

# Street Bargaining

## The Politics of Chicago Planning

Joe Zehnder

*As part of a semester-long colloquium on industrial development policy, the Department of City and Regional Planning at the University of North Carolina at Chapel Hill invited agency directors and academicians from around the country to describe their experiences and perceptions of economic development planning. Robert Mier, director of the Chicago Economic Development Commission, visited Chapel Hill in April 1984. He spoke with carolina planning after his presentation to the department. His comments offer a frank and insightful appraisal of the constraints and demands of economic development planning in Chicago. The strategies and conclusions he describes are relevant for small town planners as well as metropolitan planners. Admittedly, Chicago is an extreme example of the politics of economic development, but it is an example which encourages less developed communities to approach economic development openly and aggressively.*

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You have described your approach to economic development as strategic. What information does your department use to characterize and monitor the Chicago economy and how do you use that information in the design and implementation of strategies?

*Mier:* We use very little information from city monitors. We probably ought to use more. I think that for an awful lot of what we do, not much new information is needed. Besides, I don't think it is possible to design an information-based monitoring system that is going to be timely enough to deal with buy-out opportunities, for example. We are certainly interested in getting a handle on sectoral trends, but I don't think that these trends change so rapidly that an information monitoring system, a data-driven one, is going to make all that much difference. What we need is to be tied more strongly into information networks, formal or informal, (with) people who are savvy about what's going on. If there is someone in an investment house whose job it is to monitor Beatrice Foods and he gets wind that Beatrice is going to divest thirty subsidiaries, then, because it is his job to get that information and tip off his clients, he will also tip us off that there are a bunch of subsidiaries out there that may be ripe fodder. You don't get that out of a data driven information system and yet that is the sort of information you need. I don't place much stock on building a system to systematically gather economic performance information.

We are trying to be systematic in different ways. We have a field staff that goes around and calls on businesses to provide them with some leads on the types of businesses and types of situations to look for. If they are walking down the street and they have a choice of calling on business type "A" and a business type "B" and the day is ending, they ought to know that business type "A" is part of a category that might be a better target for them. So, go see "A." We are trying to get them to be more systematic in the questions they ask. In asking those questions, we want to get employment patterns, know where people are coming from, skill levels, things like that. Then (we) keep that data on a computerized information system so that we have ready access to the particular types of businesses we've called on. We have called on "x" number of this type and we seem to be getting "z" kinds of patterns. We are going to expand this effort but it is really only a marginal by-product of a process that is going on anyway. It is not designed to gather information. We don't want to invest a lot of money into developing an information system as an end in itself.

One of the issues you faced in your appointment hearings was the trade-off between efforts to create jobs and efforts to protect the eroding property tax base. You were accused of being a "jobs man."

*Mier:* I pleaded guilty. Well, I didn't quite. I said, "You boys have got to be careful about the tax base, etc., etc. That is like mom and apple pie." The fact of the matter is that the whole issue is code for urban



Chicago Skyline, Looking Northwest

Dick Paul

politics. It is much more general than Chicago. There has emerged in most cities, and I would imagine that this is a characteristic of even smaller towns, a very close relationship between what you might call the propertied interests—the real estate community, community property owners, and the financial community that earns money off of real estate type lending. Very often local government is most responsive to the propertied interests. When you talk about the control of local government, there is a rich literature on this relationship. *That* (propertied interests) is the group that is most threatened by a new day dawning in Mayor Washington's administration. They were the old guard. The code for how their interests get defended is this tax base issue. Obviously, if you are gearing everything towards tax base, then you are investing resources in property; you are maximizing their interests. As soon as you step away from that, you are a threat.

There are lots of reasons to step away from it. I think it was a characteristic of development over particular periods in the last few decades where the land problem was a major constraint on development. It occurred when industry went from vertical to horizontal. Then the same thing happened in retailing. When that occurred, the organization of production and the organization of retailing became space extensive. Then there was a real space problem. Therefore, in order for cities to be effective in promoting development, they had to address that land constraint problem. It was natural and effective for them to develop those tools. It still is effective in some situations. I think one characteristic of new technology, which first appeared in manufacturing, next in the service sector, and lastly in the retailing sector, is that it is not space extensive. I think we are beginning to see a space contraction and, therefore, the space constraint becomes less serious for Chicago. Other constraints become serious. The cap-

ital equipment constraint, for example, is a much more serious concern. To be more effective, if we want to really deal with the problem, we have to deal with something different than what we have dealt with before. This is really threatening to those actors who profited from the previous situation.

Another issue you raised during your appointment hearings was that you were going to treat the city as an investor and try to get investor's rights in the projects you assisted. It sounded as if it was a legal problem. Have you been successful in this strategy?

*Mier:* It was sort of a funny political issue. Part of the rationale for arguing that development could work more effectively if it moved outside of city government was that an independent entity could do what the city could not do. An independent entity could take an equity stake in the development; to wit, the Philadelphia Industrial Development Corporation. That is the way the logic went. The Philadelphia Industrial Development Corporation was argued to be more effective than the established bureaucracy. My response was that Philadelphia had to do that because, by Pennsylvania state law, the City of Philadelphia could not take an equity stake in a development. So they had to create an entity that could. For the City of Chicago, Illinois state law does not have these restrictions. Therefore, we can become an equity investor in a development, and if that's what it takes to be more effective, let's do it.

city as equity investor

It is not a structural question. It is not the organization you set up. It is a *mechanical* question. You have to set up the mechanics to be able to do something. That was the whole issue when we did it for the first time; we took a preferred stock position in a small community-owned business venture. A community organization with a mix of philanthropic



Michigan Avenue, downtown Chicago

and regular debt capital developed an automobile repair center in a very poor West Side area. When it got down to the end, they had an equity gap. They needed to come up with a little more equity and we took a preferred stock position. We see ourselves increasingly taking either near equity or subordinated equity positions. We do not want to have a control equity position in anything. In fact, we are developing an equity venture fund that will enable us to deal with precisely that sort of situation in more venture developments. Often times venture capitalists, even though they are coming in with an equity position, require rates of return so great that the entrepreneur is faced with giving up control in order to guarantee the rate of return and bring in the venture capital. The way to avoid that is to have another equity investor add-on or top-off the venture in a subordinated position. This will allow the entrepreneur to keep control while still encouraging the flow of venture capital.

You mentioned the importance of the environment as a determinant of planning role. How has your understanding of that environment changed during your tenure with the economic development commission?

*Mier:* One of the interesting discoveries I made involved the means by which private developers try to hook government into big projects. I kept run-

ning into this experience and so did my peers: the commissioner of planning and the commissioner of housing, particularly. We spent a lot of time sharing our experiences. We had witnessed developers come in with grandiose plans for development projects, area developments, a "vision" and all that sort of stuff. They would sit there and wait for us to say, "Great, let's go with it." Instead we would say, "Put your money where your mouth is." We encountered this repeatedly. We would say, "Where's your money?" and they would be frustrated because, obviously, what they were trying to do was to get the city's commitment on the table first. I began to ask myself, "Why is this so important to get the city commitment on the table first? What does it mean to the development when that commitment, as a proportion of total development costs, may amount to only one percent? Is it really necessary to have public money? For us, it's a big investment. For the development project, it may be meaningless. Why did they need it so much? Why didn't they just go on without us?" Well, I found out what was happening — what I suspect was happening. By getting the city to put up the money, the developer then can turn around and broker the private financing. He is brokering security for the lender: "You don't have to worry about getting any shit from the city. They have their money on the table so you know they're not going to hold you up. They're going to go with it. They want it." What was being bought away was a mixture of the public inefficiencies and the public corruption. That's a perspective I never had before. I sort of always knew that those dimensions were important. I just never saw the exact linkage between them and the development program. It starts from the day you enter into the initial discussion with a developer. It also tells me how important it is to get what you might call "public constituencies" into the process as early as possible. During these initial discussions, public constituencies have a chance to shape and grab a piece of the development.

How do you see incorporating these constituencies into the deal-making process?

*Mier:* Well, it depends on the nature of the deal. As a rule, we hold public hearings on development agreements. That was never done on *big* development agreements before. On small ones, we don't necessarily hold public hearings. We find other ways to touch base with the affected constituencies. This has got developers scared, but we figure that anything "public" should be public knowledge. They've got nothing to hide.

Another way is linked development. That is a very important vehicle defining a whole bunch of ways in which there is a public payoff from development. (It) becomes a basis for public discussion

of the development and a basis for evaluation of whether or not they want it. We have tried three or four methods of public involvement ranging from the public hearing to very structured public discussions where key informants are invited. The latter method involves "focused discussions" which are open to the public. We invite twenty people but the door is open. Anybody who walks in can participate. We are trying to marry developers and community groups — steer people together and encourage them to forge alliances and negotiate or whatever.

We are working on all fronts. We have two big budget cycles each year: the annual city corporate budget and the federal community development budget. We're running these as openly as possible. We held a very structured but wide open public meeting on budget *policy*, which was unheard of, as opposed to public meetings of coming in and laying out claims. We held public meetings (as well) because everyone wants to throw their project on the table. We held the *big* meeting on budget policy to really open up the process by which tradeoffs are made between goals and programs. This is the thing that determines how much money is available for particular types of projects. We're working to keep things open.

Finally, is the emphasis on negotiation in planning practice and education a result of cutbacks on the resources available to cities?

*Mier*: I think it is important for a variety of reasons. First of all, this is the first time I have really talked about it and labelled it negotiation. I am not sure that "negotiation" is the best word to use. For one thing, that word brings with it a lot of other connotations like the "Negotiated Investment Experiments" and I don't know if I am talking the same thing. What I am lumping into negotiation is a combination of being able to bargain, to sit down, to assess your position vis a vis mine and mine vis a vis yours so that we can bargain hard. That is one dimension of it. Another dimension is the opening up of the process so that you can bring others, interested actors, to the table so that there is a dialogue component to the development of goals and objectives. I am lumping both of these things together. I don't know if they are. There are a variety of skills associated with bargaining and facilitating so it may be somewhat confusing to use that term. But, I think there are some commonalities to them that I am trying to get at which is to really pull planning off the drafting board, away from the computer, and make it more useful.

I have a good example of the drafting board contrast between the two. The city, through the Economic Development Commission, has a facade improvement program which underwrites some of

the cost of merchants' fixing up their store facades. Because this is available, a number of local Chambers of Commerce and businessmen's groups have promoted the facade improvement program on their strips. The normal way it happens is like this: they go get an architect or a designer to do a couple of renderings and some conceptual alternatives. They will stand up there, hold them up and people choose. There is a lot of discussion, but people choose.

linked development



Rerouting of Lake Shore Drive, Chicago

Peter Schulz

We did an experiment in the Center that worked very well. We said, "Now, wait a minute. The idea is not to bring out and sell. The idea is to take as your point of departure the people in your neighborhood. The building owners have a lot to contribute to the process as well. The design is not the privileged purview of the technical expert." So, we set up the situation where we got a group of planners who were familiar with the neighborhood, just a couple of them, who basically went around and talked to the merchants and built up the interest.

They structured a decision-making process. We had an architecture student in his first year of architecture who could basically draw straight lines. We photographed a series of storefronts. Then we got a couple of slide projectors with a fade-out control on them. We just put paper up on the wall and we got the merchants in there. We projected on the wall. "Here's your storefront and here's your neighbor's side by side." The two of them were sitting there. The architect went up and sketched in the raw outline and we faded it out, back in, back out. "So what do you want to do with it?" They said that it would

bargaining and facilitating

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an example

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look good if it were red. So we sketched in red. We kept working around the room and the designs got better. When it finally ended, we took the finished products and the architect did the lettering. The signage made it look a lot better and that was vitally important to the merchants. We finished the last scheme and photographed it. Then we went back and did a second round where we started; shot theirs, faded out, faded in their new design and played with it again. As this continued, people began to say, "If you do that, I'll do this. It might look better together." We ended up getting four of five merchants to redo their facades when, originally, only one had been interested. They did it in a way that was harmonious.

This is the sort of thing I mean by "negotiation": an openness to be the technical expert who is *not* the technical expert; to recognize that you are bringing something to the table but so is everybody else. You have got to be open to that. Both bargain for what you think is right and recognize that other people are bringing a "right" to the table as well. There are some trade offs, but this is essentially a good example of what we are striving for. □



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Our review of the factors that both encourage and discourage manufactured housing suggests that it is not zoning per se that is to blame for current housing problems, but rather, the balance of the relationship between public policy and private input. Zoning should be a valuable and necessary fact of urban life. It is not a question of *fewer* regulations but of *more appropriate* regulations. Indeed, part of the solution may call for more regulations. Manufactured housing should be allowed in residential areas, but only with strict safety and design restrictions.

Regulations are needed that are based upon empirical reality rather than popular stereotypes. While community residents may be forgiven for their lack of understanding of the wide diversity that exists within housing types, public officials should be more aware of and sensitive to changes in the housing market. Regulations are needed that are responsive to the larger community and not to parochial interests.

Public officials should take the initiative in adopting a broader view of the meaning of "public interest" and "general welfare." As manufactured housing becomes more similar to conventional housing in appearance and durability, and as the desire and need for reasonably-priced housing escalates, public officials should relax the tight zoning regulations that have been administered in a blanket fashion. New zoning policies would allow the mobile home industry to better accommodate the demands of low-income households.

Overcoming the image problem remains the most difficult task in any solution. Ask yourself, "Would you allow a mobile home to locate next to your home?" The popular answer is "No." What images of mobile homes come to mind with that question? The popular response is a description of a stereotypical shoddy trailer.

We need to acknowledge that there are probably many site-built homes and residents that are more detrimental to our neighborhoods than the best of the manufactured homes and residents. Yet site-built home residents, unlike mobile home residents, are considered innocent until proven guilty. Restrictions based upon perceived averages of gross categories, rather than on the specification of undesirable qualities, may be easier to administer but are discriminatory and can only serve to limit our educations. With such large variations in manufactured housing today, blanket exclusions to all manufactured housing are anachronistic. Zoning regulations that exclude all types of mobile housing from a residential area because some mobile homes may be detrimental should be reevaluated. □