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Transforming East Lake: Theoretical and Structural Underpinnings of a Mixed-Income Development

Lucia Clark, mother of four and former resident of Atlanta's East Lake Meadows housing project, remembers her old home: "We found bodies here," she says, "dead bodies behind buildings. Children saw people being killed, people dying. Lots of drugs and shootings here."¹ Back then, Clark worried about her children's futures growing up in such an environment. Clark still lives in East Lake; today, however, Clark finds her neighborhood to be a source of support rather than trouble and fear. She works in the neighborhood YMCA. Her oldest son, Tony, is deciding which college to attend. "I don't think that would have been possible if things hadn't changed around here," she says. "We would not have had the positive outlook.... He probably would have strayed away... going to jail or the grave."

Clark credits the transformation of her family's situation to the revitalization of East Lake—a controversial undertaking spearheaded proposal made by one of Atlanta's most well known developers, Tom Cousins. Beginning in 1993, Cousins—in conjunction with the Atlanta Housing Authority (AHA), the government agency that administers public housing in the city—tore down the housing project and replaced it with a new mixed-income development called the Villages of East Lake. Clark, like many East Lake residents, was skeptical of Cousins and she certainly didn't trust the AHA. "When they came to speak with us, we'd close our doors," says Clark. "They wanted to tell us about the renovation plans. I'd never seen so many white people in our neighborhood! First thing I thought, 'They're fixing to do away with us.' A lot of people

¹ Jerry Grillo, *Much More than Golf*, GEORGIA TREND, February 01, 2005.

were scared.”² Eventually, Cousins and the housing authority earned the trust of enough residents (and won a lawsuit brought by other residents) to allow the renovation to go forward. By 2001, the Villages of East Lake was complete.

The renovation of East Lake certainly made the neighborhood safer and the school better, but has Cousins succeeded in “created a model for urban renewal?” Only a quarter of East Lake Meadows residents returned to the Villages of East Lake, and the outcomes of those displaced residents must also be considered in an evaluation of the project. Most displaced residents were relocated using “Section 8 housing vouchers.” These vouchers, named for the section of the U.S. Housing Act (USHA) that created them, enable families receiving housing assistance to rent authorized private homes or apartments and pay only thirty percent of their income in rent.³ The federal government subsidizes the remaining rent. Studies show that the majority of relocated residents, though not able to directly experience revitalized East Lake, are likely to be better off—or at least no worse off—in their new homes than they were in their previous housing. This paper examines the success of Cousins’ venture in light of those results.

The story of East Lake has been well told in the popular media and has even been deemed “a miracle.”⁴ This paper supplements those stories by exploring two components of the Villages of East Lake: first, I review the possible effects of the mixed-income aspect of the development, including the issues of displacement and relocation; second, I analyze the legal vehicles utilized to create the development, specifically, the structure of the private, non-profit East Lake Community Foundation and the cooperation required between the Foundation, the AHA, and the low-income residents.

² Id.

³ United States Housing Act of 1937, 42 U.S.C. § 1437(f) (1937) (amended 1998).

⁴ *Business Nation: Miracle at East Lake* (CNBC television broadcast Apr. 3 2008).

The Villages of East Lake, developed at a cost of \$120 million, represents a bold and so far, successful effort of neighborhood revitalization and poverty deconcentration. Nevertheless, valid criticisms of mixed-income developments remain. Critics point out that the benefits of mixed-income developments don't always flow to the low-income residents and that these developments leave out the "hard to house"—those with criminal records, substance abuse, and mental and physical disabilities.⁵ These criticisms must be fully considered if mixed-income developments are to become a more viable and comprehensive solution to urban poverty. The experience of those involved in creating East Lake lays a framework for others interested in alleviating poverty through housing reform. Analyzing the revitalization of East Lake provides a vital lens, offering insight into what has worked and what needs improvement in creating successful, poverty alleviating mixed-income developments.

The East Lake Story

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Prior to the development of the Villages of East Lake, the land was home to the East Lake Meadows housing project. The project and the surrounding area epitomized urban blight. Its crime rate was three times higher than the rest of Atlanta, eighteen times higher than the national average, and the neighborhood experienced, on average, one murder a week. Fifty-nine percent of East Lake Meadows residents relied on welfare, the unemployment rate was eighty-seven percent, and only five percent of the fifth graders at its elementary school met state mathematics standards.⁶ The median household income for residents of East Lake Meadows was

⁵ See Susan J. Popkin, Larry F. Buron, Diane K. Levy, and Mary K. Cunningham, *The Gatreaux Legacy: What Might Mixed-Income and Dispersal Strategies Mean for the Poorest Public Housing Tenants?*, 11 HOUSING POLICY DEBATE 4, 911-42 (2004); James C. Fraser and Edward L. Kick, *The Role of Public, Private, Non-profit and Community Sectors in Shaping Mixed-income Housing Outcomes in the US*, 44 URBAN STUDIES 12, 2357-77 (2007).

⁶ REVITALIZING URBAN COMMUNITIES: THE STORY OF EAST LAKE 3 (Philippa Strum ed., Woodrow Wilson International Center for Scholars) (2007).

\$4,526.⁷ Atlanta Mayor Shirley Franklin admitted “it was the only neighborhood in Atlanta she would not drive through alone.”⁸

Cousins’ East Lake proposal stemmed from a New York Times editorial he read in 1993 that cited a study showing that 70% of New York state prison inmates came from just eight New York City Neighborhoods. The article prompted him to ask Atlanta Chief of Police Eldrin Bell if the same was true of Georgia. Bell responded that not only was it true, but it was probably only two or three neighborhoods in Atlanta, the worst of which was East Lake.⁹

Cousins had recently acquired East Lake Golf Club, a private golf club in Atlanta—once the home course of the legendary Bobby Jones—that had fallen on difficult times. He wanted to restore it; however, he knew he could not do so without drastic changes in the surrounding community. East Lake Meadows housing project was the hub of criminal activity in a neighborhood that had no successful businesses, an out of control elementary school, and increasing violence.¹⁰ To Cousins, the neighborhood engendered hopelessness.¹¹

Cousins was unprepared for the poverty and desperation he saw at East Lake, and was struck by the thought that if he had been born in that neighborhood, he would probably have ended up in jail.¹² He decided that he had a moral duty to do what he could do to change the circumstances of East Lake. Cousins’ support for the project was crucial. In addition to donating close to \$20 million of his own money, he was able to use to business contacts to raise quite a bit more. His persistence was evident and his enthusiasm was crucial. As a private developer, Cousins says the process of implementing East Lake was perhaps the most difficult

⁷ Id.

⁸ REVITALIZING URBAN COMMUNITIES at 18.

⁹ Martin A. Davis Jr., *A Civic Hole-in-One: An Atlanta Donor Uses the Ancient Game to Turn Around the City’s Worst Neighborhood*, 18 PHILANTHROPY 1, (2004).

¹⁰ Id.

¹¹ REVITALIZING URBAN COMMUNITIES at 9.

¹² *Miracle at East Lake* (2008).

and contentious he has ever been a part of. If he had been motivated by profit, he says he would never have even begun the project.¹³

Cousins decided that in order to revitalize the neighborhood, he had to tear down the housing project and start from the beginning.¹⁴ East Lake was not Cousins first venture involving affordable housing. As a young developer he proudly built new, affordable homes where a ghetto once stood. But he remembers coming back to that neighborhood shortly after he built those new homes and finding it in squalor once again.¹⁵ This time, he knew he had to do more than merely put up new walls.

With the support of AHA CEO Renee Glover and the skepticism of Eva Davis, head of East Lake Meadows tenant association, Cousins embarked on a near decade long journey to transform East Lake. Through his emissary Greg Giornelli, Cousins set out on the difficult task of convincing the residents he had their good in mind. Many East Lake residents shared Lucia Clark's suspicion of the influx of white people into their neighborhood, thinking they were merely looking for a way to kick out the current residents.¹⁶ However, through persistence from both Cousins and the AHA, and the eventual cooperation of many residents, the dream of a new East Lake became a reality.

The Villages of East Lake contains five hundred forty-two mixed-income apartments (half of which are rented at market rate, half at subsidized rates).¹⁷ East Lake Meadows, by comparison, contained six hundred fifty public housing units.¹⁸ The revitalized neighborhood also contains Atlanta's first charter elementary school, a YMCA, and a child development

¹³ Thomas G. Cousins, Testimony to Millennial Housing Commission (Mar. 12, 2001).

¹⁴ Davis at 1.

¹⁵ REVITALIZING URBAN COMMUNITIES at 5.

¹⁶ Davis at 1.

¹⁷ URBAN LAND INSTITUTE DEVELOPMENT CASE STUDIES: THE VILLAGES OF EAST LAKE, available at <http://casestudies.uli.org/>.

¹⁸ Grillo at 1.

center.¹⁹ Private development has also moved into the neighborhood, including a Publix Super Market, which offers groceries, banking services, and jobs to a community where such things had been severely lacking.²⁰ Those involved with the revitalization of East Lake are quick to point out that the Villages of East Lake does not merely focus on changing housing conditions. They employed a holistic approach, tearing down the neighborhood elementary school and raising Drew Charter School in its place, and creating new job training, daycare, and recreation centers.²¹ This approach separates East Lake from other mixed-income developments that focused solely on housing. However, East Lake's mixed-income approach to housing remains an important part of the project.

By 2006, violent crime in East Lake was down ninety-five percent from 1996. Welfare reliance among adults has fallen from fifty-nine percent to five percent. Seventy-two percent of the residents receiving housing assistance are employed. Seventy-eight percent of Drew Charter School students meet or exceed state math standards (compared to sixty-nine percent of all Atlanta public school students), and not a single Drew graduate has dropped out of high school.²² Statistically, East Lake has become a safer neighborhood with a better school since the revitalization. But how important is the mixed-income aspect of the development to those improvements? Below, I point out the purported benefits of mixed-income developments generally and the criticisms of that approach.

Are Mixed-Income Developments Desirable Public Policy?

Critics question whether or not a mixed-income development such as the Villages of East Lake can actually reduce poverty. These critics point out that mixed-income developments

¹⁹ URBAN LAND INSTITUTE DEVELOPMENT CASE STUDIES.

²⁰ *New Publix Super Market Continues East Lake Revitalization*, BUSINESS WIRE, Oct. 12, 2000.

²¹ Carol Naughton, *Communities Aren't Built Around One Element*, RICHMOND TIMES-DISPATCH, July 15, 2007.

²² REVITALIZING URBAN COMMUNITIES at 3.

contain fewer units for low-income housing than traditional public housing and that they often have stringent residency requirements that serve to keep out the most needy, even if they are also the most dangerous, tenants.²³ Critics can point to the fact that vast majority of East Lake Meadows' tenants did not return to the Villages of East Lake.²⁴ Below, I address the philosophical arguments of proponents of mixed-income developments as public policy, and also point out the concerns of critics.

I. The Move to Mixed-Income Developments

Mixed-income developments are a relatively new trend in U.S. housing policy.²⁵ The philosophy driving the mixed-income approach is based on the widespread conclusion that the concentrated poverty found in most public housing projects has widespread negative effects on both residents and society, including escalating economic costs and racial and socioeconomic segregation.²⁶ “Warehousing the poor in large developments” created a society of perpetual poverty, violence, and crime.²⁷ In 1987, William Julius Wilson described “a new urban poverty characterized by the geographic concentration of high rates of joblessness and welfare dependency; high proportions of female-headed households, out of wedlock births, and teen pregnancies; and high levels of social disorganization, violence, and crime in certain neighborhoods.”²⁸ The change in housing policy seeks to relieve these pressures.

²³ Mary K. Cunningham, *An Improved Living Environment? Relocation Outcomes for HOPE VI Relocates*, The Urban Institute (2004).

²⁴ Interview with Carol Naughton.

²⁵ Bipartisan Millennial Housing Commission, Final Report, 2002.

²⁶ Fraser at 2128.

²⁷ Alex Schwartz and Kian Tajbakhsh, *Mixed Income Housing: Unanswered Questions*, 3 CITYSCAPE: JOURNAL OF DEVELOPMENT AND RESEARCH 2, 71 (1997).

²⁸ Mark L. Joseph, *Is Mixed-Income Development an Antidote to Urban Poverty*, 17 HOUSING POLICY DEBATE 2, 210 (2006).

A. Causation or Correlation?

Though it is hardly arguable that the aforementioned negative effects are real and exist in public housing projects, it is extremely difficult to pinpoint the exact cause of those effects. Living amidst concentrated poverty could have something to do with the appallingly high levels of violence, crime, and continued poverty, but so too could many other factors, “including a ‘skills mismatch’ created by the restructuring of the U.S. economy from a largely manufacturing one to an information and service based one; a ‘spatial mismatch’ created by the exodus of businesses to the suburbs; high levels of geographic racial segregation; and persistent structural racism in employment, education and the criminal justice system.”²⁹ In short, it is difficult—if not impossible—to tell whether the negative effects associated with public housing projects result from the concentration of poverty or whether the concentration of poverty is caused by other societal factors.³⁰ Even without knowing the exact cause of the abysmal conditions in many public housing projects, East Lake and developments like it show that both public and private entities were looking for a more effective approach.

Mixed-income development responds to a few persistent criticisms of classical public housing projects—the social isolation of the urban poor, the dilapidated and crowded conditions of many urban projects, and the loss of opportunities.³¹ Because of this isolation from opportunity, public housing, and all the problems associated with it, “became a permanent home to generations of families with severe economic and social challenges.”³² Successful mixed-income developments seek not to just house the poor; they seek to alleviate poverty by providing an easier way out of the cycle of poverty. Mixed-income development is not the only policy

²⁹ Christopher Jencks and Susan E. Mayer, *The Social Consequences of Growing Up in a Poor Neighborhood*, INNER-CITY POVERTY IN THE UNITED STATES, National Academy Press, 187-222 (1990).

³⁰ Schwartz and Tajbakhsh at 72.

³¹ Joseph at 211.

³² *Id.*

response to these issues; dispersal programs, such as Section 8 housing vouchers, are another way to fight concentrated poverty.

B. Dispersal Programs

Pursuant to Section 8 of the USHA, the federal government currently funds dispersal programs—such as the national Moving to Opportunity program and Chicago’s Gatreux Assisted Housing Program—that use vouchers to limit tenants’ rent to thirty percent of their income and subsidize the remaining rent. Studies show that the most apparent benefit of dispersal programs is increased community safety and order; that is, many families who chose vouchers will move to “better” neighborhoods than the ones in which public housing is traditionally located.³³ Some research indicates corresponding increases in earnings.³⁴ This paper focuses on mixed-income developments, but because most displaced residents are relocated using vouchers, a strong voucher program is necessary for mixed-income developments to succeed.

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II. The Philosophy Behind Mixed-Income Development

Proponents of a policy that includes mixed-income development stress the correlation between concentrated poverty and violence, crime, low educational outcomes, and other social ills. As some commentators have suggested, the conclusion that deconcentrating poverty will alleviate those things is one largely based on faith. “Arguments in support of dispersal and mixed-income housing,” they state, “appear to rest on the assumption that reversing the process of concentration by mixing incomes will produce better outcomes.”³⁵ While proponents of mixed-income development must—in the short term, until more retrospective results on the

³³ Joseph at 224.

³⁴ Thomas D. Boston, *The Road to Self-Sufficiency: An Examination of AHA’s Moving to Work Program*, Atlanta Housing Authority (2008).

³⁵ Schwartz and Tajbakhsh at 72.

success and failures of the strategy become available—rely on faith. Their development proposals are carefully calculated to correct the imperfections of the traditional housing project model.

Mark Joseph adequately categorizes the mechanisms through which proponents believe mixed-income developments may deliver superior results when compared to previous housing policies. Joseph states that “mixed-income development might improve the quality of life for low income families” through 1) increased social networks, 2) increased social control, 3) improved culture and behavior, and 4) greater political and economic influence.³⁶ The following sub-sections briefly address of these four mechanisms.

A. Social Networks

“The social networks argument asserts that by attracting higher-income residents back to the [impoverished neighborhoods], mixed-income developments can facilitate the re-establishment of effective social networks... for low-income residents.”³⁷ Some social scientists argue that one reason that concentrated poverty is so damaging is that it makes it very difficult to gain access to information and opportunities that lead to employment.³⁸ By mixing income levels, it is hoped that lower-income individuals can develop ties with more affluent residents and expand their social networks.³⁹ These expanded networks may help in finding work, finding responsible babysitters, or in receiving assistance in case of emergency.

B. Social Control

Proponents of mixed-income development believe “that the presence of higher-income residents... will lead to higher levels of accountability to norms and rules through increased

³⁶ Joseph at 212.

³⁷ Id. at 213

³⁸ Id.

³⁹ Id. at 214

informal social control and thus to increased order and safety for all residents.”⁴⁰ One effect of the decline of public housing projects was the emigration of stable, working families. Without these stabilizing forces, housing projects descended even further into crime and delinquency, and they were not able to maintain the social cohesion, trust and sense of community that characterized higher-income neighborhoods.⁴¹ While culture and behavior focuses on changing the norms of the individual, “social control” is broader, focusing on altering the norms of the community. The two are related but distinct.

C. Culture and Behavior

The idea that low-income residents will benefit from proximity to the practices of higher-income residents is controversial, but it was certainly part of the reasoning of those who created the Villages of East Lake.⁴² This idea posits that “the presence of higher-income residents in mixed-income developments will lead [lower-income] families to adapt more socially acceptable and constructive behavior, including seeking regular work, showing respect for property, and abiding by other social norms.”⁴³ In theory, the low-income residents will learn these norms because they will now see them everyday. For example, in the Villages of East Lake low-income residents are neighbored on each side by market rate residents. The role-modeling theory is a policy response to the theory that a major cause in the persistence of poverty is the destructive anti-social habits that are fostered in poverty-stricken areas.⁴⁴ Though criticized as offensive and unfair, studies have shown at least nominal positive relationships between the presence of middle-class, affluent neighbors and benefits to low-income children and adolescents

⁴⁰ Id.

⁴¹ Id.

⁴² REVITALIZING URBAN COMMUNITIES at 10.

⁴³ Joseph at 215.

⁴⁴ Id.

in such areas as educational outcomes, health, and sexual activity.⁴⁵ Proponents argue that this rationale does not assume that higher-income people are inherently better than low-income residents, but rather accepts the reality that most residents of public housing projects lack the opportunities and incentives to engage in more constructive and healthy behavior.

D. Economic and Social Influence

Finally, proponents of mixed-income developments mold their initiatives around the idea that “higher-income residents will generate new market demand and political pressure.”⁴⁶ This, they believe, will expand the type, range, and quality of goods and services available to the community. The mixed-income development model rests in part on the thought that spending power of higher income residents will incentivize retail and commercial development in the neighborhood.⁴⁷ The opening of Publix Super Market in East Lake provides an example of this idea in practice.

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These four processes represent the ways through which mixed-income development proponents envision benefits flowing to low-income residents of mixed-income developments. Of course, these ideas are not without their critics.

III. Criticisms of Mixed-Income Developments

Critics point to the possible costs for low-income families living in a mixed-income development. These costs of moving towards a mixed-income model include “a loss of existing support networks, an increased sense of stigma and isolation, and... a sense of relative deprivation.”⁴⁸ Proponents contest the validity of the critique by pointing that, unlike dispersal strategies, mixed-income developments allow some low-income residents to remain in the

⁴⁵ Id.

⁴⁶ Id.

⁴⁷ Id. at 216.

⁴⁸ Id. at 217.

neighborhood and living in close proximity to other low-income families.⁴⁹ Critics also question whether the benefits that many come along with the influx of higher-income residents will flow equally to the low-income residents.⁵⁰ In response, proponents of a mixed-income approach reply that it is just as likely that the greatest benefits may accrue to the lower-income residents of the development.⁵¹

Additionally, critics argue that mixed-income developments perpetuate a resource scarcity problem. Since the federal government eliminated the one-for-one replacement requirement for low-income housing in 1995, mixed-income developments lead to a net loss in the availability of affordable housing.⁵² Also, they argue that stringent requirements for residence (including employment, drug testing, and criminal background checks) in these new developments exclude many of the most needy urban poor.⁵³ One commentator writes that mixed-income developments will not be helpful to those she deems “hard to house.” These people are challenged by substance abuse, mental health issues, unemployment, criminal background, and other issues and will almost certainly be barred from returning to the revitalized development. They are also most likely to lose their housing assistance.⁵⁴

A. The Issue of Relocation

Because mixed-income developments do not replace public housing on a one-to-one basis, and because they typically employ strict screening requirements, most residents of public housing projects that are razed to make room for mixed-income developments will not return to the revitalized development. The fate of these relocated residents is critical to any evaluation of

⁴⁹ Id.

⁵⁰ Fraser at 2358.

⁵¹ Joseph at 224.

⁵² Sudir A. Venkatesh, Isil Celimli, Douglas Miller, Alexandra Murphy, and Beauty Turner, *Chicago Public Housing Transformation: A Research Report*, Center for Urban Research and Policy (2004).

⁵³ Id.

⁵⁴ Popkin at 914.

mixed-income development. If the relocated tenants merely move to a different “warehouse” for the poor, then the problems associated with concentrated poverty that mixed-income developments seek to address are simply deferred and not solved. The problems, along with the tenants, are merely relocated. If the relocated tenants end up much worse off than they were in the original housing project, then the time, effort, and money spent to create the mixed-income development may not constitute beneficial public policy.

In overseeing relocation, housing authorities are required by federal law to “provide displaced residents with a ‘comparable unit’ and cover moving expenses.”⁵⁵ Moving is difficult for any family, and especially for those accustomed to public housing. If properly executed, relocation could significantly improve residents’ living situations by helping them find and afford quality housing in safe neighborhoods.⁵⁶ On the other hand, ineffective and inadequate relocation services could leave families in situation no better (or even worse) than the conditions they left behind.⁵⁷

In 2004, the Urban Institute completed a study analyzing relocation outcomes for those relocated by HOPE VI⁵⁸ projects. That study, which surveyed 736 tenants of public housing projects slated for HOPE VI renovation, found that of the people relocated from five different sites (none in Atlanta), just under fifty percent were relocated using Section 8 vouchers.⁵⁹

Thirty-seven percent were moved to other public housing, and fifteen percent no longer received

⁵⁵ Uniform Relocation Amendment Act of 1987, 42 U.S.C. § 4622 (1987).

⁵⁶ Cunningham at 1.

⁵⁷ Id.

⁵⁸ HOPE VI stands for Housing Opportunities for People Everywhere, and is the most common federal program funding project based revitalization. The Villages of East Lake is not a HOPE VI development, but many of the federal funds used by the project were used in the same ways that HOPE VI funds are used. See 42 U.S.C. § 1437v (2006).

⁵⁹ Cunningham at 2.

housing assistance.⁶⁰ Of those no longer receiving public assistance, forty- six percent have become ineligible because of rising incomes. However, nine percent of those no longer receiving assistance were evicted and three percent lost their subsidy.⁶¹ Studies of this sort have been conducted in regards to former residents of East Lake Meadows and other Atlanta housing projects and have generally found that most residents were relocated using vouchers, and “a majority of voucher users believe their house, neighborhood, and overall global living situation had improved since relocation.”⁶²

The remainder of this paper discusses the processes through which the Villages of East Lake became a reality, explains the ownership and funding structure of the development, and evaluates the lessons to be learned from the East Lake experience.

The East Lake Approach

The major players involved in the revitalization effort at East Lake employed a different approach than those of most other mixed-income developments. As one of the first mixed-income developments in Atlanta, East Lake involved many issues of first impression over which Cousins and the AHA grappled in their initial discussions. At the outset, East Lake was intended to be a holistic development. Both Cousins and Glover knew more than a simple facelift of residential properties was necessary to change the culture of East Lake Meadows. In evaluating the East Lake approach, I discuss the strategies utilized to implement the development, including the triangular relationship between the private sector groups, the government, and the residents

⁶⁰ Id. Those no longer receiving assistance were originally relocated, but by the time of the follow-up survey have become ineligible for housing assistance.

⁶¹ Id.

⁶² Fred Brooks and Carole Zugazaga, *Resident Perceptions of Housing, Neighborhood, and Economic Conditions After Relocation From Public Housing Undergoing HOPE VI Redevelopment*, 15 RESEARCH ON SOCIAL WORK PRACTICE 6, 481 (2005).

of East Lake Meadows. I also examine the legal issues surrounding the relocation of East Lake Meadows residents. Finally, I review the legal structures of the Villages of East Lake.

I. Implementation of the East Lake Approach

Creating the Villages of East Lake required cooperation from three distinct entities: 1) the private, non-profit sector, 2) the AHA, and 3) the residents of East Lake Meadows. Cousins sought to transfer the ownership and administration of the new development to private entities. When he first met with Glover in 1994 to discuss his plans, he found a more sympathetic ear than he expected. Glover's appointment to the AHA was her first in public service (previously, she worked as a corporate finance attorney in Atlanta and New York City), and she was under no illusion that the status quo of Atlanta's housing policy worked. Glover had experience with mixed-income developments but nothing as far reaching as Cousins was proposing.⁶³

Cousins' model involved tearing down East Lake Meadows and replacing it with a mixed-income neighborhood under the management of the East Lake Community Foundation, a private, non-profit corporation. He envisioned the Foundation as a body that would "develop conditions by which residents could lift themselves out of poverty."⁶⁴ His plans included closing down the existing elementary school and opening a new charter school, building a state of the art YMCA, offering job training and placement services, a day care and pre-school, and making sure that all amenities were nice enough to attract middle and high-income market rate tenants. The role perceived for the housing authority was limited at best. The Foundation operates the development as though it was a business venture, with the important difference being that profits are used to fund the critical social services East Lake offers.⁶⁵

⁶³ Davis at 3.

⁶⁴ Davis at 3.

⁶⁵ Testimony of Thomas G. Cousins at 2.

Despite the novelty of the proposal and the few examples of public housing under private management, the two sides agreed to the terms of the venture. The Housing Authority agreed to seek permission from the federal government to tear down East Lake Meadows and to help fund the new mixed-income development, which would be under the management of the Foundation. To do this, the Housing Authority used funds set aside by Section 9 of the U.S. Housing Act. These funds are usually reserved for renovation and rehabilitation of existing projects, but Glover convinced the federal Department of Housing and Urban Development (HUD) to issue a waiver to allow the AHA to use the funds for the proposed East Lake project.⁶⁶ The Foundation and the Housing Authority agreed to split the costs, with the AHA paying for demolition, site work, half the housing units, and relocation of East Lake Meadows residents. The Foundation provided “the financial and personnel resources needed to complete the planning phase of the project.”⁶⁷

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Cousins still had to use his business contacts (in addition to his own money) to capitalize the newly created East Lake Community Foundation.⁶⁸ Additionally, both sides had to undertake the difficult task of convincing the residents of East Lake Meadows that the new development would be a good deal for them. Negotiations with Eva Davis, head of the East Lake Meadows’ tenant association, proved to be difficult.

The residents responded to Cousins and the East Lake Foundation as if the venture was simply a land grab. They were wary of the influx of outsiders, telling them they would have to move out for a little while but then could come back and live in nice apartments at subsidized

⁶⁶ Interview with Carol Naughton.

⁶⁷ Davis at 3.

⁶⁸ REVITALIZING URBAN COMMUNITIES at 19.

rates.⁶⁹ Cousins still has difficulty understanding why Davis fought so hard, but he also recognizes that her dogged challenges improved the project.⁷⁰ For example, Cousins originally envisioned a development with eighty percent of the housing set aside for market-rate customers and twenty percent set aside for low-income tenants, but Davis insisted that the mix be fifty-fifty. Cousins eventually agreed. He had worried that such an even mix would deter high-income people from moving in, but the market-rate units are routinely sold out.⁷¹ Even in a slow real estate market, the Villages of East Lake maintains a ninety percent occupancy rate.⁷² Carol Naughton, former General Counsel for the Atlanta Housing Authority and then Executive Director of the East Lake Community Foundation, explains this by pointing out that “people do not care how much their neighbor makes, as long as they are held to the same rules.”⁷³

Greg Giornelli, handled most of the negotiations with the East Lake Meadows residents, and he quickly learned the value of persistence. Even when the previous meeting had gone terribly or the concerns of residents seemed nonsensical, Giornelli kept coming back. He even began bringing his kids to meet the residents and their families.⁷⁴ His persistence went a long way towards winning the trust of most residents. Despite this persistence, some residents were still skeptical and ended up filing a lawsuit against the AHA to halt demolition and construction. Finding that the AHA had followed all rules and regulations, the court entered summary judgment on AHA’s behalf.

⁶⁹ Leonard Pitts, Jr., *From Living Hell to Living Well: Atlanta Discovers What Works*, ATLANTA JOURNAL-CONSTITUTION, Sept. 13, 2007.

⁷⁰ Testimony of Thomas G. Cousins at 2.

⁷¹ Davis at 5.

⁷² URBAN LAND INSTITUTE CASE STUDIES.

⁷³ Interview with Carol Naughton.

⁷⁴ REVITALIZING URBAN COMMUNITIES at 32.

A. Dealing with Relocation

The AHA had the responsibility of relocating the residents of East Lake Meadows. At the time of the redevelopment, 425 families lived in East Lake Meadows, but only 100 families returned to the new development.⁷⁵ Most East Lake Meadows residents were relocated permanently. Federal law requires that that housing authority treat each displaced person “fairly, uniformly, and equitably.”⁷⁶ The housing authority must provide the displaced residents with relocation advisory services so that residents may accurately weigh their needs and options.⁷⁷ Additionally, the housing authority must provide displaced residents with a “comparable dwelling” and must pay for the costs of moving and related expenses.⁷⁸

The most common method used by the AHA to relocate East Lake Meadow’s residents was Section 8 housing vouchers. The vouchers allowed residents to relocate to authorized private housing (not every landlord accepts Section 8 vouchers). Sixty-five percent of former residents were relocated using vouchers while the remaining thirty-five percent were placed in other public housing.⁷⁹ All relocated families were granted moving costs, utility deposits, and transportation to help out with the move, and—according to the Foundation—no one lost access to affordable housing as a result of the revitalization.⁸⁰

Former residents of East Lake Meadows were given a priority right to return to the Villages of East Lake; why then, did only about a quarter of families actually return? According to the Foundation, most families chose not to return because they had chosen to relocate using Section

⁷⁵ 78 families moved into the Villages of East Lake, 22 moved into a subsidized home for seniors just down the street. Interview with Carol Naughton.

⁷⁶ 42 U.S.C. § 4621.

⁷⁷ 42 U.S.C. § 4625.

⁷⁸ 42 U.S.C. § 4622.

⁷⁹ Interview with Carol Naughton.

⁸⁰ *Id.* Some residents would eventually lose their public housing assistance either because of rising incomes, eviction, or not complying with AHA requirements, but according to Carol Naughton, one hundred percent of residents still eligible for housing assistance were relocated, as required by law.

8 vouchers and were happy with their new location. Others may not have returned because of the requirement that everyone between 18 and 54 living in the Villages of East Lake, except those who are disabled, must be working or enrolled in a program leading to work. A small number chose not to return because they had a family member who would not pass the criminal background check.⁸¹

The criminal background standards were imposed by the Resident Planning Committee, which included former residents of East Lake Meadows. Families who do not return for this reason usually fall into a category where the older children have criminal records involving drugs.⁸² This background makes it impossible for their younger brothers and sisters to enjoy the benefits of the revitalized community. The Resident Planning Committee, though, was firm in holding high standards for residents and never waived that requirement. The Foundation also points out that even though not as many residents of East Lake Meadows returned as they would like, fifty percent of the five hundred forty-two units are filled with low-income families, the vast majority of which are classified as extremely low income.⁸³ HUD defines “extremely low income” as having a household income less than thirty percent of the area median income. In Atlanta, thirty percent of the median income for a family of four is \$23,400.⁸⁴ The federal poverty line for a family of that size, for comparison, is \$22,050.⁸⁵

B. What Happened to the Residents Who Did Not Return?

Because most East Lake Meadows residents did not return to the Villages, it is imperative that any evaluation of the revitalization effort to determine what happened to those residents. In 2005, Fred Brooks of Georgia State University and Carole Zugazaga of Auburn University

⁸¹ Id.

⁸² Id.

⁸³ Id.

⁸⁴ Id.

⁸⁵ United States Department of Health and Human Services.

conducted a study that surveyed displaced residents of an Atlanta public housing project that had undergone HOPE VI redevelopment.⁸⁶ Brooks and Zugazaga asked a control group of residents, all of who had been relocated four years earlier, a series of questions. They sought to determine how the relocated residents perceived their overall living situation, including housing, neighborhood conditions, and finances. They also asked relocated residents what they saw as the biggest single change in their situation since relocation.⁸⁷

Of the ninety-three people surveyed,⁸⁸ sixty-one (almost two thirds) chose to relocate using Section 8 housing vouchers. The remaining thirty-two were relocated to different public housing projects. Of those who used vouchers, sixty percent said their house and living conditions were better since relocation than in the housing project. Fourteen percent said they were better at the housing project. Of those relocated to other public housing, twenty-seven percent said they were living in better conditions than they had before the move, while forty percent preferred the conditions of the old project.⁸⁹ Of the two thirds of those sampled who were relocated using vouchers, forty-one percent reported that their overall financial situation had improved. Of those relocated to a different public housing project, twenty-eight percent reported they were better off financially while fifty-five percent reported no change.⁹⁰

When asked about the biggest single impact of relocation, the majority of responses were positive, with most of those coming from voucher users.⁹¹ Positive experiences included “making [residents] stronger, more responsible, [more] self-reliant,” and also becoming more

⁸⁶ For some reason, Brooks and Zugazaga use a pseudonym for the name of the housing project, but it was not East Lake Meadows.

⁸⁷ Brooks at 481.

⁸⁸ Of the 493 family heads living in the housing project at the time at relocations (1999), snowball sampling techniques allowed the researchers to find 116 ex-residents. Of those, 93 people showed up at the focus groups. *Id.* at 484.

⁸⁹ *Id.* at 485.

⁹⁰ *Id.* at 487.

⁹¹ *Id.* at 488.

fiscally responsible. Other residents said they felt more financial stress due to higher utility bills.

One voucher user explained her situation this way:

Well, if I had stayed at [the housing project], I wouldn't have all these bills to pay.... You've got to keep a job to keep all these bills going. I can't say anything negative, but you just have to put yourself in a place where you know your responsibilities. Well, I complain about the utilities, but I can keep my children together now because I don't have people all around doing all sorts of stuff. It made me a better parent. It made me look at what I want for myself and my children. It's hard, but it's better.⁹²

In an additional study commissioned by the AHA, Thomas Boston of the Georgia Institute for Technology attempts to answer whether displaced residents of demolished public housing projects are “better off today.”⁹³ Boston measured the quality of the neighborhood that displaced persons moved to (by measuring crime and poverty rates) and what he calls, the “self-sufficiency index.” This index defines a threshold value for family self-sufficiency using federal guidelines for poverty levels and provides a framework for the analyst to measure self-sufficiency over time.⁹⁴

Boston concluded that families that relocated using vouchers (fifty-seven percent of all households receiving assistance from AHA in 2007) lived in neighborhoods with lower levels of crime and poverty than neighborhoods in which the public housing developments were located. The same was true for the nine percent of assisted households who lived in mixed-income developments.⁹⁵ Boston also concluded that all families assisted by AHA became more self-

⁹² Id.

⁹³ Boston at 5.

⁹⁴ Id. at 22.

⁹⁵ Id. at 6.

sufficient over time,⁹⁶ with the fastest progress shown by those assisted families who received housing vouchers or lived in mixed-income developments.⁹⁷

Boston also sought to analyze whether revitalization of housing projects and the associated displacement causes families to lose housing assistance. To do that, he set up “a quasi-experimental design” with a “treatment group” of residents from six housing projects that were scheduled for revitalization—including East Lake Meadows—and a “control group” consisting of residents of public housing projects not revitalized. Boston found that from 1995 to 2007, the number of families going off public housing assistance was roughly the same for each group. He concludes that “[r]evitalization of public housing developments between 1995 and 2007 did not cause relocated families to lose housing assistance at a greater rate than would have occurred normally.”⁹⁸ Thus, even though the vast majority of East Lake Meadows’ residents did not return to the Villages of East Lake, the available literature contends that those residents were not worse off and were likely to be better off due to their relocation.⁹⁹ Even so, the relocated residents, who represent the vast majority of East Lake Meadows residents, were not able to share in the benefits of revitalized East Lake, and proponents of mixed-income development should seek to address an outcome like this.

II. A Holistic Approach

The East Lake Community Foundation operates according to a holistic approach to neighborhood revitalization and poverty alleviation. One of the most common critiques of

⁹⁶ These findings likely reflect changes in AHA’s eligibility requirements, which require work or enrollment in a training program and disallow those convicted of felonies. This mirrors federal standards. *See* Housing Opportunity Program Extension Act, Pub. L. No. 104-120, 110 Stat. 834 (1996).

⁹⁷ *Id.* at 45.

⁹⁸ Boston at 35.

⁹⁹ Additional research is needed into the situation of relocated residents. The available data is helpful but not conclusive. Both studies of Atlanta public housing residents include only those who were eligible for relocation. Any residents who were determined ineligible for continued assistance were not required to be relocated. These lost people are undeniably difficult to study, but including them would likely alter the statistics.

mixed-income developments is that too much attention is paid to the neighborhood outcomes (reduced crime, improved services, increased property values) and not enough to the low-income people (income levels and education opportunities for those residents). Critics worry, just as the residents of East Lake Meadows worried, that neighborhood revitalization will lead only to gentrification and not any alleviation of urban poverty.¹⁰⁰

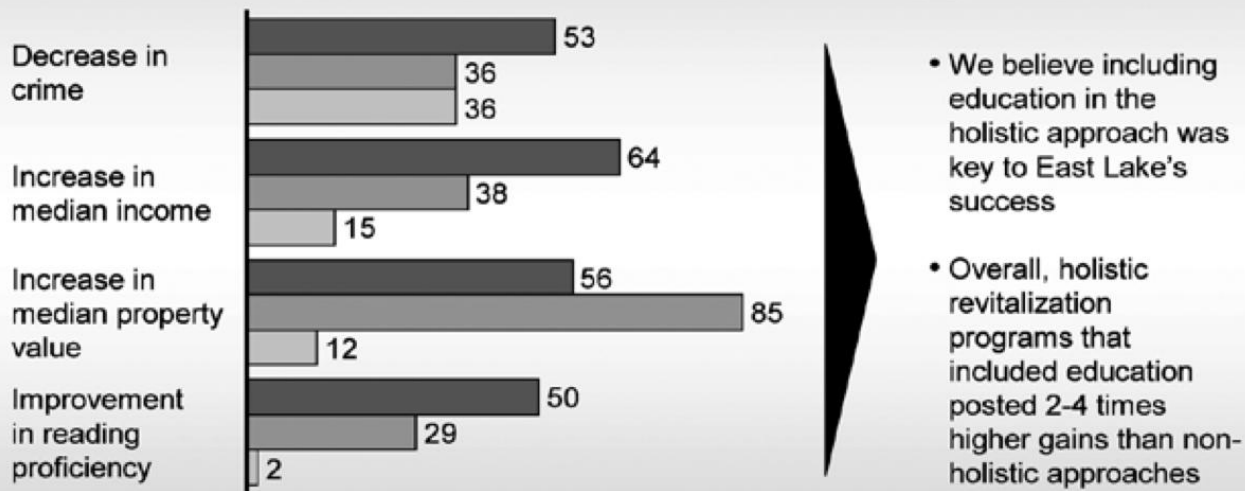
Revitalized East Lake avoids this pitfall because of its holistic approach and commitment to providing crucial social services. The fifty-fifty mix of low-income residents to more affluent residents insisted on by Eva Davis helps that goal, but more significant are the additional amenities offered by the Villages of East Lake to its low-income residents. Carol Naughton found that once the difficult negotiations regarding housing and relocation were complete, the negotiations with the residents regarding the new charter school, the child development center, the job-training center, and the YMCA were quick and uncontroversial. By this time, due to the earlier persistence of Giornelli, the Foundation had earned the trust of the residents (especially those who elected to return to the Villages). The chart below presents a comparison of holistic developments to developments that just reformed housing (for purposes of the chart, holistic means developments that reformed both housing and education).

¹⁰⁰ Fraser at 2358.

HOLISTIC REVITALIZATIONS MAKE LARGER GAINS THAN NON-HOLISTIC REVITALIZATIONS ON ALL METRICS



Median outperformance relative to control group Percent



* The 4 holistic revitalizations were The Villages of East Lake (Atlanta), Centennial Place (Atlanta), Murphy Park (St. Louis), City West (Cincinnati)

** The 6 non-holistic revitalizations were Lake Parc Place (Chicago), Harbor Point (Boston), Park DuValle (Louisville), Lexington Terraces (Baltimore), New Holly (Seattle), Soulsville/College Park (Memphis)

Washington and Lee University

A. Creating Drew Charter School

In 1998, the Georgia legislature amended the Charter Schools Act¹⁰¹ to exempt charter schools from the control of the existing public school bureaucracy. Drew Charter School, which serves kindergarten through eighth grade, was the first school opened under the new law.

Cousins raised the vast majority of the funds needed to tear down Drew Elementary and built the new school. Of the \$17.5 million raised to open the school, only \$1.5 million came from public sources.¹⁰² Drew Charter School is owned by a non-profit corporation, receives a small amount of state money, and is managed by Edison Schools, a for-profit provider of services to charter schools. The school day ends an hour and a half later than in Atlanta public schools, and the school offers numerous after-school programs (including golf classes on the neighboring public

¹⁰¹ O.C.G.A § 20-2-2065 (1998).

¹⁰² Davis at 3.

golf course). Drew often seeks to hire male teachers to make up for the lack of a father figure in the homes of many of its students.¹⁰³

The school boasts impressive statistics. The percentage of students passing the state reading exam has jumped from thirty-one percent to seventy-three percent in its first four years, seventy-eight percent meet or exceed state math standards, and to date, not a single Drew graduate has dropped out of high school. Most of the students are from low-income families, as the school provides free or reduced cost lunches to eighty percent of its students. Naughton says that Drew Charter School “is the single most important self-sufficiency program we have.”¹⁰⁴

III. Structuring East Lake

A. Ownership

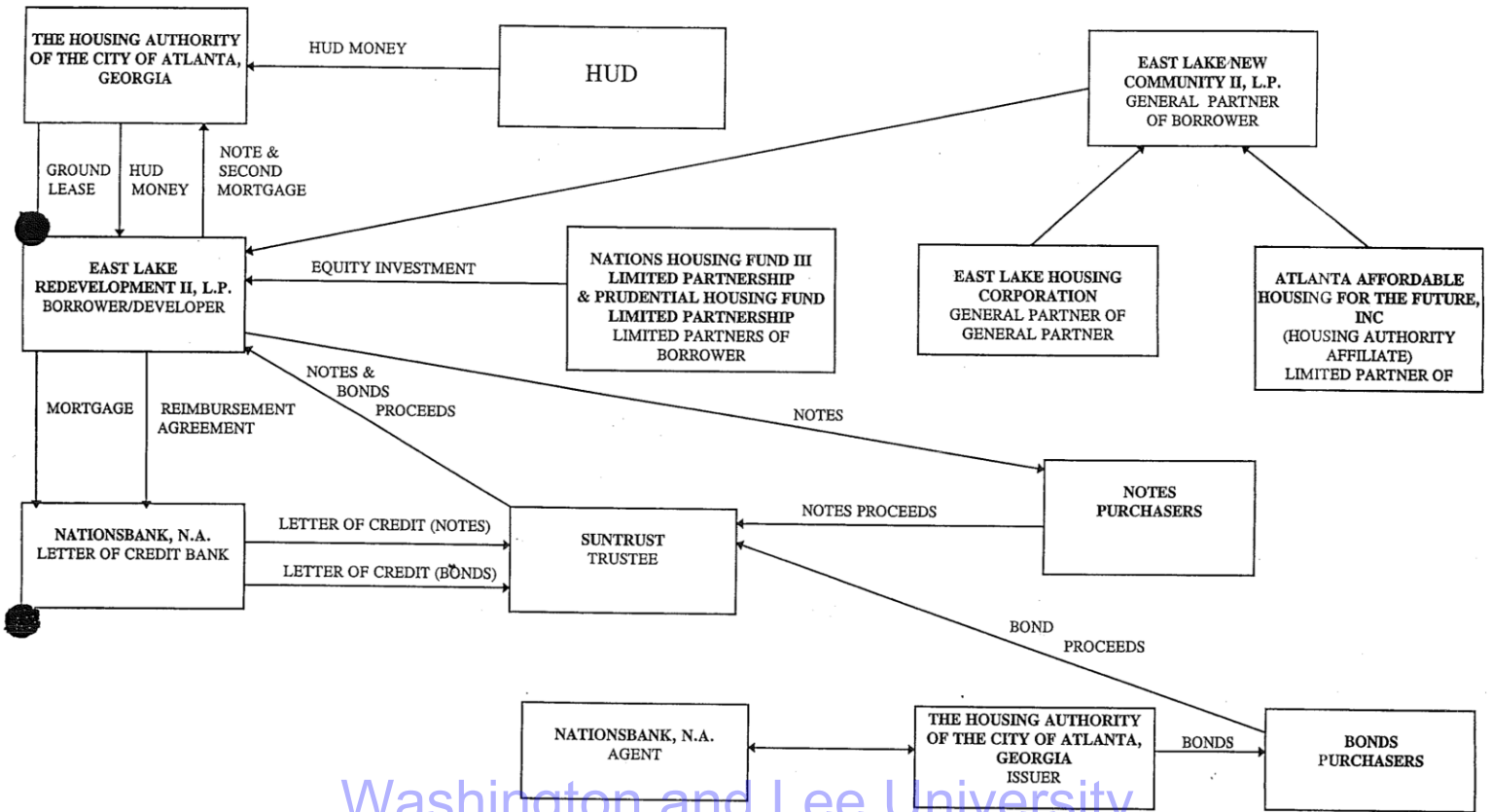
The legal structure of the deal between the AHA and the foundation is both innovative and complex. Originally, the AHA owned fifty-four acres in East Lake, the former site of East Lake Meadows. Over the next few years, the Foundation acquired 120 surrounding acres. The city donated another thirty acres. The Foundation owns the ground beneath the school, YMCA, child development center and public golf course, and it owns and manages the buildings of the Villages. The AHA retains title to the ground beneath the housing, and at the expiration of a fifty-five year lease, they will reacquire title to the housing buildings.¹⁰⁵ A schematic of the ownership arrangement, including funding sources, is furnished below.

¹⁰³ Interview with Carol Naughton.

¹⁰⁴ Davis at 4.

¹⁰⁵ URBAN LAND INSTITUTE CASE STUDIES.

EAST LAKE PHASE II



Washington and Lee University

The ownership structure of the Villages of East Lake is typical to ownership structures utilized by private developers. A limited partnership is created (East Lake Redevelopment II above); the general partner (East Lake New Community II, which is subject to liability) is usually not capitalized; and the real “owners” of the property are limited partners (in this case, the East Lake Housing Corporation and Atlanta Affordable Housing for the Future, Inc.). The arrangement is unusual when it comes to public housing because government-owned property does not require such a complex arrangement. In the East Lake ownership arrangement, the

AHA plays an important role. Having the AHA as a limited partner in the property exempts the development from property taxes.¹⁰⁶

B. Financing

Capitalization funds came from both public and private sources. The AHA issued mortgage revenue bonds and a soft second-mortgage loan, as shown on the bottom portion of the schematic. A soft second-mortgage consists of government assisted payments for a limited time and is only available to projects that include affordable housing for low-income residents. The loan is “soft” because it does not have to be paid back in full as long as the project remains under the same ownership and it continues to offer affordable housing. HUD awarded the developers of East Lake low-income housing tax credits. These tax credits were sold to private investors in order to reduce the debt required for construction.¹⁰⁷ This transaction is represented in the schematic by the equity investments Nations Housing Fund III, LP and Prudential Housing Fund LP. As depicted above, notes purchasers also provided funds for capitalization. These individuals were generally privately solicited by Cousins. In return for their investments, these individuals received memberships to East Lake Golf Club.¹⁰⁸

Funding for the Villages of East Lake, as the diagram suggests, comes from a multitude of sources. HUD contributes money for operating costs through Article 9 of the USHA. The revenues from market rate renters and contributions cover remaining operating costs. The Foundation’s affiliation with the East Lake Golf Club (the annual site of the Professional Golf

¹⁰⁶ Interview with Carol Naughton

¹⁰⁷ “The LIHTC Program... was enacted by Congress in 1986 to provide the private market with an incentive to invest in affordable rental housing. Federal housing tax credits are awarded to developers of qualified projects. Developers then sell these credits to investors to raise capital (or equity) for their projects, which reduces the debt that the developer would otherwise have to borrow. Because the debt is lower, a tax credit property can in turn offer lower, more affordable rents.” *See*

<http://www.hud.gov/offices/cpd/affordablehousing/training/web/lihtc/basics/work.cfm>.

¹⁰⁸ URBAN LAND INSTITUTE CASE STUDIES; REVITALIZING URBAN COMMUNITIES at 19.

Association's Tour Championship), also yields financial support, as members of the Club have donated more than \$17 million to the project.¹⁰⁹

In the event that additional funds are needed for operations, the Foundation is prepared to rent the low-income units to higher-income low-income individuals. Because rent is tied to percentage of income, renting to higher-income low-income tenants would increase revenues. To date, such a contingency has not been necessary.¹¹⁰

The structure of East Lake is one way to set up public-private ownership of a mixed-income development; it is certainly not the only way. A public-private partnership requires lawyers on each side who are cognizant of issues facing both government actors and private actors. Contrary to a situation where property is fully publicly owned, a public-private partnership requires attention to the tax and liability implications of the ownership structure. Lawyers for the private actors must be aware of the availability of and requirements for public funding sources, such as LIHTC and soft-second mortgages. Special attention too should be paid to how the displaced residents will be relocated. In addition to following all relevant laws, both the public and private partners should be aware that the success of their neighborhood also depends on the well being of the displaced residents. Care should be taken to maximize the utility of their move.

Not every project will be fortunate enough to have a developer as wealthy, dedicated, and connected as Cousins, but East Lake has shown that people will contribute to worthy projects. Creative appeals to the community also foster the continuing vitality of the development. For East Lake, the common bond for all residents is access to a public golf course that is maintained by the same people who maintain the private East Lake Golf Club. For another community, the

¹⁰⁹ URBAN LAND INSTITUTE CASE STUDIES.

¹¹⁰ Interview with Carol Naughton.

tie might be something else entirely (a mixed-income development in Memphis, for example, focuses on music). East Lake exemplifies a structure that can work and has also illuminated the issues that will likely arise in the implementation of future holistic, mixed-income developments.

Lessons from East Lake

Since redevelopment, East Lake is now safer for current residents, and former residents who did not return generally consider themselves to be better off than they were in East Lake meadows. Many factors contributed to this success. First, persistence and clarity of goal from both the private and the public sectors is essential. Second, a holistic approach that includes revitalizing housing, education, child-care, job training, and recreation makes sure that the low-income residents are well served. This second factor responds to one of the most common critiques of mixed-income developments—that the low-income residents often miss out on the benefits of revitalization.¹¹¹ Finally, long-term commitment, which requires a plan for long-term funding, is essential. East Lake continues to be well funded due to promotion and support by Cousins and other business leaders, the association with the East Lake Golf Club, and the dedication of the AHA.

Mixed-income development is not a silver bullet that can end urban poverty. Responsible, effective strategies must account for displaced residents. This element of mixed-income developments shows the requirement of a strong voucher program and also demonstrates the importance of programs like Chicago's Gatreux Assisted Housing Program,¹¹² which prepare the displaced for moving. Proponents of mixed-income developments must develop a plan for the "hard to house," who will otherwise miss out on the benefits of redevelopment. As this analysis of East Lake suggests, mixed-income developments that holistically revitalize

¹¹¹ Fraser at 2358.

¹¹² See Margery Austin Turner, *Moving Out of Poverty: Expanding Mobility and Choice through Tenant-Based Housing Assistance*, 9 HOUSING POLICY DEBATE 2, 373 (1998).

housing, education, and provide other crucial services, play an important role in making neighborhoods safer and alleviating poverty.

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