Urban Politics

Cities and Suburbs in a Global Age

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Chapter 2

The Evolution of Cities and Suburbs

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2 The Evolution of Cities and Suburbs

Are urban problems "natural," that is, the unavoidable result of the choices made by citizens in a free society? That's what many Americans think. This point of view was also reflected in the opinion of United States Supreme Court Chief Justice John Roberts who argued that present-day school segregation is largely natural, that it is the result of private residential choices. Justice Roberts does not fully recognize the role that various governments have had in supporting and reinforcing segregation. Government actions that support segregation violate the "equal protection of the laws" clause of the United States Constitution (see Box 2.1).

This book recognizes that individual choices and free-market forces have indeed had a large influence in determining the shape of urban development. But this book also recognizes the important role played by less visible forces that have shaped—and continue to shape—patterns of urban growth and decline. The "natural forces" explanation of urban problems and inequalities is quite incomplete. More than is commonly recognized, governmental policies have exacerbated urban inequality and numerous urban problems, including: the decline of industrial "Rustbelt" communities; racial segregation in the **metropolis** (a term that refers to a central city and its surrounding suburbs); and the sprawled nature of urban development that eats up green space and exacerbates problems of pollution.

Urban problems also result from the exercise of private power. Self-interested private actors act to protect their privileges and, in doing so, have limited the housing and school choices available to others. Such actions helped to produce contemporary metropolitan areas that look quite different from the ones that an unobstructed free market would have produced.

Box 2.1
A *"Willful Blindness"*: Failing to Recognize Government's Role in Promoting Racial Imbalances in the Metropolis

In 2007, the United States Supreme Court struck down moderate school integration programs in Denver and Seattle. Denver and Seattle established high-quality "magnet schools" in an attempt to promote voluntary school integration. No one would be forced to attend the special schools. But public officials hoped that the schools would attract families of all races who were interested in schools of excellence. The admissions program took an applicant's racial and ethnic background into account in order to ensure that school enrollments would be well integrated. The parents of some white students, however, objected that their children were suffering discrimination as a consequence of the school systems's effort to shape classroom diversity.

The Supreme Court struck down the voluntary integration plans. In his plurality opinion, Chief Justice John Roberts stated that the school districts had given unallowable consideration to race in their admissions decisions. According to Roberts, a district could consider a student's race in determining a school's enrollment only if the district, an agency of government, had previously engaged in actions that produced school segregation. As Denver and Seattle had no proven history of past actions intended to segregate local schools, it was impermissible for school officials to take a student's race into account when making school assignments.

Chief Justice Roberts argued that contemporary racial imbalances in school enrollments are largely a reflection of "societal discrimination," a reflection of the fact that families of different races and ethnic groups tend to reside in different communities. The United States Constitution, Roberts observed, does not require the government to correct all racial patterns that exist in society but only those that are the result of government action. The wording of the Equal Protection Clause of the 14th Amendment explicitly bars discriminatory action by the "State," that is, by government: "No State shall . . . deny to any person within its jurisdiction the equal protection of the laws." As Chief Justice Roberts and Justice Clarence Thomas both underscored in their written opinions, the Equal Protection Clause prohibits only **state action**: The clause prohibits governments from engaging in acts of racial discrimination and does not require the government to step in and correct the effects of the residential choices made by millions of American families as they conduct their daily lives and private affairs.

Essentially, Roberts rejected the contention that government programs had helped to create and maintain local levels of segregation. Are patterns of community and school segregation largely natural, that is, a reflection of societal patterns, as Justices Roberts and Thomas saw it? Or are racial imbalances in the schools also the result of state action, that is, of the discriminatory programs of government?

Richard Rothstein, in *The Color of Law: The Forgotten History of How Our Government Segregated America*, rebuts the Chief Justice. Rothstein details the great many actions taken by all levels of government—by national, state, and local governments including public-school districts—that have perpetuated and exacerbated racial segregation: "This misrepresentation of our racial history, indeed out willful blindness, became the consensus view of American jurisprudence."

As we shall see throughout this book, government programs—especially local zoning and land-use plans—have served to produce patterns of both residential and school segregation. Residential and school segregation are the result of state action—that is, government action—and cannot be attributed solely to the differences in housing preferences and incomes of individuals operating in a free market.

Sources: Richard Rothstein, *The Color of Law: A Forgotten History of How Our Government Segregated America* (New York: Liveright Publishing, 2017), esp. xiii-xv and 215. Justice Roberts's statements are from his plurality opinion in *Parents Involved in Community Schools v. Seattle School District No. 1*, 551 U.S. 701 (2007). Also see Jake Blumgart, "Housing is Shamefully Segregated. Who Segregated It?" *Slate*, June 2, 2017, www.slate.com/articles/business/metropolis/2017/06/an_interview_with_richard_rothstein_on_the_color_of_law.html.

Urban Politics recognizes the important role that natural forces and free choice have played in shaping urban growth and decline. But *Urban Politics* also points to the important role that government programs and private power have also played in shaping urban America.

This chapter details three quite different sets of factors that each help to explain a local community's growth and decline. The chapter first describes such factors as population pressures and technological change that can indeed be viewed as "natural" forces that have determined the shape and health of America's communities. The chapter then describes a second and quite different set influences, how the various programs of the national, state, and local governments have shaped local communities, at times compounding urban problems. The phrase **hidden urban policy** refers to the various government programs intended for nonurban purposes—such as completing the interstate highway system, rewarding veterans, or promoting homeownership—that have had a major, albeit often unintended, impact on America's communities.

The chapter then shifts its focus to a third set of factors, the exercise of private power, as quite distinct from the exercise of free-market choices. The chapter reveals how the self-interested and discriminatory actions of private actors have helped to determine patterns of investment, homeownership, and segregation that cannot be viewed simply as the result of free individual choice. The theme of private power will be further elaborated in the chapters that follow, for instance, in describing how business officials have distorted the information presented to public officials to justify the award of extensive federal, state, and local subsides for the construction of sports stadiums, conventions centers, casinos, and other growth projects. Such manipulations are a violation of free-market theory which assumes that decisions are made in response to perfect information, not distorted information.[1]

THE NATURAL FACTORS THAT SHAPE THE GROWTH AND DECLINE OF CITIES AND SUBURBS

Political conservatives tend to argue that little can be done to remediate urban problems as patterns of urban development are largely dictated by societal forces beyond the control of government. Government has only a quite limited capacity to ameliorate urban and social problems. Especially in a society that values individual freedom, government is largely powerless to reverse the residential, business, and investment choices made by its citizens.

Political scientist Edward C. Banfield eloquently elaborated the conservative point of view in a classic essay that he wrote in the middle of the twentieth century. Banfield pointed to three sets of natural forces that had such a strong influence on cities that he referred to them as "imperatives" that essentially determine urban growth and decline.[2] The first imperative is **demographic**: Increases in population put pressures on housing and commercial activities to grow. As a result, the footprint of the city expands outward, resulting in the growth of suburbs. This decentralization of population and economic activity serves to weaken central cities. Families with the financial means leave the congested and crime-ridden city core for better communities. Business firms, too, soon follow the exodus to the suburbs.

The second imperative is **technological**: Transportation and communications technology determines just how far from the city center residents and businesses can conveniently locate. More recent advances in telecommunications have continued to alter development patterns, with new telecommunications technology enabling businesses to locate at increasing distances from cities that traditionally served as the central hubs of the nation's economy.

The third factor Banfield calls **economic**, but we can more easily understand it if we refer to it as *wealth* or *affluence*: Just who lives where in the Americas? More affluent families have the ability to seek housing in the "best" communities in a metropolitan area. Middle-class families similarly seek the "good life" in suburban communities located far away from the congestion, grit, cramped housing, and crime of inner-city areas. Working-class and poorer families, possessing much less buying power, have little alternative but to live in the parts of the central city and the declining suburbs that more affluent home seekers have abandoned.

NATURAL FACTORS AND THE EVOLUTION OF THE AMERICAN METROPOLIS

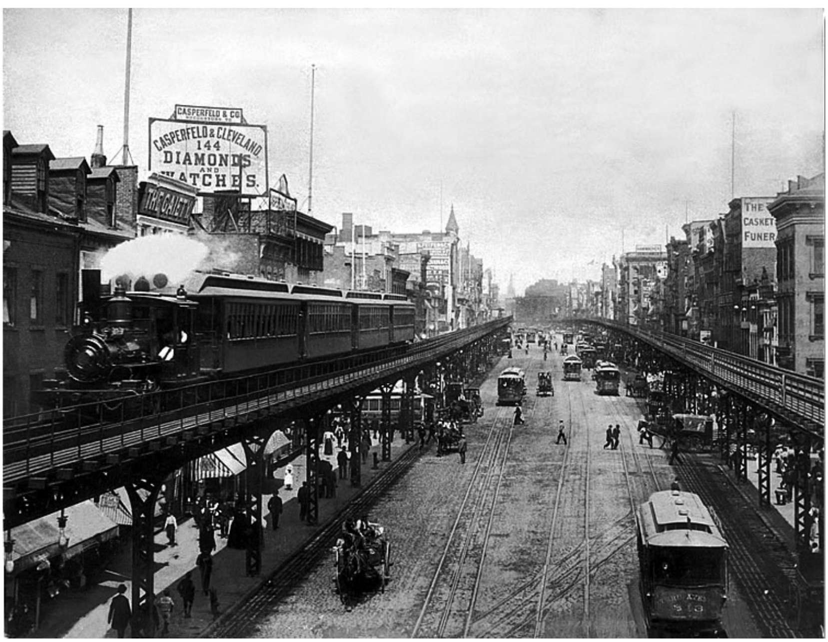
Population pressure, changes in transportation and communication technology, and patterns of affluence clearly have had a large influence on the evolving shape of American communities. The oldest parts of cites are usually found by a major locus of transportation—a harbor, river, canal, or a railroad or trail junction that provided early American communities with commercial connections essential to the economic viability of the early American city.[3] The primitive nature of transportation also meant that the American city in the 1800s was relatively small and compact in terms of its geographical expanse. A person could traverse a good portion of the city by foot, leading urban historian Kenneth Jackson refers to America's early preindustrial communities as **walking cities**.[4]

The rudimentary nature of transportation in the early American city also meant that workshops, warehouses, and residential spaces had to be located in close proximity to one another. Wealthy merchants, shippers, manual workers, and the poor all lived inside the city, close to work. During this early era, cities had not yet lost population and wealth to suburbs, as the hamlets and farm villages outside the city's borders were difficult to reach. The residents of the countryside had little interaction with the city. It would take advances in transportation to transform these rural villages into suburbs where residents have more extensive interaction with the central city.

Cities grew as a result of **urbanization**: Migrants left the poverty and economic vagaries of life in the countryside for the promise of jobs, education, and opportunity offered by the city. In the industrial age, job seekers from the countryside and immigrants from overseas both came to the city in search of work. The population pressures forced the city to expand.

But the movement of population away from the center city had to await progress in transportation technology (Figure 2.1). In the early and mid-1800s, workers could move

Figure 2.1 **Center-Focused Transportation: Steam Trains, Electric Trams, and Even Horse-Pulled Wagons on "The Bowery" in New York City, 1896**. In the pre-automobile age, cities were the central hubs of industry and commerce, with trains and electric streetcars providing essential transportation lifelines.



Source: Originally published in 1896 in *The New York Times*, http://commons.wikimedia.org/wiki/File:The_Bowery,_New_York_Times,_1896.JPG.

only as far out as a horse-pulled streetcar could take them. Successive transportation innovations—the electric trolley, the steam railroad, electric commuter trains, and the automobile—each enabled new waves of residents to move farther and farther away from the city center.

But even during the age of the electric trolley or streetcar, urban areas were relatively compact, quite unlike the sprawling megalopolises of today. At first, innovations in technology, especially the introduction of the elevator, reinforced the urban core, with the first skyscrapers appearing in the late 1880s. The American city expanded upward before new transportation technology allowed it to spread greatly outward.

For a long while, permissive laws in many states enabled a city to extend its political boundaries to reflect the outward movement of population. Cities possessed the power of **annexation** to adjoin neighboring areas to the city; the city swallowed up an abutting community that then became part of the larger city. The residents of underdeveloped outlying communities, where streets were barely paved and service provision was quite inadequate, often looked to the larger city for road paving, street lighting, and the provision of municipal water and gas. During this early stage of city expansion, there was no massive suburban resistance to annexation.

A turning point came in 1893 in a **political revolt by Brookline, Massachusetts**, a growing suburb surrounded on three sides by the City of Boston. Brookline spurned annexation by Boston. Brookline residents saw their community as a "refuge" from the dirt and corruption of the industrial city. They feared that joining the city would lead to higher taxes. Ethnocentrism, that is, the distrust of foreigners, also played a role in the suburb's rejection of the city. Brookline residents opposed to annexation "frankly stated that independent suburban towns could maintain native American life free from Boston's waves of incoming poor immigrants."[5] After the Brookline revolt, suburbs across the United States increasingly fought to maintain their independence from the city.

As suburban populations grew, changes in state laws began to favor the suburbs by making it increasingly difficult for cities to extend their political boundary lines outwards. **Streetcar suburbs** sprouted along the path of the electric trolley tracks; their residents were beyond the political reach of the central city. As historian Sam Bass Warner, Jr., summarized, "the metropolitan middle-class abandoned their central city."[6]

The middle class began to shift to the suburbs. But poorer migrants from rural areas continued to pour into cities in search of economic opportunity. In the **Great Migration** (roughly from 1910 through the 1940s), millions of poor African Americans—and whites—left the rural South to go to Chicago, Detroit, Pittsburgh, and other big cities in the North. The mechanization of agriculture and the end of the sharecropper system in the South pushed the rural poor off the land. To meet their production needs during both World Wars I and II, city factories sent their agents to the South to recruit workers. African Americans migrated to the cities of the North, searching for economic security, social and political freedoms, and a reprieve from oppression. Appalachian and rural whites moved northward, searching for economic opportunity.[7]

The automobile revolutionized urban form; new residential and commercial development no longer needed to be located in close proximity to streetcar stops and railway stations. The automobile enabled home seekers to fill in the spaces between the "fingers" of development that already existed along streetcar and rail lines. The automobile also enabled commuters to reside at a considerable distance from the city center.

Manufacturers, seeking the space necessary for assembly line production, were attracted by the relatively low price of undeveloped land located on the rim of urban areas. By the middle of the twentieth century, the rise of the trucking industry enabled warehousing and distribution firms to leave their older facilities situated along the rail spurs in the central city. Older manufacturing and warehousing sections of the core city, areas such as New York's SoHo and Lower East Side, suffered a steep decline. By 1970s, advances in cargo containerization further accelerated the suburbanization of warehousing and distribution activities; narrow and congested city streets and the small loading docks of old central-city warehouses could not accommodate the new shipping technologies.

Retail and entertainment establishments followed the middle class to the suburbs. Suburbanites did not want to be bothered with long drives for shopping, city traffic jams, and the difficulties in finding parking downtown. Commercial developers responded by constructing open-air, plaza-type shopping centers and, later, enclosed shopping malls in the suburbs. In the 1950s and 1960s, retail sales in the central city plummeted. In 1983, Hudson's department store, long associated with Detroit, closed the doors of its downtown flagship store, having opened new stores in the region's various suburban shopping malls. Detroit gained the dubious distinction of being the largest city in the country not to have a major department store within the city's borders. Baltimore, Cleveland, Toledo, Dayton, Davenport, Charlotte, Fort Worth, and a large number of other cities soon saw long-established department stores close, signaling the decline of the downtown core.

The development of airports, too, served as an impetus to the decentralization of warehousing, distribution, and other commercial activities. The increase in the volume of high-valued freight shipped by air led to the construction of warehouses and distribution facilities convenient to airports. Increased business travel by air similarly promoted office development in the suburbs.

Central cities were in trouble, having lost population and commercial activity and a good portion of their tax base to the suburbs. Rival commercial centers, virtual mini-cities, sprouted in the suburbs. Orange County, south of Los Angeles, enjoyed a dynamic office boom. Northwest of Chicago, the office towers of Schaumburg constituted a virtual second downtown in Chicagoland. Also in Chicagoland, the arrival of Bell Labs, helped suburban Naperville mushroom as yet another dynamic concentration of office and retail, Naperville became the fifth largest city in Illinois.[8]

Edge cities—concentrations of offices, shopping centers, and hotels—sprang up on the rim of virtually every major metropolitan area: Route 128 outside of Boston; White Plains (New York) and the New Jersey suburbs of New York City; King of Prussia (outside of Philadelphia); Rosslyn, Crystal City, and Tyson's Corner (in the northern Virginia section of the Washington, DC, metropolitan area); Troy and Southfield (just north of Detroit); the Houston Galleria; the Perimeter Center north of Atlanta's beltway; and various communities in Silicon Valley lying on the peninsula between San Francisco and San Jose, to name only a few. **Technoburbs**, high-technology-oriented suburbs, mushroomed as the sites of globally oriented and foreign-owned firms.[9] The **multicentered metropolis** became the new urban reality. The old central city and its downtown business district no longer dominated the urban region.

In the 1950s and 1960s, when the movement of America to the suburbs was still in its relative infancy, suburbia was stereotyped as a land of tranquil **bedroom communities** from where husbands commuted to the central city for work. Industrial and factory suburbs also existed, but did little to mar the overall portrayal of suburbia as a series of serene, middle- and upper-class, and predominantly white communities.

Over the decades that followed, suburbia would evolve and mature. Today, suburbia is much more diverse and dynamic than the early stereotype. Suburbs are now the sites of high-tech industry, office campuses, entertainment venues, cultural centers, universities, and fine dining. For the residents of suburbia, their communities do not at all seem "sub" to central cities.

The population of contemporary suburbia has also become increasingly diverse. The all-white suburb, a community which had no African-American residents, has largely disappeared from the urban landscape. Nor is contemporary suburbia uniformly white and affluent. A diverse racial and ethnic population, immigrants, and families in poverty are increasingly found in the suburbs.[10] Conditions in the most nation's troubled inner-ring suburbs, including East Cleveland, Trenton (New Jersey, just across the river from Philadelphia), East St. Louis (Illinois), and East Palo Alto (California), are in many ways indistinguishable from those of the urban core.

Natural Factors and the Shift to the Sunbelt

Suburbanization is not the only population and economic shift to reshape urban America. The latter half of the twentieth century and the beginning of the twenty-first century saw a major demographic shift, the movement of population and economic activity from the older **Frostbelt** cities and suburbs of the Northeast and the Midwest to the growing **Sunbelt** communities of the South and West. The nation's most dynamically growing areas are in the Sunbelt, while communities in the Northeast and North Central regions continue to lose population. As census data from 2016 reveals, all of the nation's 25 fastest-growing metropolitan areas (including metropolitan Las Vegas, Austin, Raleigh, Sarasota-Bradenton, and Orlando) are to be found in the Sunbelt![11] The nation's top ten counties in terms of population increase likewise were in the South and the West

Table 2.1
10 Largest-Gaining Counties (by Numeric Population Gain): July 1, 2015 to July 1, 2016

County	Population	Net Population Gain	Percent Change	Domestic Migration
Maricopa County, Arizona	4,242,997	81,360	1.95	43,189
Harris County, Texas	4,589,928	56,587	1.25	–16,225
Clark County, Nevada	2,155,664	46,375	2.20	27,735
King County, Washington	2,149,970	35,714	1.69	8,511
Tarrant County, Texas	2,016,872	35,462	1.79	13,411
Riverside County, California	2,387,741	34,849	1.48	16,961
Bexar County, Texas	1,928,680	33,198	1.75	13,077
Orange County, Florida	1,314,367	29,503	2.30	10,083
Dallas County, Texas	2,574,984	29,209	1.15	–6,193
Hillsborough County, Florida	1,376,238	29,161	2.16	14,806

Source: Adapted from United States Census Bureau, "Maricopa County Added Over 222 People Per Day in 2016, More Than Any Other County," release CB17–44, March 23, 2017, www.census.gov/newsroom/press-releases/2017/cb17-44.html.

(see Table 2.1). Two southwestern communities—Maricopa County (Phoenix) and Harris County (Houston)—had the greatest population gains, followed closely by Las Vegas. In contrast, the counties in 2016 that suffered the most severe population loss—including Cook County (Chicago), Wayne County (Detroit), Baltimore, and Cuyahoga (Cleveland)—were almost all in the Frostbelt, that is, in the Northeast and the Midwest (see Table 2.2).

Natural factors help explain the regional shift. The introduction of jet travel and innovations in computers and telecommunications enabled citizens and corporations to move to Sunbelt communities and enjoy their warm weather, sunny skies, good beaches, and the promise of escape from the congestion and social ills of northern communities. Businesses were further attracted to the Sunbelt's relatively cheap land. The introduction of air conditioning was essential for the growth of cities in the torridly hot South. With the marvel of machine-cooled air, northerners could even retire in Miami Beach, a city built on a mangrove swamp!

Table 2.2
10 Largest-Declining Counties or County Equivalents (by Numeric Population Loss): July 1, 2015 to July 1, 2016

County	Population	Net Population Loss	Percent Change	Domestic Migration
Cook County, Illinois	5,203,499	–21,324	–0.41	–66,244
Wayne County, Michigan	1,749,366	–7,696	–0.44	–17,346
Baltimore city, Maryland	614,664	–6,738	–1.08	–11,008
Cuyahoga County, Ohio	1,249,352	–5,673	–0.45	–10,122
Suffolk County, New York	1,492,583	–5,320	–0.36	–11,278
Milwaukee County, Wisconsin	951,448	–4,866	–0.51	–13,186
Allegheny County, Pennsylvania	1,225,365	–3,933	–0.32	–5,821
San Juan County, New Mexico	115,079	–3,622	–3.05	–4,341
St. Louis City, Missouri	311,404	–3,471	–1.10	–6,189
Jefferson County, New York	114,006	–3,254	–2.78	–4,674

Source: Adapted from United States Census Bureau, "Maricopa County Added over 222 People Per Day in 2016, More Than Any Other County," release CB17–44, March 23, 2017, www.census.gov/newsroom/press-releases/2017/cb17-44.html.

NATURAL FACTORS AND POSTINDUSTRIAL ADAPTATION AND DECLINE

After a prolonged period of decline, a number of former manufacturing cities reemerged as postindustrial **global cities**, the corporate and financial centers of the knowledge-based world economy. (Chapter 4 will describe the impact of globalization on cities in more extensive detail.) New York, Los Angeles, Chicago, and San Francisco have lost much of their former manufacturing character. Today, however, these former port cities and factory centers have blossomed as the dynamic centers of corporate headquarters, banking and finance activities, conventions and tradeshows, and tourism.

But not all cities had the extensive cross-border economic ties that enabled them to emerge as centers of global economic activity. Many smaller and more peripheral manufacturing communities, and a number of larger industrial cities as well, could not break their downward trajectory. Such communities faced long-term decline as they lacked the sort of highly educated, technologically skilled, and professional workers that global firms and entrepreneurial ventures valued. These cities lost population, with their neighborhoods increasingly marred by extensive abandoned housing, shuttered storefronts, and vacant lots. Cleveland lost over half of its population, plummeting from 915,000 in 1950 to a mere 385,800 in 2016.

Cleveland and other **shrinking cities** like Detroit, Flint, Dayton, Youngstown, Buffalo, Rochester, Syracuse, and New Orleans have come to realize that they cannot recover their lost population and former economic significance. Such cities have begun to initiate creative responses in the face of decline. Shrinking cities often emphasize **greening strategies**: demolishing dilapidated buildings; turning vacant properties into side lots and gardens for neighboring homeowners; expanding parks; using newfound green space to abet storm water retention; and promoting urban farms in parts of the city where agricultural activities were once prohibited.[12]

HIDDEN URBAN POLICY: HOW THE GOVERNMENT SHAPES URBAN GROWTH, DECLINE, AND INEQUALITY

As already noted, natural factors—population pressures, technology, and affluence—have a great impact on determining just where people live and just which communities thrive while others decline. But contrary to Edward Banfield's assertion, such natural forces are not "imperatives" that dictate exact patterns of urban growth and decline. Other factors, too, shape urban development. Government policies and the actions taken by powerful private actors—including banks and lending institutions, real-estate firms, and land developers—help to determine which communities prosper while others decline. In this section, we describe the numerous government programs that have served to accelerate disinvestment in, and the decline of, core-city neighborhoods. Government programs have also served to catalyze the shift of population and economic activity to the suburbs and the Sunbelt.[13]

The federal programs with the greatest impact on America's communities do not always have an explicit urban orientation. Instead, many of these programs have quite laudable objectives: helping Americans to buy homes of their own; rewarding veterans for their service; building the interstate highway system; promoting the construction of much-needed hospitals and sewage plants; and incentivizing business expansion. These programs constitute a hidden urban policy as they also have a tremendous, albeit often unstated and unintended, influence on the growth and decline of America's communities.

THE FHA AND THE VA: THE URBAN BIAS OF FEDERAL ASSISTANCE TO HOMEOWNERS

Federal assistance helped millions of working-class and middle-class families to buy homes of their own. The **Federal Housing Administration (FHA)** sought to make America a nation of homeowners by incentivizing banks and other mortgage-lending institutions to extend loans to home seekers whom the financial institutions would not normally extend credit.

FHA loan insurance typically provides protection for up to 80 percent of the value of an approved property. The FHA essentially guarantees that a credit institution will be repaid 80 percent of a loan if an FHA-certified homeowner defaults on scheduled payments. By removing most of the risk that a lender faces in issuing a home loan, FHA insurance spurred financial institutions to give mortgages to millions of Americans who would not, in the program's absence, have received a home loan. Facing less risk with FHA-backed loans, lenders could also reduce down payment requirements and interest rates, putting homeownership within the reach of the working and middle classes.

The **GI Bill of Rights of 1944** extended similar assistance through the **Veterans Administration (VA)** to millions of soldiers returning home from World War II. As "the VA very largely followed FHA procedures and attitudes . . . the two programs can be considered as a single effort."[14] Together, the FHA and VA programs offered prospective homebuyers a very attractive package of low or no down payment, easy credit, and a 25- to 30-year period of very manageable monthly payments.[15]

These federal programs accelerated suburban development and central-city decline. While the programs backed the purchase of new homes, the programs did not offer similar insurance for the purchase of apartments or for the renovation of older housing in the central city. The FHA was guilty of **redlining** large portions of central cities, refusing to approve loans in inner-city areas even when they received credit applications from otherwise qualified homebuyers.

The anti-city bias of the FHA were codified in the agency's 1939 *Underwriting Manual*. These government rules instructed FHA underwriters to minimize homeowner defaults by looking for "economic stability" when making neighborhood evaluations. As the *Manual* explicitly declared, "crowded neighborhoods lessen desirability."[16] The FHA chose not to aid homeownership in the "graying" areas of the inner city and instead chose to finance suburban development.

The suburban bias of the FHA is clearly evident in greater St. Louis. From 1934 to 1960, home seekers in the suburban portions of St. Louis County received five times as many FHA-backed loans as did applicants in the city of St. Louis. Some cities suffered from even more extensive bias as the FHA redlined entire cities it saw as risky. In New Jersey, the FHA approved no loans for homes in Camden and Paterson.[17] By shutting off mortgage funds, the FHA guaranteed the precipitous decline of already-fragile communities.

A second FHA bias was even more pernicious, as agency policies mandated racial segregation.[18] The FHA, a government agency, explicitly endorsed racial segregation as a means of protecting the value of government-insured homes. The agency's *Underwriting Manual* stated, "If a neighborhood is to retain stability, it is necessary that properties shall continue to be occupied by the same social and racial classes."[19] The *Manual* instructed federal underwriters to give a low rating to mortgage applications that would lead to the "infiltration of inharmonious racial or nationality groups" into a neighborhood.[20] In other words, the government would approve a home loan only in cases where homeownership continued patterns of residential racial segregation! The FHA even endorsed the use of **restrictive covenants**, legally binding agreements that prohibited a buyer from reselling a home to someone of a different race.[21]

Levittown and other major new suburban developments of the post–World War II era had to follow VA- and FHA-endorsed practices of racial exclusion; otherwise the developer risked losing VA and FHA certification essential to the sale of a home.[22] This was government-enforced racial segregation; government policies intruded and preempted the free-market move of racial minorities to the suburbs.

The FHA further promoted segregation through its policy of **racial steering**, using its power over of loan approvals to ensure that black and white home seekers would reside in different neighborhoods. The FHA did not approve loans to minority applicants who sought to buy homes in all-white suburbs. In fact, very few African Americans received FHA approval. Only a paltry 2 percent of FHA-backed mortgage in the post–World War II era went to minorities, and half of those were for homes in all-minority subdivisions.[23] In the 1940s, the FHA even required the developer of a suburban all-white subdivision to build a six-foot-high, half-mile-long concrete wall along the border with Detroit in order to seal off the new housing from a nearby black neighborhood (Figure 2.2).[24]

Why did the FHA and VA, important federal agencies that helped millions of Americans to become homeowners, practice segregation? FHA administrators feared that racial integration would jeopardize real-estate values, that white families fleeing neighborhoods undergoing racial change would default on their loans. The FHA reflected a point of view that, at the time, was prevalent in the real-estate industry. Both the FHA and the real-estate industry viewed "racial homogeneity" as "essential" for residential areas to retain their "stability and desirability."[25] The National Association of Real Estate Boards in its code of ethics even encouraged practices to preserve the racial homogeneity of a neighborhood!

Figure 2.2 **"The Wall," Detroit, 1941**. A half-mile long concrete wall was constructed along Detroit's outer boundary. The wall was built in an effort to keep African Americans from Detroit out of a suburban area where new housing for whites was being developed just outside the city border. Interestingly, government housing finance agencies, and not just private investors, insisted on the construction of the wall to promote the marketability and stability of the new housing.

Source: From the Library of Congress Prints & Photographs Division, Washington, DC 20540, www.loc.gov/pictures/item/fsa2000044373/pp/.

Outcries from civil rights groups eventually led the FHA to end its blatantly discriminatory practices. By 1949, the agency deleted from its manual the references to "racial groups" and "infiltration." But the harm that the FHA had done in distorting racial patterns in the American metropolis could not be undone. The FHA had helped to underwrite the growth of racially homogeneous suburban communities as well as the decline of minority-dominated central-city neighborhoods.

The agency's actions also promoted sprawled development into the urban periphery. In Los Angeles, FHA examiners approved home loans for "leap-frog" housing projects built in previously undeveloped natural areas on the edges of the metropolis.[26]

To its credit, the FHA in the 1960s reversed course and began to aggressively approve home loans in the inner-city areas that the agency had previously ignored. Unfortunately, even this U-turn in FHA policy wound up, albeit unintentionally, hastening the decline of numerous inner-city neighborhoods. In its rush to make up for its racist past, the FHA approved loans to applicants who lacked strong work and credit histories. Properties in the inner city deteriorated as the new owners lacked the financial means and readiness to assume the responsibilities of homeownership.[27] As a review of FHA activity in the late 1960s further explains, "the well-intentioned program turned into a scam for unethical real-estate speculators who bought decaying inner-city dwellings, slapped on coats of paint, and haphazardly made other superficial improvements before selling the houses at grossly inflated prices to unsuspecting buyers."[28] Dissatisfied homeowners walked away from "unfit" dwellings that had severe structural problems. As a result, FHA-backed properties too often wound up in default, boarded up and abandoned, accelerating the decline of inner-city neighborhoods.

Critics charge that the FHA was exceedingly lax in its standards for mortgage approval, a process that put families into homes they could not afford, leading to crisis in foreclosure and abandonment that plagued the banking and housing sectors in the early 2000s. Yet, an examination of the data reveals that this indictment of the FHA is overly harsh. The great bulk of home foreclosures did not involve FHA-insured properties. In fact, in the midst of the crisis, FHA-approved loans actually had a better record of repayment than did home loans issued by the newer private mortgage firms.[29]

It was not the FHA but a much different federal policy—**Republican-era deregulation** of the credit industry—that led to the wave of loan foreclosures and property abandonment that plagued inner-city neighborhoods.[30] FHA review actually served to avert loan defaults. In contrast, default rates were much higher among borrowers who obtained a "subprime" loan without FHA approval from a private lender who deceptively advertised unrealistically low monthly payments and easy repayment terms. By relaxing government rules on the issuance of home loans, deregulation enabled more unscrupulous private lenders to engage in **predatory lending**, offering homebuyers seemingly advantageous lending terms without safeguards against "high-cost, abusive, and often fraudulent transactions."[31] Deregulation was a hidden urban policy that marred inner-city neighborhoods with a flood of home foreclosures.

THE FEDERAL TAX CODE: A VERY IMPORTANT HIDDEN URBAN POLICY

The federal tax code provides subsidies for homeownership, allowing homeowners who itemize to deduct mortgage interest and property taxes from their taxable gross income. In 2016 alone, homeowners received an estimated $95.5 billion in assistance through the tax code.[32]

The subsidies provided to homeowners through the tax code can be viewed as **tax expenditures**, as the federal treasury loses a considerable sum of money each year as a result of the various deductions and credits claimed by homeowners. The tax expenditures given each year to homeowners surpasses by far the total sums that the federal government spends annually to assist low- and moderate-income families in need of affordable housing.[33]

Such generous federal tax expenditures for homeowners has had significant urban impacts, providing subsidies that fueled suburban development while enabling middle-class families to flee the central city. As the tax advantages are awarded only to home-buyers, the programs do little to assist the urban poor or to promote the construction of rental housing in poor inner-city neighborhoods. As lower-income persons seldom itemize tax deductions, the mortgage interest deduction is of no real value to them.

The tax expenditures for homeowners can also be seen as inequitable, as the provisions give the greatest subsidies to the most affluent homeowners, not to families most in need of housing assistance.[34] Tax benefits for homeowners are often criticized as being **Robin Hood in reverse**; unlike the legendary Robin Hood who stole from the rich to give to the poor, the homeowner provisions of the tax code "give to the rich" while providing little to the poor. Critics deride such tax provisions as a **mansion subsidy** and **welfare for the rich**. Wealthier families buy the most expensive houses, pay the biggest mortgages, and hence receive the biggest subsidies under the tax code.

The tax deductions for homeownership also serve to stimulate **condominium and cooperative apartment conversions** in the city. As a tenant receives a subsidy only for buying—not for renting—a dwelling unit, the program serves to generate market forces that lead landlords to convert apartment buildings into condominiums and cooperatives. Tenants who lack the funds to purchase their dwelling units in a building that is "going condo" are displaced. Such tax subsidies incentivize gentrification, the upscaling of poorer neighborhood located in good proximity to a city's thriving central business district.

In 2017, the Republican Congress and President Trump enacted the **Tax Cuts and Jobs Act (TCJA)**, making major changes in the nation's tax code. How exactly the changes, especially the Act's expansion of the standard deduction allowed taxpayers, will affect homebuyers's use of the code's mortgage incentives remains to be seen. The TCJA is part of America's "hidden urban policy" where the urban impacts of non-urban actions are not readily discerned or understood.

The TCJA, for instance, may ultimately diminish the revenues that municipalities collect in property taxes. Why is this so? The TCJA set $10,000 as the maximum amount that a tax filer can claim in federal deductions for the taxes, including property taxes, paid to state and local governments. The TCJA also roughly doubled the standard

Box 2.2

Hidden Urban Policy: How Reducing the Corporate Tax Rate Can Impair the Production of Affordable Housing

The stated goal of the Tax Cuts and Jobs Act (TCJA) of 2017 was to reduce tax rates in order to promote economic expansion. But by lowering the corporate tax rate from 35 percent to 21 percent, the legislation also acts as a "hidden" urban policy that may diminish the willingness of banks and other corporations to invest in the construction of affordable housing. Previously, banks and other institutions sought out partners in affordable housing production in order to obtain the substantial tax credits offered through the Low Income Housing Tax Credit (LIHTC) program. Investors earn LIHTC credits by making investments that help nonprofit community groups piece together the financing for a low-income housing development. By reducing corporate tax rates so dramatically, the TCJA wound up reducing the impetus of businesses to find such tax credits. As a result of the TCJA, fewer corporations will be facing the need to reduce high corporate tax obligations by investing in in affordable housing construction. While the exact impact of the TCJA remains to be seen, a number of experts in housing policy expect that the TCJA will slow the production of affordable housing, reducing by tens of thousands the number of affordable housing units that will be built in the United States.

Source: For further reading, see Kery Murakami, "Tax Reform's Impact on Affordable Housing, Local Nonprofits," *Crosscut*, December 20, 2017, http://crosscut.com/2017/12/tax-reform-affordable-housing-washington-state-seattle-charitable-giving-nonprofits/; Kriston Capps, "Uncertainty over Tax Reform is Already Hurting Affordable Housing," *CityLab*, January 10, 2017, www.citylab.com/equity/2017/01/uncertainty-over-tax-reform-is-already-hurting-affordable-housing/514235/.

deduction, a change that will likely lead large numbers of homeowners to claim the standard deduction rather than itemize their mortgage interest, property taxes, and other homeowners expenses. Such change in the law may mean that many homebuyers will no longer gain substantial tax benefits when buying a home. Without such tax expenditures fueling the demand for homes, sellers may find that they have no choice but to lower the asking price for homes they have on the market, actions that in turn serve to reduce the assessed value of property in the immediate area. Such actions reduce the taxable value of homes, lowering the amount of money that schools and cities can gain from a property tax levy. The TCJA may have the hidden effect of exacerbating the fiscal squeeze on municipal governments.[35]

The federal tax code contains numerous impacts that are not easily understood or even seen. One little-known provisions of the Tax Cuts and Jobs Act may even have the effect of undermining the production of affordable housing (see Box 2.2).

EXAMINING THE URBAN IMPACTS OF A NEW FEDERAL TAX INITIATIVE: OPPORTUNITY ZONES

One provision inserted at the last minute into the Tax Cuts and Jobs Act actually promises to promote new investment in poorer urban and rural communities. The provision, which was created with both Democratic and Republican support, allows each state to designate a limited number of high-poverty census tracts as **Opportunity Zones**. Corporations and individuals earn tax advantages by putting money into "qualified opportunity funds" that will invest in entrepreneurial projects, such as infrastructure upgrades and new housing and commercial development, in the designated zones. Investors will be allowed to defer capital gains taxes, thereby reducing their tax bill. The creation of Opportunity Zones is expected to cost the federal government an estimated $7.7 billion in lost tax revenues in just five years.

Opportunity Zone funds are primarily intended to promote entrepreneurship. As critics observe, there is no guaranty that the investments that result will improve the lives of the residents of distressed communities. The managers of opportunity funds could decide to bypass a region's most distressed communities and simply choose to make investments in less troubled areas that received zone designation. Speculators could even claim tax advantages by buying land which is allowed to lie idle, as the investor does not intend to make improvements but simply seeks to sell at a profit when land prices eventually rise.[36] Opportunity Zone incentives can also wind up supporting the construction of new upscale housing, construction that will likely inflate rents in the immediate area, a process that will displace some of the most vulnerable residents from the community.

Still, despite these concerns, cities rushed to have the state designate qualified areas as Opportunity Zones. They hoped to use the new tax incentives as part of their strategic efforts to recruit anchor tenants and to stimulate market activity in medical districts, university areas, and in communities located near a city's downtown.[37]

THE ANTI-CITY IMPACTS OF THE FEDERAL HIGHWAY PROGRAM

In the middle of the twentieth century, in the midst of the Cold War with the Soviet Union, the U.S. government committed itself to completing a national highway network for the quick and efficient transport of military personnel and materiel. The National Defense Highway Act of 1956 increased the federal share of funding for highway construction projects from 50 percent to 90 percent.

The new highways did more than facilitate military and interstate automobile travel. The roadways also opened outlying areas in a metropolis to new development. Federally funded highways became the "main streets" of a growing suburbia. For investors, the intersections of major highways with the "beltway" road that encircled the city became the obvious choice for shopping centers, enclosed malls, power stores, and office parks. The construction of such highway-oriented facilities enabled people to move still further away from the central city.

In numerous cities, federal highway construction undermined the vitality of inner-city neighborhoods.[38] The new highways divided communities, displacing tenants and erecting physical barriers that made it difficult for residents who lived on one side of a highway to reach schools and neighborhood stores located on the other side. The stores closed, the neighborhoods declined.

In city after city, local decision makers used highway construction as a tool to remove a city's black population from areas located near the city center. In Florida in the mid-1960s, highway planners built a leg of the I-95 expressway that "tore through the center of Overtown," Miami's large African-American community. The construction displaced more than ten thousand residents and razed Overtown's business district, destroying an inner-city community that was once renowned as the "Harlem of the South." In Nashville, Tennessee, highway planners put a "kink" in the route of I-40, destroying hundreds of homes and putting a divider through black North Nashville.[39]

African Americans were not the only victims of highway construction. In order to build new highway capacity for suburban commuters, highway planners demolished working- and middle-class communities. The construction of the Cross Bronx Expressway in New York City in the 1950s tore the heart out of blue-collar Jewish, Italian, and Irish neighborhoods. Forced from their homes, many residents left the city, never to return. The construction led to the social descent of the South Bronx.

Since the 1960s urban planners have begun to question the desirability of government programs that promote highway construction and suburban sprawl at the cost of accelerating the decline of inner-city neighborhoods and inner-ring suburbs. Federal regulations were changed to call for increased citizen participation and greater respect for environmental protection, and historic preservation.[40] Environmentalists have called for **transit-oriented development (TOD)**, with housing and commercial activates sited along rail and light-rail stops.[41]

Cities have also torn down overhead expressways, removed ground-level urban freeways, or otherwise halted urban highway projects in order to improve city livability by making core-city areas more attractive to revitalization. New York City's West Side Drive, San Francisco's Embarcadero Freeway, Boston's Central Artery, Rochester's Inner Loop, Milwaukee's Park East Freeway, and Portland's Harbor Drive are among the more notable urban freeways that have been demolished.

Urban highway projects are no longer judged solely on their ability to increase traffic speeds and improve traffic flow. Yet, despite new concerns for urban "livability" and mass transit, on the whole, federal highway monies and other economic development policies continue to promote edge city development and "highway-driven economies."[42]

MILITARY AND AEROSPACE SPENDING: ANOTHER HIDDEN URBAN POLICY

Defense-related spending, too, served to promote the growth of both the suburbs and the Sunbelt. During World War II, decision makers sought spread-out production sites that could not easily be bombed by the enemy. Rather than expand production in Detroit, the war planners built new plants outside the city. After the war's end, the U.S. Defense Department continued its preference for dispersed production sites, providing the employment base for continued suburban development.[43]

World War II production catalyzed the economic dynamism of Sunbelt cities, including Los Angeles, San Diego, Phoenix, Fort Worth, San Antonio, Oklahoma City, New Orleans, and Atlanta.[44] Warm-weather locations provided ideal locations for port activities, troop training, and airplane testing. The corporate executives who served on the War Production Board also preferred cheap-labor Sunbelt locations that lacked the strong labor unions found in the manufacturing centers of the North.

In the Cold War years that ensued, military and aerospace spending continued to fuel Sunbelt economies. From 1951 to 1981, Defense Department spending for prime contracts (that is, the money spent by the government to have private firms help construct military facilities, develop weapons systems, and provide other services) increased by 810 percent in the South and 402 percent in the West, but fell by 1.5 percent in the Midwest.[45] The Defense Department closed the New York and Philadelphia naval yards, deciding to retrofit the Navy's Atlantic and Pacific fleets in lower-cost nonunion Norfolk (Virginia) and San Diego. Massive governmental expenditures for space exploration led to an economic boom in Florida (the Cape Canaveral launch site) and Texas (especially in areas around the NASA Johnson Space Center in Houston).

Government contracts for missile-guidance systems and other high-tech computerized and electronic components propelled the growth of communities in California's Silicon Valley and the Pacific Northwest. Defense-related contracts even paid engineers to relocate to Silicon Valley.[46] Contracts to Boeing fueled the economy of greater Seattle. Federal spending for high-tech projects favored suburbs in the South and West that had the space for modern research parks and that offered a quality of life that could appeal to a talented and super-educated workforce.[47]

THE URBAN IMPACTS OF OTHER FEDERAL PROGRAMS

Generous **federal grant programs for hospitals and sewage processing facilities** helped pay for the infrastructure costs of new development in the suburbs and the Sunbelt. Federal **tax incentives to businesses** to increase private investment in modern machinery and physical plants likewise served to spur commercial development in the suburbs and the Sunbelt. The government did not offer a similar array of tax benefits to firms to rehabilitate and remain in the aging manufacturing plants of the Northeast and Midwest. Critics derisively referred to the federal investment tax credit to as an **urban disinvestment tax credit**, as the incentive led businesses to abandon older central-city plants.

Federal tax incentives for the oil and gas industries catalyzed economic development in the South and West. Houston's dynamic growth is at least partly due to the quite favorable tax treatment accorded the petrochemical industry. Federal grants for port development and highway construction, too, helped to pay for the infrastructure improvements essential to Houston's economic takeoff.[48]

The stated intent of the federal **urban renewal** program in the 1950s and 1960s was to revitalize troubled cities. But in clearing large parcels of land for expanded business districts and new university campuses, urban renewal displaced low-income and minority residents and destroyed existing neighborhoods. Urban renewal tore down more housing than it built. In numerous cities, federal urban renewal funds were used to reinforce racial segregation.[49]

Urban renewal has often been referred to as **Negro removal**: Local governments used federal renewal assistance to tear down the homes of African Americans who resided too close to a city's central business district or to privileged white neighborhoods. In Pittsburgh, city planners relocated African-American families from urban renewal areas to low-income housing projects built in black sections of the city. City planners also created a racial "buffer zone" of open space to separate Pittsburgh's central business district from nearby African-American neighborhoods.[50]

Cities have also used urban renewal programs to remove Latino populations from strategic areas of the city. San Antonio cleared neighborhoods in the Central West project, nearly 70 acres of land abutting the downtown and HemisFair '68, the World's-Fair-style exhibition intended to attract new investment to the city. Public officials showed little concern for relocating the displaces. Very little of the new housing that was built could be considered affordable.[51]

Suburbs, too, have at times resorted to urban renewal efforts in an attempt to alter local racial and ethnic patterns. The Chicago suburb of Addison in 1997 agreed to pay $1.8 million to Hispanic families whom the local redevelopment agency had pushed out of their homes in the name of urban renewal. "It was Mexican removal in the guise of urban renewal," said the lead attorney representing the Leadership Council for Metropolitan Open Communities.[52]

A City's "Second Ghetto": How Programs by Local Government Built an Expanded Ghetto

As the Pittsburgh, San Antonio, and Addison stories reveal, local governments have often acted to reinforce residential segregation. Among the most well-known cases is Chicago which, during the decades that followed World War II, the city council and various public agencies undertook a series of actions to reinforce local racial boundaries. To maintain neighborhood segregation, the Chicago Housing Authority (CHA) discriminated in tenant assignments on the basis of race. The CHA did not simply award a vacant public housing unit to the next family on a waiting list. Instead, the CHA looked to the applicant's race in order to ensure that the occupants of public housing would be compatible with the racial profile of the surrounding neighborhood. Whites were admitted to housing projects in white areas; African Americans were sent to housing projects in black areas. Each individual alderman (Chicago's name for a member of its city council) also possessed the power to reinforce segregation. Each member of the city council had the ability to veto the placement of a new public housing project in his or her ward. White council members barred the construction of public housing projects that would introduce racial minorities into their neighborhoods.

Chicago, Miami, and a sizeable number of other cities can be seen to have chosen the construction of a **second ghetto**.[53] Of course, every major city has an area of dilapidated housing that becomes a slum or ghetto when better-off families move away. But a city's "second ghetto" is quite different; it is less a natural phenomenon and more a government creation. Local governments have undertaken actions that created a new or expanded ghetto area with boundaries quite different from those of the city's naturally occurring ghetto. In Chicago, civic leaders sought to prevent blacks, displaced by urban renewal projects, from moving into neighboring white areas. The city relocated African Americans in immense high-rise public housing projects built in isolated industrial areas

Figure 2.3 **“We Want White Tenants in Our White Community,”** sign opposite the Sojourner Truth Housing Project, Detroit, 1942. Racism and segregated housing were found in northern cities, not just in the South. In Detroit, a riot by white neighbors prevented African Americans from moving into a federally funded housing project.

Source: Photo by Arthur S. Siegel/Library of Congress Prints and Photographs Division, Washington, DC www.loc.gov/pictures/item/owi2001018484/pp/.

or on the edges of the city’s existing black neighborhoods. A half century later, living conditions in the segregated high-rises proved so awful that Chicago, with financial assistance from the federal government, at long last decided to tear down much of the high-rise ghetto that public officials had previously constructed.

Numerous cities have a hidden history of government decisions that have reinforced and extended residential segregation. Such actions were not confined to the South. Detroit reversed a decision on just who would occupy the Sojourner Truth Housing Project in response to the protests of white who objected to racial integration (Figure 2.3). New York City violated the federal Fair Housing Act by setting racial quotas for certain public housing projects and steering African-American and Hispanic applicants away from projects that had a white population of tenants. The city also gave preferential treatment to applicants who lived in the area surrounding a housing project, a policy that helped to block black families from gaining entrance to public housing in white neighborhoods.[54]

Zoning and Land-Use Powers: How Local Governments “Keep Out” Unwanted Activities and Populations

In 1916, New York became the first city in the United States to adopt a *zoning* ordinance, a move so revolutionary that it was hailed as opening “a new era of civilization.”[55] The New York ordinance regulated new construction, setting different standards for the use, height, and bulk of what could be built in different areas or the city. The regulations were meant to protect residential neighborhoods against the intrusion of new skyscrapers.

Zoning helps to assure orderly land development by preventing incompatible land uses. No homeowner, for instance, wants to see a factory or an automobile repair shop built next to his or her home. Zoning prevents such incongruous development by designating different sections or zones of a community for different uses. Certain land parcels are designated for industrial and commercial uses; other parcels are reserved for residential development. Light industry can be kept separate from heavy industry. Apartment buildings may be allowed in certain areas, while other sections of a community are zoned only for more luxurious single-family homes.

Suburbs have traditionally relied on their zoning and land-use powers to keep out both "nuisance" activities and to keep heavy industry apart from residential areas. The modern suburb, however, also uses these powers for a much different purpose: to keep out lower-income people.

More affluent communities use **land-use and zoning regulations** in an effort to restrict entry by lower-income and working-class families. More affluent suburbs maintain their exclusivity by failing to designate land on which apartment buildings and townhomes can be built, housing units that would be more affordable than detached single-family homes. Suburban ordinances typically require that new homes be built on large lots with large-size rooms and other expensive construction features. Such local ordinances can put the price of residence in the community beyond the reach of middle- and working-class families as well as the poor. A great many suburbs simply zone out multifamily housing and subsidized housing for the poor. Other communities refuse to apply for federal funds for subsidized housing projects.

Exclusionary zoning and land-use practices are a root cause of the racial and income imbalances of communities in the contemporary metropolis. Such practices confer economic advantages on more privileged groups by serving to help concentrate poorer and minority residents in the central city and a region's older and more troubled "first suburbs."[56]

Suburban officials use zoning to prevent levels of overdevelopment and overcrowding that can diminish the quality of local life. Yet, suburbs also use zoning as a potent weapon of exclusion, a tool that restricts the construction of more affordable housing and that keeps out less-well-off persons.[57] In the United States, local control of zoning virtually assures that single-family homes dominate the suburbs and that the development of alternative housing types will be quite limited. In Europe, where there is no similar local control of zoning, suburban housing types are more varied.[58] The United States system of local zoning exacerbates class and racial segregation, virtually assuring that working-class and minority children will have less access to quality schooling.[59]

Suburbs are not alone when it comes to the use of zoning and land-use regulations to reinforce patterns of inequality and segregation. Central cities, too, often have strict zoning regulations and procedural rules that thwart the development of more affordable forms of housing in upper-income neighborhoods.[60]

In New York City in more recent years, rezoning enabled developers to build housing at greater densities than was previously allowed. The relaxation of zoning restrictions can facilitate the production of housing, easing the housing affordability crunch, especially on a city's middle-class families. But rezoning does not always produce such positive effects. In some cities, rezoning led to new high-end developments that only served to drive up land values, home prices and rents, displacing the working-class and the poor. The rezoning (or "upzoning") of a neighborhood can even lead to new residential and commercial projects that entail a demolition of existing affordable housing units.

New York Mayor Bill de Blasio has emphasized upzoning and the construction of new affordable housing units in his policy efforts to expand the supply of housing in the city. Still, housing activists question the degree to which many of the new "affordable" units are truly within the financial reach of working-class and lower-middle-income families. Housing activists argue that the set-aside of a relatively small number of affordable units does little to offset the exclusionary pressures generated when "upzoning" allows new luxury housing developments to dominate a neighborhood.[61]

STATE AND LOCAL PROGRAMS THAT PROMOTED SUNBELT GROWTH

The growth of Sunbelt communities is not simply the result of such natural factors as the region's sunny climate and innovations in transportation and communications that made the South and the West accessible. Government actions—including those undertaken by states and localities—served to catalyze the interregional population and economic shift.

States and municipalities in the South offered a pro-business climate. Taxes on business were kept low as welfare benefits and social service spending were kept to a minimum. Compared to the industrial north, business owners in the South faced fewer regulations for worker benefits and environmental protection.

Right-to-work laws in southern states served to undermine labor organizing, making the South an attractive location for business. In a right-to-work state, a worker cannot be forced to join a union. Employers can undermine union organizing efforts by choosing to hire only nonunion workers.

Cities in the Sunbelt undertook expensive public programs to attract growth. Los Angeles, Houston, San Antonio, and San Jose are among the Sunbelt cities that incurred huge public debts in order to provide the sewer, street, highway, and other infrastructure improvements demanded by businesses.

In the Sunbelt, local government devoted considerable public monies to building the infrastructure that business leaders demanded. In the years that followed World War II, Houston boosted its debt eightfold in order to pay for a municipal construction boom. In Houston, the "public sector actively fueled and sustained the urban development process with public dollars."[62] Similarly, business leaders and local officials in Phoenix demanded continued public investment, especially in the city's airport, as key to local economic growth.[63] In Los Angeles, the "local state" invested heavily in the region's shipping port, airport and rail facilities, enabling the region to emerge as a center of global trade.[64] This was no unfettered free market at work. Instead, extensive government investment by cities, a sort of business-oriented municipal socialism, paved the way for the economic expansion of the Sunbelt!

SUMMING UP: THE GOVERNMENT'S ROLE ASSESSED

In his review of American urban development, historian Kenneth Jackson asks, "Has the American government been as benevolent—or at least as neutral—as its defenders claim?"[65] The answer is a resounding "No!" Urban problems are not purely the result of natural ecological evolution. Urban problems are also the consequence—often unintended—of various government policies and programs.

Government policies—especially its hidden urban policies—have played a great role in shaping the metropolis. An advocate of cities may reasonably argue that the government has an obligation to remedy the urban ills it helped to create.

THE INFLUENCE OF CORPORATE AND PRIVATE POWER

Private actors, oftentimes working hand in hand with public officials, make decisions that help dictate patterns of urban growth and decline. Urban trends that at first glance seem "natural" may, under closer examination, reveal the manipulations and intrusions of private-sector actors.

PRIVATE POWER AND THE SELLING OF THE SUBURBAN IDEAL

The "natural forces" theory of urban development observes the important role play by the automobile in shaping and reshaping the American metropolis. The automobile enabled citizens to achieve the American ideal: to own a home of their own in the suburbs. Urban areas in the Northeast and Midwest are relatively compact as cities in these regions were largely shaped by mass transit; their spatial forms were determined before the age of the automobile. By contrast, Los Angeles and cities in the West grew rapidly during the age of the automobile, producing a more spread or sprawled pattern of development.

But a closer look at Los Angeles reveals a more complex history, that suburban development is not solely the result of such natural factors as the desire for homeownership and the introduction of the automobile. Development in greater Los Angeles actually took on much of its fabled "spread city" character in an era *before* the automobile gained popularity, that is, *before* the region's famed freeways were built.

How could suburban development commence in an age when there were relatively few automobiles and little highway development? The machinations of powerful private-sector actors dictated such development. Fringe development outside Los Angeles began in the early years of the twentieth century. Local real-estate developers, including Henry Huntington who also owned a private streetcar company, the Pacific Electric Railway, sought to make their fortunes in real estate. Huntington built his system of electric interurban streetcars as a means to bring potential buyers to his suburban home sites. The finest mass transit system of its day, Huntington's Red Cars (featured in the cartoon movie *Who Framed Roger Rabbit?*) traveled at speeds of 45 to 55 miles per hour. Huntington's streetcars operated at a loss, but the monetary losses did not matter. The streetcars were there to help him sell homes; the streetcar losses were the subsidy that Huntington was willing to pay in order to generate a demand for the homes that he was building on the outer edges of Los Angles. Suburban development in Los Angeles was not a purely natural phenomenon. It took the action of Huntington and his advertising to help create it.[66]

Private real-estate interests in California and across the nation vigorously promote the ideal of suburban living. The Irvine Company touted the rural tranquility of its new community, Irvine, California, 40 miles south of Los Angeles: “Come to Irvine and hear the asparagus grow.” The company sold the public on a highly exaggerated and idealized picture of the tranquil life of suburbia. The reality, of course, was vastly different from the suburban ideal that the company advertised to the public. As one company executive admitted, “When you live between two highways, it’s hard to hear the asparagus grow.”[67]

PRIVATE INSTITUTIONS AND THE RACIAL STRATIFICATION OF U.S. CITIES AND SUBURBS

Contrary to the “natural factors” view of urban development, residential patterns do not simply reflect differences in group income and buying power. Nor is racial and ethnic stratification a mere reflection of the preference of people “to live with their own kind.” Instead, private financial institutions undertook actions that produced levels of segregation and racial imbalance that are beyond what can be considered “natural.” Private institutions have even interfered with the workings of the free market, with discriminatory actions that impeded the ability of minority families with the financial means from being able to move to a region’s better-off communities. The actions of private institutions helped to segregate the American metropolis.

This chapter has already described the actions of a government agency, the Federal Housing Administration which, for a good portion of its history, pursued an explicit policy of housing segregation, even endorsing such discriminatory practices as *restrictive covenants* and *racial steering*. Why did the FHA practice discrimination? In part, the FHA’s discriminatory actions reflected the practices that, at the time, were prevalent in private real estate, banking, and mortgage-finance firms. FHA agents came to the government with experience in a private industry that practiced racial restrictions.

As previously observed, restrictive covenants are binding deed restrictions that prohibited a property owner from selling or renting a housing unit to the members of specified ethnic and racial groups. Depending on the part of the country, restrictive covenants barred home sales to African Americans, Hispanics, Asians, and Jews. Local real-estate boards often insisted that racial restrictions be included in sales contracts. The Chicago Real Estate Board even formulated a model restrictive covenant for its members to include in property contracts.[68]

In many cities, restrictive covenants effectively barred ethnic and racial minorities from moving into vast areas of the city. As a consequence, the population of racial ghettos and local Chinatowns swelled. In Austin, Texas, deed restrictions similarly specified “white” or “Caucasian only.” Such wording served to keep out Latinos (who, in Texas at the time, were largely viewed as nonwhite) as well as African Americans. The property restrictions helped keep parts of the city exclusive and white while concentrating racial minorities in East Austin.[69]

Restrictive racial covenants produced patterns of urban segregation that continued well after the Supreme Court’s ***Shelley v. Kraemer*** (1948) decision. The Court ruled that restrictive covenants were no longer legally enforceable as such enforcement would violate the Equal Protection Clause of the Fourteenth Amendment of the U.S. Constitution.[70] *Shelley v. Kraemer* effectively put an end to the active use of restrictive covenants as a tool of housing segregation. The Court's ruling, however, did *not* bring an end to the various other mechanisms that private entities used to maintain residential segregation.

Many real-estate agencies practiced racial steering, refusing to show homes in a white neighborhood to a minority buyer. Instead, white and minority home seekers were shown homes in different parts of the city. Banks and home finance institutions also engaged in racial steering and would not approve loans or home insurance to a minority homebuyer seeking to move into a white neighborhood. Instead, real-estate agents, loan officers, and other private financial officials "steered" or directed minority home seekers to neighborhoods that already had a racial minority presence.

In Pittsburgh, white brokerage boards blocked membership by black brokers, denying African-American real-estate agents access to property listings that would have enabled the agents to show properties in white neighborhoods to prospective African-American buyers and renters. In Mt. Lebanon, a suburb of Pittsburgh, real-estate agents refused to show properties to blacks and Jews. The city's white-owned newspapers were complicit in racial steering; their classified ads indicated if a home or rental unit was "for Colored," that is, open to African Americans. The absence of the "for Colored" designation in ads for homes in outlying areas indicated suburbs that were "closed" to minorities.[71]

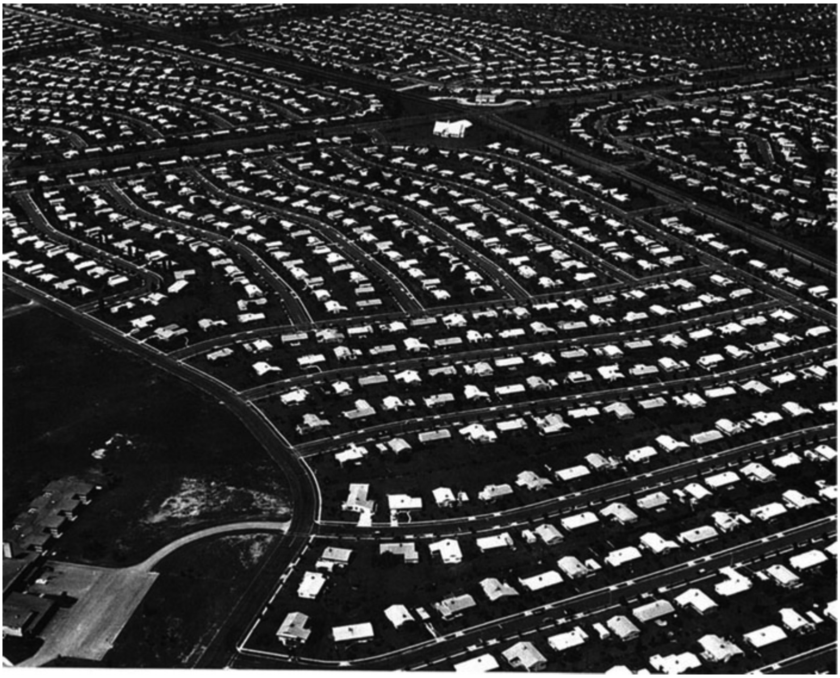
As the previous paragraphs indicate, private actions to constrain free-market choice and enforce residential segregation were found in the North as well as the South. Suburban developers, too, practiced racial exclusion.

Outside New York City and Philadelphia, developer William Levitt in the 1950s built new communities of mass-produced tract housing that put a three-bedroom home within the financial reach of the working class. At the time, the building of the so-called **Levittowns** represented quite an achievement. The Levittowns were viewed as a suburban working-class paradise, places where ordinary citizens could live the American dream (Figure 2.4). However, "by William Levitt's orders, not a single resident was black."

The racial homogeneity of Levittown's population was "not the result of a shortage of potential black buyers." African Americans who worked the region's factories could afford a home in Levittown. But they were not allowed entry. Levitt refused to sell to blacks, as he feared that whites would be reluctant to buy a home in a mixed-race community. Levitt's sales agents even refused to offer homes to African-American war veterans. When the Supreme Court's *Shelley v. Kraemer* decision barred communities from enforcing racially restrictive covenants, Levitt's agents enforced racial homogeneity by evicting a black family for being an "undesirable" tenant. In the Pennsylvania Levittown, white residents turned to mob action—a grassroots, community white riot—in their efforts to oust the first African-American family who moved to the community, having purchased a Levittown home from a willing white reseller.[72] The story eventually became the basis for the 2017 movie *Suburbicon* (see Box 2.3).

Figure 2.4 **Racial Exclusion in a Working-Class Suburban Paradise: Aerial View of Levittown, Pennsylvania, 1950s.** In the era following World War II, FHA- and VA-insured loans enabled the lower-middle class and the working class to flee the cities for the suburbs. The mass-produced tract housing of Levittown put the suburban dream within the reach of the working class. Levittown would grow over the years.

Levittown was racially restricted, a decision the developer made at the time in order to maintain the community's attractiveness to white buyers. The threat of community violence—that is, a threat of violence by the community's white residents—further helped to enforce racial exclusion in Levittown.



Source: User Shani/Wikicommons, https://commons.wikimedia.org/wiki/File: LevittownPA.jpg.

The **1968 Fair Housing Act** made racial steering and other forms of housing discrimination illegal. Over the years, the law succeeded in eliminating the most blatant forms of housing discrimination.

Yet, discrimination against minority home seekers has not entirely disappeared. Racial steering remains a potent form of housing discrimination, but is conducted more subtly than in the past. In an estimated 20 percent of cases, African Americans and Hispanics are denied information regarding the availability of home loans, information that is more freely provided to comparable white home seekers. The selective withholding of information serves to deny minority buyers the ability to arrange the financing that would allow them to purchase a home in a region's more desirable communities.[73]

Box 2.3
Film Images of the City: *Suburbicon* and the Story of Racial Exclusion in America's Suburbs

Suburbicon (2017), directed by and starring George Clooney, tells the story of a family whose dream-like suburban existence is interrupted by an explosion of violence as their neighbors seek to oust the first black family who has gained entrance into their community. In its primary plot, *Suburbicon* presents a somewhat comedic and ever-twisting tale of crime, murder, and revenge. The film's secondary plot or backstory, however, alludes to real-world events: a community riot that occurred in the 1950s in Levittown, a suburb in Bucks County outside of Philadelphia.

William and Daisy Myers, both college educated, and their infant daughter had become the first African Americans to move into the planned suburb. The residents of Levittown drew up a petition demanding the eviction of the Myers. When that failed, angry whites turned to rock-throwing and mob violence, burning a cross outside the Myers's home. Despite continuing harassment and threats, the Myers would not leave.

Source: For further discussion, see: David Kushner, *Levittown: Two Families, One Tycoon, and the Fight for Civil Rights in America's Legendary Suburb* (New York: Walker Books, 2009); and Stephen Galloway, "The Real-Life Battle That Inspired George Clooney's 'Suburbicon,'" *Hollywood Reporter*, September 1, 2017, www.hollywoodreporter.com/news/suburbicon-real-life-racial-battle-inspired-george-clooneys-film-1034430.

Dramatic documentation of modern-day racial steering was produced in 2015 when a civil rights group secretly recorded videotapes showing that M&T Bank, one of the largest in the nation, discriminated against black, Latino, and Asian home seekers. The bank offered minority mortgage applicants lower loan amounts than those the bank offered to lesser qualified white buyers. By making different amounts of money available to white and nonwhite buyers, the bank's loan approval process served to steer home seekers from different races and ethnic groups to different-priced neighborhoods.[74]

How does such discrimination continue despite the provisions of the Fair Housing Act? Quite simply, racial steering often takes place in forms that are difficult to document and prove. Home seekers who feel that they are the victims of racial steering have a very difficult time proving in court that racial discrimination did indeed occur. No home seeker knows for sure exactly which houses an agent has shown other buyers and exactly what loan amounts, financial terms and other information a real-estate agency or bank has provided other buyers. Nor can a buyer easily prove that differences in treatment were the result of racial prejudice, that the agent or banker was not responding to the differences in family size, income, savings, and credit rating of different home seekers.

BLOCKBUSTING, REDLINING, AND REVERSE REDLINING: HOW BANKS, REAL-ESTATE AGENTS, AND INSURANCE COMPANIES ACCELERATED INNER-CITY DECLINE

In the mid-1900s, numerous big-city real-estate agencies sought the quick profits that could be realized from stirring up racial tensions in residential areas. The manipulative of racial fears could prompt whites to sell their homes, with real-estate agents and agencies earning considerable profits from the racial transformation, and ultimately the resegregation, of inner-city neighborhoods.

In a process commonly referred to as **blockbusting** or **panic selling**, real-estate agents publicized the fact that a black family had moved into an all-white neighborhood. Real-estate agents would go door to door, preying on the fears of white homeowners and the elderly, warning that the value of their homes would soon plummet as the neighborhood underwent further racial change. The frightened owners, worried about the diminished value of their primary financial asset, would agree to list their homes for sale. The unscrupulous real-estate dealer would then use that listing to scare their neighbors to sell, before it was "too late." The real-estate agents profited from the sales fees they earned as property in the neighborhood turned over. Their fear tactics had a great cost, accelerating "white flight" to the suburbs and undermining the stability of inner-city neighborhoods.

Blockbusting "broke" all-white neighborhoods but did not produce neighborhoods that remained racially integrated over the years. Rather, each home sale to a black family only increased the sense of urgency among remaining white owners to sell and flee the area. Panic selling ultimately resulted in a neighborhood's **resegregation**; in some cases it took just a little more than a decade for an all-white area to quickly become an all-minority area as panicked whites fled.

As the whites left, speculators profited by buying properties at low prices and **subdividing single-family homes** into small, shabby apartments that were rented at inflated prices to black families who had few other neighborhoods open to them. Subdividing single-family homes into multifamily apartments increased the wear and tear on the structures. As the rental conversions were often built with plywood walls and other cheap materials, the physical condition of the rental units soon deteriorated, becoming one more factor in a neighborhood's downslide.

Redlining by financial institutions was another major factor in the decline of core-city neighborhood. Redlining occurs when a bank, insurance company, and other financial institutions simply refuses to approve of loans in neighborhoods that credit officers view as posing greater-than-usual financial risks. The practice gets its name from the early years of redlining when numerous banks and insurance companies drew a red line on a map to indicate the areas of a city in which they would not approve or insure a property loan. The redlining of geographical areas is the result of gross racial stereotyping where individuals are discriminated against because of their skin color and the skin color of their neighbors. Even workers with excellent job histories and credit histories found that they could not get a loan to rehabilitate or buy a home in a neighborhood that had been redlined. The cutoff of credit resulted in **disinvestment** in a neighborhood and its certain decline. The redlining practices of private institutions cut off the economic lifeblood necessary for major structural repairs, new home construction, and a community's rejuvenation.

The Fight Against Redlining: The Community Reinvestment Act (CRA)

Four decades ago, the federal government enacted legislation to put an end to redlining. The **Community Reinvestment Act (CRA) of 1977** banned redlining. A bank can no longer choose to overlook entire sections of a city. The CRA requires banks to meet the credit needs of homeowners, homebuyers and small businesses throughout the entire region that the bank is chartered to serve, with special emphasis given to low- and moderate-income communities.

The CRA also requires regulated mortgage-finance institutions to disclose the geographical area of each loan. Activist community groups have used this information to document just which banks ignore minority areas of the city, with bad publicity serving to put pressure on banks to extend credit to applicants in disadvantaged communities. The CRA gives community organizations the right to challenge bank mergers if they could prove that a bank has failed to meet its lending obligations under the Act

Over its four-decades history, the CRA has had a tremendous impact on inner-city economies, leveraging an infusion of hundreds of billions dollar of investment capital, including loans to persons in underserved neighborhood seeking to buy or rehabilitate a home or expand a small business. The statistical evidence underscores the success of the CRA in prompting banks to advance credit and increase homeownership in low- and moderate-income communities.[75]

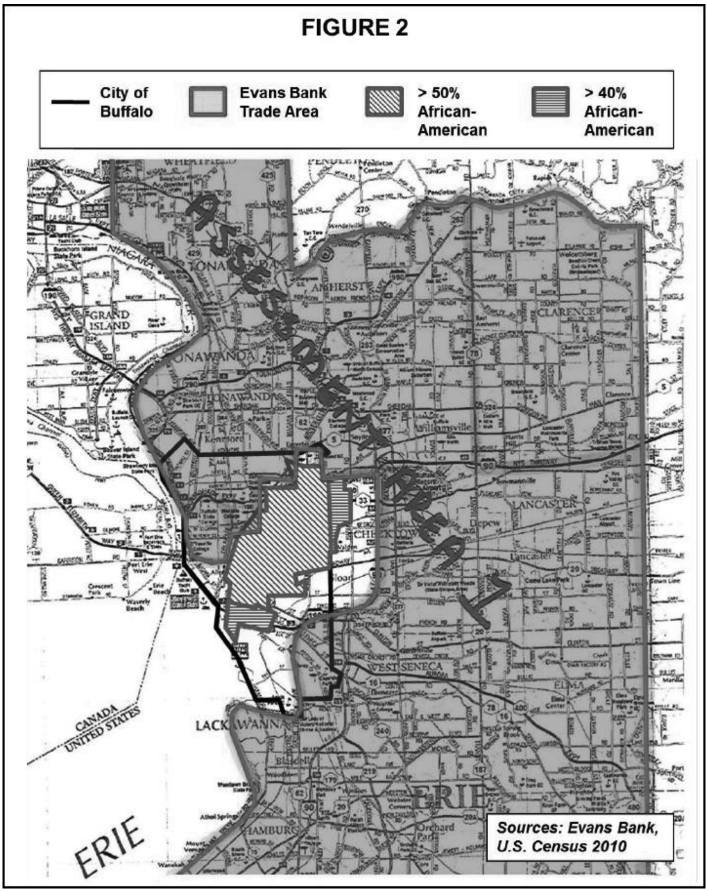
Yet despite the CRA's overall success, discriminatory lending practices persist, albeit often in forms that are less stark than classic redlining. Given the requirements of the CRA, few financial institutions are foolish enough to simply draw a red line on a map or otherwise prohibit the issuance of loans in an entire neighborhood; such broad-brush neighborhood disinvestment can easily be detected in the data that banks must file under the CRA. Nonetheless, race continues to be an unacknowledged factor in lending decisions. A lending institution may offer financing for condominium and cooperative conversions in a core-city area while denying loan applications to minority residents and community-based organizations that seek to renovate older structures for affordable housing.

A bank can discourage the flow of credit applications from low- and moderate-income households and from minority neighborhoods simply by failing to open branches in inner-city neighborhoods. Hudson City Savings Bank, the largest savings bank in New Jersey, "steered clear of black and Hispanic neighborhoods as they opened new branches," a strategy that effectively diminished loan requests from minority-dominated portions of the city. In 2014, Hudson issued 1,886 mortgages in New Jersey and in nearby New York and Connecticut, but only a paltry 25 mortgages went to black borrowers! The bank was reluctant to assume the risks and community entanglements that can accompany an effort to promote lending in poorer communities.[76]

Redlining occurs in home insurance. A Richmond, Virginia, jury in 1998 ordered Nationwide Insurance to pay more than $100 million in damages as a result of the company's reluctance to insure homes in black neighborhoods. Nationwide had instructed its agents to avoid "black urbanite households with many children."[77]

Evans Bank, a relatively small New York lending institution, was not at all subtle in its discriminatory actions. The bank excluded the predominantly black East Side of Buffalo from a map of the bank's "trade area," the area where the bank would concentrate its lending efforts. Between 2009 and 2012, the bank received over 1,100 loan applications; but only four came from African Americans! Even African Americans in Buffalo with good credit scores had virtually no chance of securing a loan from the bank. In its agreement to settle the lawsuit, Evans Bank committed itself to increased advertising and marketing efforts on Buffalo's East Side (Figure 2.5).[78]

Figure 2.5 **Redlining Still Exists: Evans Bank Draws a "Trade Area" That Excludes Buffalo's Predominantly Black East Side**.



Source: The People of the State of New York by ERIC T. SCHNEIDERMAN, Attorney General of the State of New York against Evans Bancorp, Inc. and Evans Bank, complaint filed in United States District Court, Western District, Case 1:14-cv-00726 Document 1 Filed 09/02/14, www.scribd.com/document/238424223/Evans-Bank-Complaint-As-Filed-By-A-G-Schneiderman.

More unscrupulous private lenders have sought the profits that can be obtained from **predatory lending practices**, saddling minority borrowers with higher interest rates and extra fees as compared to those charged white homebuyers, and targeting communities of color for insurance and other loan products that are more expensive than necessary. Wells Fargo Bank, one of the nation's most important home finance institutions, had its agents instruct minorities to apply for adjustable rate mortgages, without informing loan seekers of the availability of fixed-rate low-interest mortgages. The bank's agents touted the initial low-interest rates and monthly mortgage payments of adjustable rate mortgages without warning novice homebuyers of the risks they were assuming and the difficulty they would face in meeting their monthly mortgage payments should interest rates rise. Fragile communities are harmed when homeowners "walk away" from a loan when they cannot meet their monthly mortgage obligations and where the resale of a house will not even cover the amount owed.

Wells Fargo also organized so-called wealth building seminars that targeted African Americans in order to have them sign up for high-cost loans that the bank's agents deceptively praised as "alternative" financing instruments. The bank's mortgage agents, talking among themselves, derisively referred to such profitable but high-cost subprime lending instruments as "ghetto loans."[79] Wells Fargo eventually agreed to pay $175 million to settle a lawsuit that charged the bank with deceptive practices and illegally targeting higher-cost loans to minority communities.

As previously observed, the record of the CRA is one of overwhelming success. The CRA has increased the willingness of banks to make loans to minority-owned businesses.[80] In Cleveland, Chicago, Pittsburgh, and a great many other cities, the CRA led banks to "'rediscover' the inner city as a viable and profitable market."[81]

Still, the CRA has powerful critics who argue that the Act imposes costly and unnecessary regulations on banks that pressures them to make unwise high-risk loans. Banking lobbyists and Republican legislators even attempted to blame the CRA for the wave of home defaults and the banking crisis of the early 2000s. But the CRA does not deserve such blame. A review of the data shows that home loans subject to CRA supervision actually suffered lower rates of default than did comparable loans made in other parts of the metropolis.[82] The highest default rates and the most abusive predatory lending practices—loans with outrageously high placement fees and loans that initially offered a buyer super-low monthly payments but within just a few years required the borrower to pay a super-high final **balloon payment** (the entire amount still owed, including the outstanding principle and accumulated unpaid interest)—were pushed by lending institutions that were not subject to the CRA's provisions.[83]

Nothing in the CRA requires a bank to issue loans to applicants with low credit scores. Lenders have a variety of options in deciding how to increase their activity and the awareness of banking services in low- and moderate-income communities.[84] To meet CRA requirements, a bank can locate branches in low- and moderate-income communities or, alternatively, increase the advertising and marketing of its loan products in disadvantaged neighborhoods. A number of banks work with community groups to help identify potential homebuyers and increase their "fiscal literacy" when it comes to budgeting funds for home repairs and taking other steps that will enable first-time buyers to anticipate the demands of homeownership. Overall, banks have had little difficulty in meeting the CRA's requirements. Each year, from 2006 through 2014, only 2 or 3 percent of the banks examined received less than a satisfactory grade from regulators.[85]

Nonetheless, Donald Trump sided with political conservatives and business interests who argued the virtues of **deregulation**, that government regulations on business, including those of the CRA, should be relaxed. The Office of the Controller of the Currency, the part of the Treasury Department that oversees the nation's biggest banks, revised its agency manual in order to diminish the ability of activist community groups to thwart a bank merger or expansion in instances where the bank had failed to live up to its lending obligations under the CRA. The new agency manual explicitly declared that a low CRA rating "is not a bar to approval of application" for bank expansion or merger.[86]

Of potentially greater significance, the Department of Treasury under Trump called for a new system of "metrics" to update the CRA to the age of online banking (as banks no longer confine their business activities to precisely defined geographical areas). The new metrics would also simplify the process that a bank has to endure in order to demonstrate that it has met the requirements of the CRA. The new metrics-based system would enable bank to readily report that have met the target set for its offering of credit to an underserved community.

Civil rights advocates were outraged, charging the new system of metrics would diminish the ability of the CRA to counter discriminatory lending patterns. A bank that had a poor record of approving loans to inner-minority residents (even to persons with good credit scores) and to community-based organization seeking to build affordable housing would still be able to meet the "metrics" target set for the bank by counting the dollar value of the loans that the bank had extended to developers constructing luxury apartments and condominiums in the neighborhood.[87]

HOW THE ACTIONS OF GOVERNMENT AND THE PRIVATE SECTOR ADDED TO HOMELESSNESS

There are numerous reasons why people are homeless. Some individuals are drug and alcohol abusers who cannot hold steady employment. Others have developmental disabilities or suffer mental illness. Young people may leave home in order to escape abusive homes. Families with children may wind up homeless because they can no longer pay the monthly rent due to a loss of employment.

Yet personal failings are not the sole cause of homelessness. Homelessness is also a result of government programs that deinstitutionalize psychiatric patients at a time when government offers limited funding for halfway houses, assisted living arrangements, and counseling to help people who have difficulty in functioning on their own and may find themselves living on the street.

Of course, governments in the United States offer numerous programs to assist the homeless and to aid persons who are at risk of being homeless. Yet, homelessness is also the result of the shrinking of the supply of low-cost housing units in the city. Local governments and private businesses share culpability for the virtual disappearance of the **single room occupancy (SRO) hotel** from the urban landscape, the cheap by-the-night or by-the-week housing that offered a city's most marginal residents a last-chance refuge from the streets. An SRO, with its tiny rooms and toilets down the hall, is not what any tourist would deem an acceptable hotel. SROs tend to be rather run-down facilities located in the less desirable parts of town. Still, an SRO offers a poor person with a few dollars a place to sleep for the night or the week.

Today, the supply of SRO housing has dropped dramatically as private developers and public redevelopment officials implemented plans to revitalize stagnant downtowns and their nearby neighborhoods. Denver razed SRO housing in response to pressures on the housing market generated by new downtown construction and newly expanded central retail and entertainment districts.[88] Private developers and public officials constantly seek to convert properties to higher land uses. In doing so, they have destroyed some of the city's lowest-rent housing units, leaving vulnerable residents little alternative to municipal and nonprofit-run shelters.

CONCLUSION: PUBLIC AND PRIVATE POWER AND THE URBAN SITUATION

Population pressures, technological advances, and citizen affluence have all had a great influence on the shape of urban development in the United States. Yet such forces do not dictate the exact urban patterns and problems found today. Government programs—including those that make up the "hidden" urban policy of government—and the manipulations by private-sector actors, too, have a great influence on urban development. Urban sprawl, the decline of core-city neighborhoods, patterns of racial segregation, the shift of economic activity and population to the Sunbelt, and the rise of homelessness are all problems and patterns that are *not* purely natural occurrences that lie beyond the reach of government.

Residential segregation is not simply a reflection of the differences among groups in terms of their buying power, levels of education, and housing preferences. Increased income and education do not enable African Americans to move to better neighborhoods to the same extent that similar gains enhance the residential choices available to whites and even to Latinos.[89] Racial biases and institutional discriminations continue to mar the workings of local housing markets.

Even the extent of **dual migration**, where the poor move into cities while the better-off middle class seeks the comforts of suburban living, is not simply the result of population pressures, technological changes, and citizens's desires. Instead, numerous government programs and policies, including the extensive tax breaks provided to homeowners, have subsidized the outflow of middle-class and better-off families to the suburbs. Local control of zoning further allows more privileged suburbs to maintain their exclusiveness, limiting the construction of affordable housing that could enable a much broader range of people to move into the community.

Various private-sector manipulations, including racial steering, blockbusting, and discriminatory disinvestment, have also contributed to the inequality of American communities. In an earlier era, real estate and financial institutions maximized profits by promoting property turnover and neighborhood churn, not residential stability. Today, corporate-backed redevelopment projects serve to make city neighborhoods attractive to well-off condominium buyers, tourists, and global businesses and other corporate investors. These projects generate pressures that displace some of the most vulnerable residents of the city.

As Chapter 4 will discuss in detail, the *gentrification* or upgrading of once-troubled neighborhoods is not just another stage in a natural process of natural neighborhood evolution. Instead, public officials, real-estate interests, and other corporate actors often *choose* gentrification. They pursue and subsidize actions that aim to gentrify neighborhoods and transform the city.

Before that story can be told, however, we must finish another story that we have already begun: the movement of Americans and political power to the suburbs.

KEY TERMS

annexation (*p. 44*)
balloon payment (*p. 70*)
bedroom communities (*p. 46*)
blockbusting (*p. 67*)
Community Reinvestment Act (CRA) of 1977 (*p. 68*)
condominium and cooperative apartment conversions (*p. 53*)
demographic factors in urban development (*p. 42*)
deregulation (*p. 52*)
disinvestment (*p. 67*)
dual migration (*p. 72*)
economic factors in urban development (*p. 42*)
edge cities (*p. 46*)
Fair Housing Act of 1968 (*p. 65*)
federal grant programs for hospitals and sewage processing facilities (*p. 57*)
Federal Housing Administration (FHA) (*p. 49*)
federal tax incentives for the oil and gas industries (*p. 57*)
FHA loan insurance (*p. 49*)
Frostbelt (*p. 46*)
GI Bill of Rights of 1944 (*p. 50*)
global cities (*p. 48*)
Great Migration (*p. 44*)
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Levittowns (*p. 64*)
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Negro removal, urban renewal as (*p. 57*)
Opportunity Zones (*p. 55*)
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shrinking cities (*p. 49*)
single room occupancy (SRO) hotel (*p. 71*)
state action (*p. 40*), the 14th Amendment's Equal Protection Clause bar on
streetcar suburbs (*p. 44*)
subdividing single-family homes (*p. 67*)
Sunbelt (*p. 46*)

NOTES

1. See, for instance, Ted Gayer, Austin K. Drukker, and Alexander K. Gold, "Tax-Exempt Municipal Bonds and the Financing of Professional Sports Stadiums," an Economic Studies report of The Brookings Institution, Washington, DC, September 2016. The Brookings report details how public officials and the federal tax code provide billions of dollars in subsidies for sports stadiums and arenas despite the "weak" (p. 3) evidence that such extensive subsidies for sports arenas provide a worthwhile return to the community. www.brookings.edu/wp-content/uploads/2016/09/gayerdrukkergold_stadiumsubsidies_090816.pdf.
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14. Jackson, *Crabgrass Frontier*, 204.
15. The VA program offered no-money-down loans to veterans. In more recent years, the FHA has sought to facilitate homeownership, requiring down payments of around 3 percent or 3.5 percent.
16. Quoted in Jackson, *Crabgrass Frontier*, 207
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18. Richard Rothstein, *The Color of Law: A Forgotten History of How Our Government Segregated America* (New York: Liveright Publishing, 2017), chap 4 "Own Your Own Home" presents an overview of the history of discriminatory actions by the FHA and VA, including vivid examples of how these government agencies promoted racial segregation as the United States entered the suburban age.
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