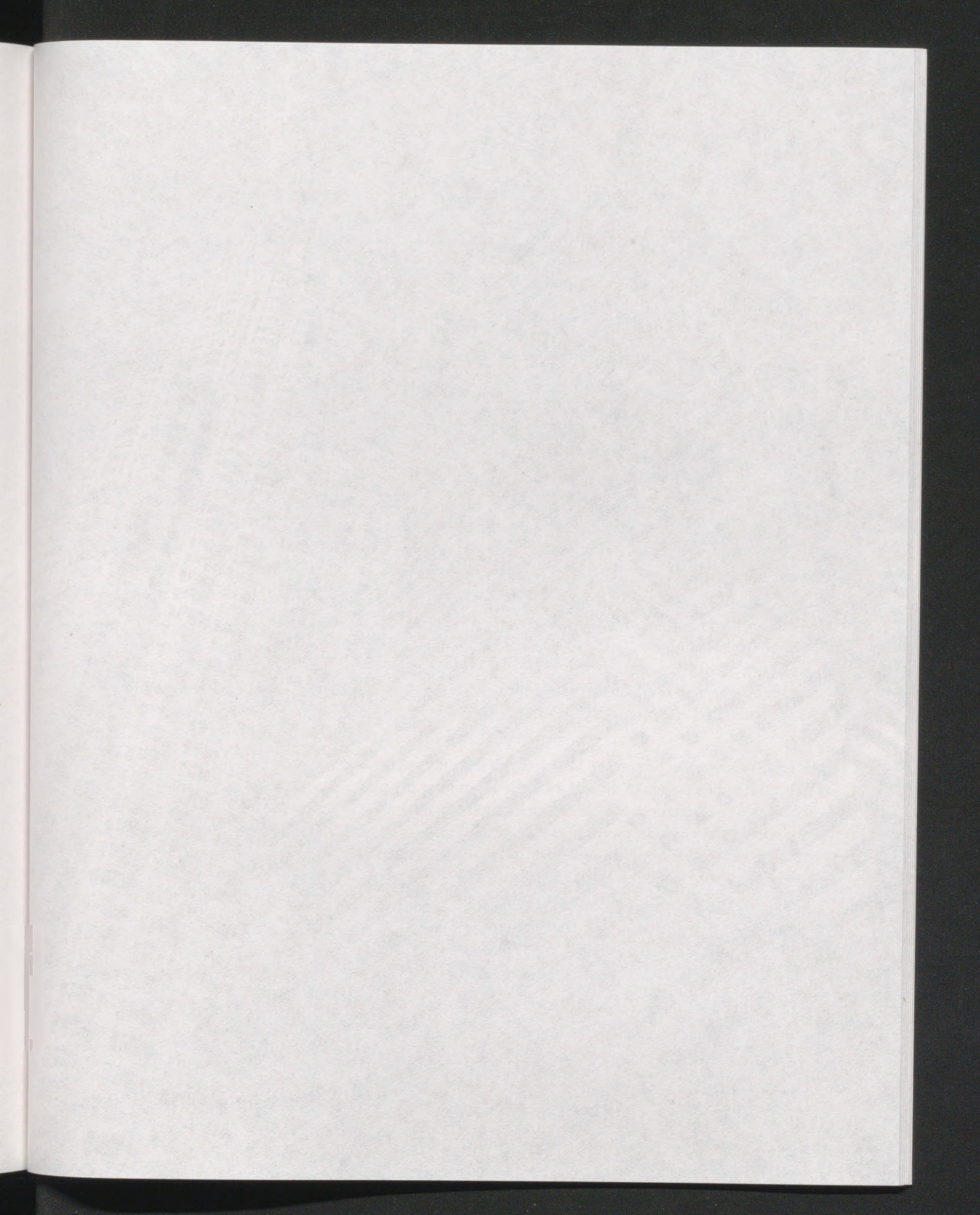
<sup>1</sup> Many treatment centers charge for their services using a sliding scale, since most private health insurers do not cover drug treatment, and clients vary as to how much they can pay for treatment. Certain clients are partially covered under Medi-Cal and others, through Proposition 36 monies, while some must pay for treatment out of pocket but lack the means.

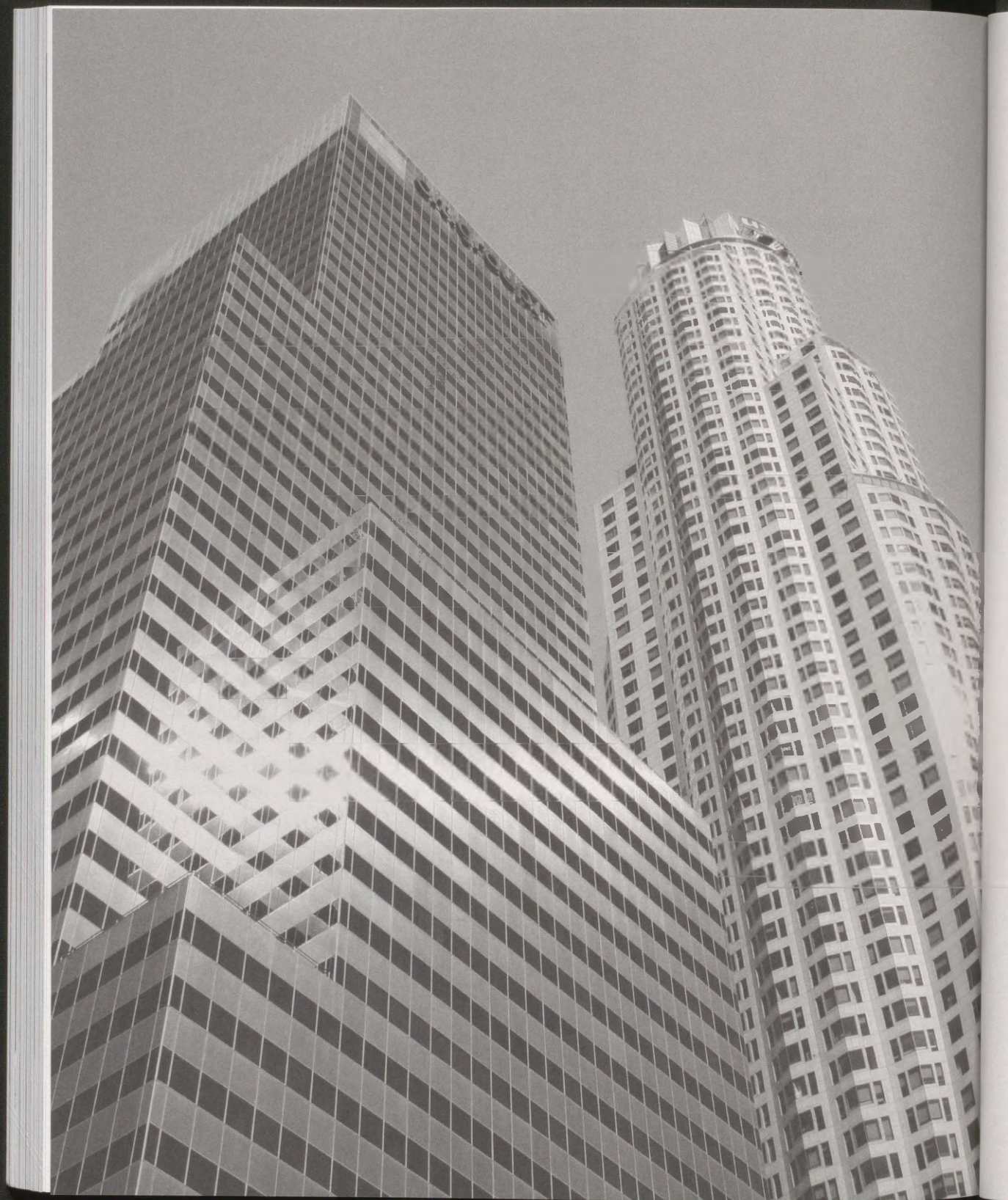
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## BOOK REVIEW

# Privatization in the City: Successes, Failures, Lessons

**Amber Hawkes**

E.S. Savas. *Privatization in the City: Successes, Failures, Lessons*.  
Washington, DC: CQ Press, 2005. 335pp. ISBN 1568029578.

Although E.S. Savas' new book focuses on privatization initiatives in New York, it includes data from a myriad of other U.S. cities. Having written over 140 articles and books on the topic, Savas is more than qualified to contribute this text. He is a true advocate of privatization, having espoused its merits as first Deputy City Administrator of New York and later as Assistant Secretary in the U.S. Department of Housing and Urban Development during the Reagan administration.

The book's main assumption is that privatization, when properly executed, can help governments reduce costs, increase revenues, provide better and more responsive services, and run more effectively. He contends that as the arena of 'public' services becomes more competitive, public and private providers will presumably adopt efficient policies, pursue best practices, and innovate to remain viable. Savas explores the case of privatization in New York City during the 1990 Giuliani administration to illustrate these arguments (Giuliani wrote the book's Foreword).

After defining privatization, Savas moves from a discussion of successful initiatives in eight large U.S. cities (Indianapolis, Phoenix, and others) to a comprehensive look, both historical and present-day, at privatization in New York. He ends the book with two detailed appendices that summarize New York's eighty-two privatization initiatives in chart form, which jointly compose about a quarter of the book. At the end of the text, Savas presents a comprehensive analysis of the privatization of fleet maintenance in the New York Department of Parks and Recreation. The author's reliance on specific case studies is advantageous, because data on the costs and benefits of specific privatization schemes is scarce.

Savas characterizes privatization as a "new public management," which is catching on with government leaders and academics. It aims to restore civil society, right-size government, and decentralize authority. Savas believes that privatization can help overcome budget deficits, raise standards of service,

restructure outdated and inefficient systems, cripple cronyism, and improve quality of life. He believes that government monopolies are often corrupt and inefficient, tending to operate in the interests of their employees as opposed to the public they are meant to serve.

The author's idea that competition is key (rather than privatization, *per se*) is somewhat lost as he focuses on how municipalities can overcome the obstacles that prevent them from privatizing city maintenance, libraries, prisons, and schools. Savas asserts that cities must confront a lack of "political will" before they can privatize these services. In other words, they have to overcome unions, city council members, and community leaders, who tend to oppose privatization and rest somewhere on the left of the political spectrum. According to Savas, many of Giuliani's privatization initiatives in New York were successful because they overcame resistance while remaining accountable to the public, often through an open and transparent procurement, evaluation, and review process for bids or proposal requests.

In his conclusion, Savas calls Giuliani "part Hercules, part Sisyphus," for having accomplished much in the privatization arena but perhaps not quite enough. Savas calls for the establishment of additional competitive markets for prisons, hospitals, schools, city-owned land, buses and other services. Ending with a quote from Ronald Reagan, he persuades governments to seek new ways to improve their performance.

The book presents an original and dynamic description of privatization in New York. It is replete with detailed anecdotes due to Savas' extensive knowledge on the topic and close work with Mayor Giuliani. Savas is forthcoming about his professional ties, his political leanings, and the lack of firm privatization data. His professional, yet casual writing style compels the reader. The prose is clear, devoid of jargon; his argument follows a logical path from the general to the specific. He takes time to establish necessary definitions and create readable vignettes about each city's experience with privatization, offering useful material for planning students or practitioners. Interesting considerations are raised concerning public-private partnerships, contract documents, and the pitfalls of privatization, which will undoubtedly spark debate among readers.

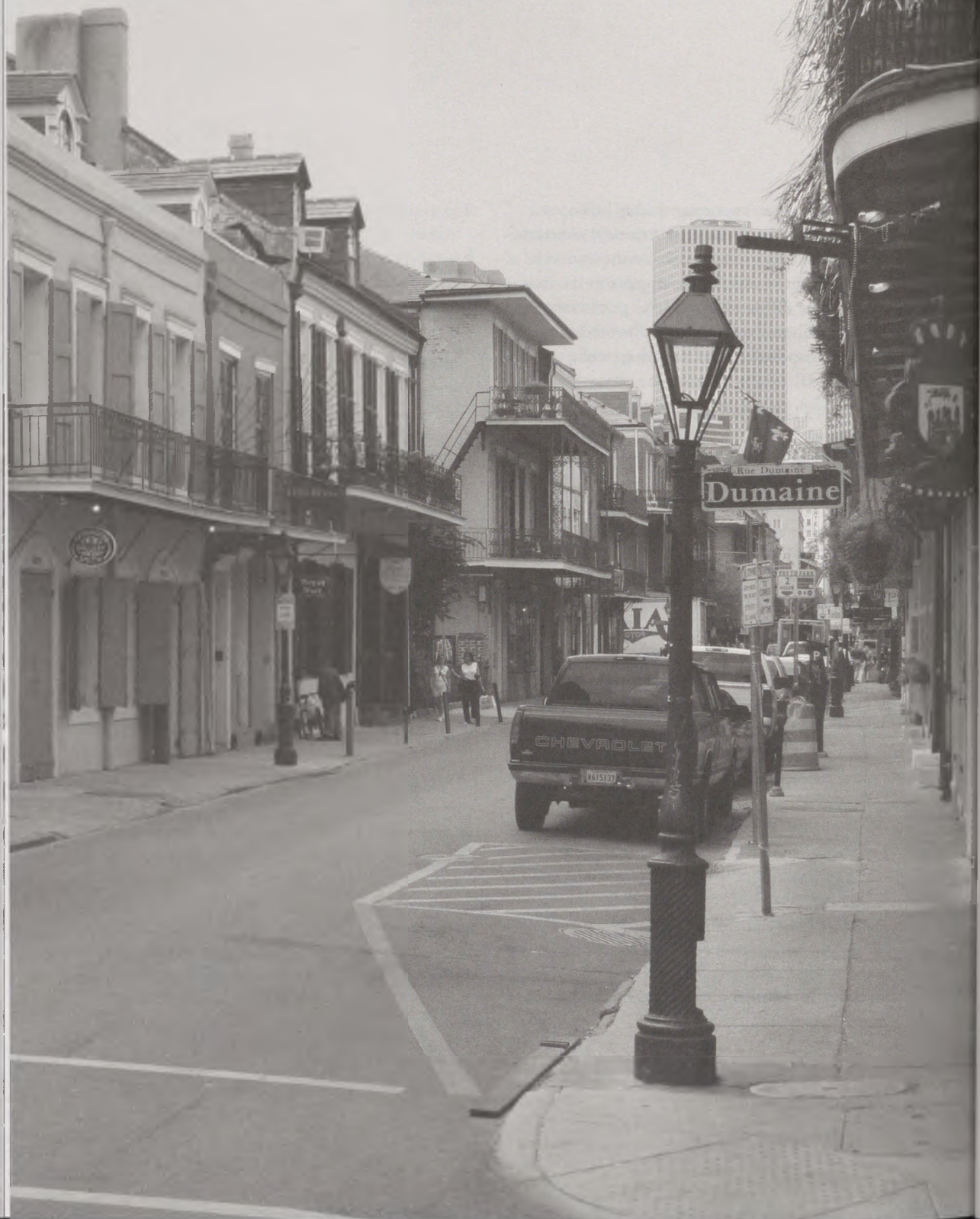
As previously stated, the author's conservative leanings render the book somewhat one-sided. Savas' belief that privatization can help governments work more effectively and efficiently is assumed throughout the text and for this reason the book fails to convince the reader on a fundamental level. Since privatization is inherently political, what should be the role of government: Enforcer of laws? Provider of services? Without directly addressing this question, the text largely ignores key issues for debate and leaves the reader questioning. Savas writes that the issue of privatization is not one of public versus private but monopoly versus competition. Why does he assume that monopolies (and corruption) exist in big govern-



ment but do not occur among the big businesses that often win the privatized government contracts? Why does he seem to assume that competition is best achieved privately? What happens to the jobs that are lost or displaced during the privatization of services? Should private firms, devoted to profit making, be responsible for managing public goods and services?

As a beginning foray into privatization literature and analysis, the book falls short. As a study for the more advanced scholar or practitioner, the book adds a noteworthy case study to the discourse.

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## BOOK REVIEW

# Popular Culture in the Age of White Flight

**Genevieve Carpio**

Eric Avila. *Popular Culture in the Age of White Flight: Fear and Fantasy in Suburban Los Angeles*. Los Angeles and Berkeley: University of California Press, 2004. 308 pp. ISBN 0520241215.

Eric Avila's book, *Popular Culture in the Age of White Flight: Fear and Fantasy in Suburban Los Angeles*, explores the development of postwar Los Angeles, 1940-1970. Avila argues that the New Deal liberalism of the 1930s was followed by an increasingly conservative movement that valued privatization and privileged "whiteness." Useful to urban planners and social historians, the book explores how popular culture corresponded with major urban decisions in Los Angeles. Avila focuses on several types of popular culture, such as film noir and Hollywood's representation of the city, Disneyland and the fantasy of small town life and the nuclear family, and the building of Dodger Stadium and the replacement of heterogeneous community spaces. He follows these topics by looking at the division of the city through extensive freeway systems that both exacerbated economic hardship in communities of color and created a privatized travel experience that promoted "social indifference." Avila uses a wealth of sources to support his arguments, such as films, interviews, maps, and city reports, as well as mainstream and community newspapers. In sum, his text provides a useful and engaging overview of the political-economic context shaping urban development in postwar Los Angeles.

While Avila primarily studies popular culture, he does so through an analysis of space and race. Using critical race theory, Avila argues that a diverse public embraced ideas that idealized the order and safety offered by romanticized conceptions of suburban whiteness. In this way, his book adds to the growing literature on the critical study of whiteness, along with those by Jacobson, Harris, and Lipsitz. His analysis of space draws on his use of city maps, land studies, and media representations of land disputes, such as those surrounding Chavez Ravine. A Professor of History and Chicano Studies at UCLA, Avila is in an ideal position to offer an analysis of space and race in Los Angeles. Furthermore, his experience as a

long time resident of Southern California contributes to his personal knowledge and connection to the subject.

Avila's book is composed of six chapters. The first two, "Chocolate Cities and Vanilla Suburbs" and "The Nation's 'White Spot'" set the background for understanding the racial dynamics of Los Angeles directly following World War II. The next chapter, "The Spectacle of Urban Blight", explores the role of Hollywood in creating the idea of the dark city, which promoted white flight and urban fear. The next three chapters, "A Rage for Order," "Suburbanizing the City Center", and "The Sutured City", focus on the rise of the suburb and the fantasy of whiteness by exploring Disneyland, the construction of Dodger Stadium, and freeways. Avila's Epilogue concludes with the impact of this era on future policies in Los Angeles, such as Proposition 187 and Proposition 13.

Avila argues that symbols of popular culture corresponded with transformations in space and race in Los Angeles. Postwar white flight led to what he calls "Chocolate Cities and Vanilla Suburbs," referring to the concentration of people of color in the inner city as suburbs became exclusively white. While this is a fascinating idea, I would have appreciated more discussion about the experiences of the "chocolate sprinkles" within the vanilla suburbs. Instead, Avila continues his analysis through a study of representations of urban blight in film noir, which portrayed a racialized city of deviants, plagued by disorder and vice. As noir images

proliferated, so did the "Rage for Order," which compelled officials to sanitize "chaotic" urban spaces. He documents the nationwide shift from public entertainment, such as that offered by Coney Island and Venice Beach, to a privatized form of leisure consumption that idolized small town homogeneity and normalized the nuclear family.

The trend of replacing mixed centers with "orderly" privatized space is evident in the construction of Dodger Stadium. In perhaps one of the most well known and important land struggles, the City of Los Angeles used the site of Chavez Ravine, a predominantly Mexican community, to build a highly subsidized baseball stadium—a process that undoubtedly exacerbated racial tensions. Although the land originally was earmarked for low-income housing, the stadium project was seen as more "American" than public housing, which was branded as "communistic". He suggests that Dodger Stadium not only sold Los Angeles as a "world city," but also created a sterile shell of entertainment for the white nuclear family. Furthermore, Avila argues that its construction reflects the history of western expansion and entitlement at the expense of people of color, such as experienced during Spanish conquest.

Avila's exploration of the role of the freeway in exacerbating racial tensions and "social indifference" is equally as informative and engaging. While earlier Los Angeles transportation systems were based on the streetcar, the shift to suburbanization and private modes of entertainment required new forms of transportation. Where the

streetcars provided a public space that served a diverse community, the freeway privatized and controlled movement within the city. Under the guise of consensus and progress, freeways were slated for construction. While one might expect them to follow streetcar lines that were used earlier that century, Avila explains that freeways in the 1950s were purposely drawn through "blighted neighborhoods" and used as a tool for "slum clearance." Ironically, while freeways increased racial tensions by cutting apart the most diverse neighborhoods, contributing to white flight and perpetuating suburbanization, the high concrete walls of the freeway regulated the suburban public's perception of the city.

In his epilogue, Avila gives a brief overview of his arguments and summarizes the cumulative effects of post-1960s suburbanization. For planners who have ever questioned the relevance of social history to contemporary planning, this is a must read chapter. Avila draws parallels between current urban issues and inequalities in Los Angeles, such as the politics of white home ownership, as portrayed masterfully in George Lipsitz's *Possessive Investment of Whiteness*. He briefly describes the work of local nonprofits, such as the Bus Riders Union, and concludes by detailing Los Angeles's current, transformative demographics.

*Popular Culture in the Age of White Flight* is a readable synopsis of the urban shifts that occurred after World War II. Avila reveals how popular culture reflected prevailing ideologies that followed the

decline of New Deal liberalism. He discusses the shift from public to private cities resulting from the suburbanization of Los Angeles and the demonizing of urban spaces. While I was left curious about the role of people of color who left the city for the suburbs and the interaction between new Anglo suburbanites and already established communities of color in the Citrus Belt, Avila's discussion of racial politics in the City of Los Angeles is fascinating. It provides a particularly helpful background for planners interested in the history of development and resistance in the postwar metropolis.

*Genevieve Carpio is an MA student in the Department of Urban Planning, UCLA. She is specializing in community development and the built environment.*



## BOOK REVIEW

# Bourgeois Nightmares: Suburbia, 1870-1930

**Helen Campbell**

Robert M. Fogelson. *Bourgeois Nightmares: Suburbia, 1870-1930*. New Haven, CT: Yale University Press, 2005. 272 pp. ISBN 0300108761.

Integral to the study of the American metropolis is an understanding of the suburbs, whose origins lie within our nation's deep-seated fear of "undesirables." From initial efforts to impose continuity on land tracts in the 1860s to the creation of zoning laws that have come to govern the cultural geography of our cities, *Bourgeois Nightmares* perspicaciously weaves together a history of land design and designation.

While the well-to-do of the mid-1800s insulated themselves from the lower classes by establishing exurbs on massive plots, middle- and working-class people achieved comparable seclusion through restrictive covenants. Covenants were integral selling points in these communities. Although the earliest covenants were issued on a plot-by-plot basis, their scope expanded as suburbanization progressed.

Fogelson's book starts out with the case of the Palos Verdes Estates in California, a suburb boasting some of the most restrictive covenants in the region. The estate's regulations spanned over 30 pages, controlling setbacks, architecture, landscaping, building rights, and even the characteristics of individuals able to buy property in the development. It was not uncommon for covenants to forbid all non-Anglo races from residing in the community, regardless of their income. Local courts continued to circumvent the unconstitutionality of race-restrictive covenants until the landmark 1948 Supreme Court case *Shelley v. Kraemer*, which declared covenants legally unenforceable. Yet even after the ruling, these exclusionary measures were so entrenched that they continued to affect land use designations into the present.

While restrictive covenants were credited with enhancing property values by stabilizing demographic fluxes, homeowners had an increasingly difficult time maintaining these sterile environments. Problems with private governance ultimately led to modern day zoning ordinances. By reassigning land use control to a public agency, individual property owners and homeowners associations no longer were the

sole protectors of their property values.

However zoning ordinances, like racial covenants, were primarily shaped by a privileged body of naysayers who often overlooked macro issues of social equity. In South Los Angeles, for example, zoning has allowed for the juxtaposition of low-income neighborhoods and superfund sites. This customary pattern derives from and perpetuates the historic race-restrictive covenants that relegated people of color to this area, thereby reinforcing the funneling of the most disadvantaged members of society into dissonant cycles of acculturation. Unsurprisingly, residents' efforts to cope with a dilapidated and polluted built environment have produced two riots in four decades.

As a society we inherit these problems, but as planners we have the opportunity to create change. Having learned from these mistakes, we must work to make land use designations socially equitable via inclusionary planning methods based on tolerance as opposed to fear. Fogelson's *Bourgeois Nightmares* is a must read not only for planners, but also for anyone interested in learning about the contentiously planned suburban environments that continue to house a growing majority of our population.

*Helen Campbell is an MA student in the Department of Urban Planning, UCLA.*



# Call for Papers

Volume 14, Summer 2006

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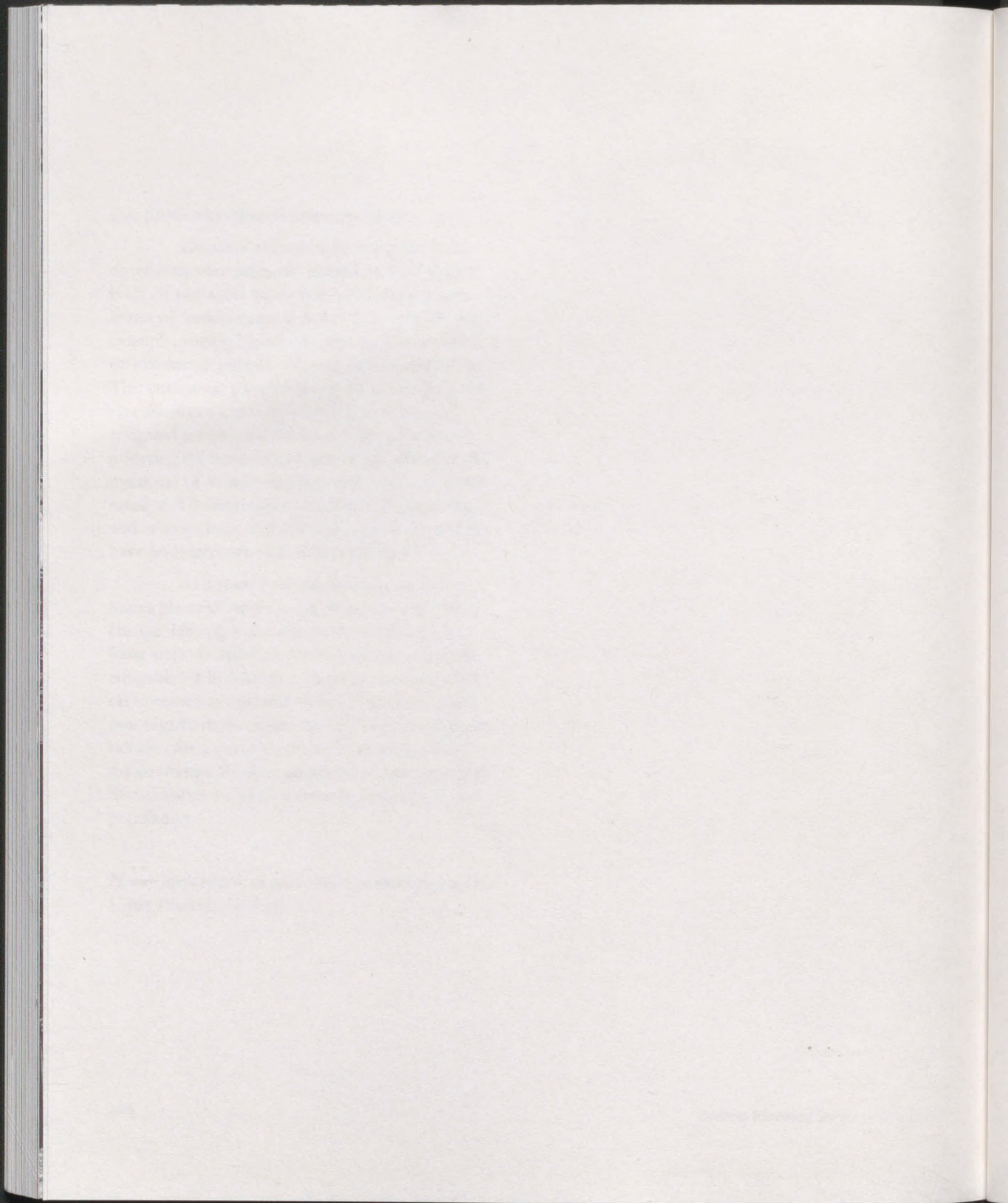
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