**Name:**

**Federalism: A Case Study**

**Direction:** Please read the following article that illustrates federalism. While you are reading, please highlight, using the highlight tool, important details about the article. After you have finished reading the article, please answer the questions below.

**Vocabulary:**Chicago Housing Authority (CHA): municipal agency oversees public housing in Chicago

Privatization: the process of turning public (government) run agencies over to private individuals. It happens a lot. School bus companies, janitorial services are two. What other examples can you think of?

Block Grants: general purpose loans given to states and cities

Strings: conditions of aid that must be met in order to keep receiving such aid

Default Process: punishments instituted by the government in case of default by the people getting the money

**CHA To Be Torn Up, Rebuilt**

**$1.5 Billion Plan Razes 51 High-rises, Boosts Minority Firms**

|By Melita Marie Garza, Chicago Tribune Staff Writer.

Businesses owned by minorities and women are to be awarded half of all contracts under a historic 10-year, $1.5 billion plan to rebuild public housing in Chicago, federal officials said Saturday.

The bold plan, first proposed by Mayor Richard M. Daley last September, calls for tearing down 51 of the Chicago Housing Authority's family high-rises, including the Robert Taylor Homes and Stateway Gardens on the South Side, long symbols of the nation's failed public housing policies.

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In addition, about 25,000 units will be rebuilt or renovated, and management of all CHA properties will be privatized. Redevelopment plans already are under way for other CHA projects, including Cabrini-Green and Henry Horner Homes.

Daley's plan, touted as a national model, will mean the temporary or permanent relocation of virtually every resident housed by the nation's third-largest public housing agency.

By championing such a sweeping plan, Daley has taken on the CHA's seemingly intractable problems in a personal political mission, much as he did in 1995 with the Chicago Public Schools.

"People told me it was political suicide," Daley said at a news conference Saturday at the Ralph Metcalfe Federal Building, 77 W. Jackson Blvd. ` "Don't take it. There's no solutions. . . . You aren't going to change it.' The way we change it is with everyone together."

Standing next to Daley to announce formal federal approval of the plan was the mayor's political foe, U.S. Rep. Bobby Rush (D-Ill.), and the man who holds the CHA purse strings, Secretary Andrew Cuomo of the U.S. Department of Housing and Urban Development.

In announcing the agreement, Cuomo said HUD had granted the CHA virtually every federal regulatory waiver the city agency had requested to pursue its redevelopment plan.

Most significantly, HUD will give the CHA block grants and other funding, including $1.5 billion in redevelopment funds, during the next 10 years to demolish and replace housing. Waivers will let the CHA borrow against anticipated funds and even mortgage properties to raise redevelopment funds.

"CHA has failed," Cuomo said. "CHA must come down. You can no longer put a Band-Aid on a bullet wound. It is a demolition plan, but it also is a tenant-protection plan, and it will do both equally well."

HUD denied the CHA's request that it not be graded each year on the quality of its housing and tenant services. However, the federal agency agreed to modify its grading system so vacated buildings and units would not be subject to inspections.

Along with regulatory leeway, Cuomo announced that HUD, working at the behest of Rush, U.S. Rep. Danny Davis (D-Ill.) and a residents group, the Central Advisory Council, had come to terms on a resident protection agreement with the CHA.

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Among other things, the agreement requires the CHA to enter into legally enforceable contracts with residents that assure them the right to return to a new or rehabilitated CHA unit if they are displaced by redevelopment work.

The CHA also agreed to demolish units only when an annual survey shows there is enough affordable housing in the Chicago housing market to provide a home to every displaced family. In addition, the CHA will hold hearings on demolition and rebuilding plans for each development.

"We will guarantee that tenants will be heard from every step of the way," Cuomo said.

The housing secretary said one goal, to award 50 percent of all redevelopment contracts to companies owned or controlled by minorities or women, was the highest percentage ever set by HUD.

Daley, whose administration has been under fire for its allotment of contracts to minority firms, insisted there were enough firms legitimately owned by minorities and women to bid on CHA projects.

"They will be qualified," Daley said. "There will be public hearings."

Information on corporate officers--who they are and where they live--will be published on the Internet, he said.

Louis Jones, chairman of the board of Black Contractors United, applauded the contracting agreement.

"I think that's a good thing, particularly for our smaller contractors," said Jones, who owns Louis Jones Enterprises Inc., a Chicago-based architectural and engineering firm. "We are for anything that helps broaden the opportunity base."

Deidre Matthews, a Cabrini-Green resident and member of the watchdog group The Coalition to Protect Public Housing, was skeptical.

"We are concerned that they truly be minority firms, not just fronts," Matthews said.

Francine Washington, president of the Stateway Gardens development, did not share the optimism of some other resident leaders.

"I have to wait and see what happens," Washington said. "I have to see what they are going to do. I don't trust them."

Washington said she was concerned that the waivers would let the CHA ride roughshod over residents.

However, HUD included in the agreement a "default process," which says the federal agency can take punitive measures if the CHA fails to spend the federal funds properly or respond in a timely manner to tenant complaints, or if its buildings fail to pass federal inspections.

These measures could include forcing the CHA to reimburse HUD for any improperly spent funds, cutting off other funding or even reasserting federal control.

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Cuomo said it was not surprising that the CHA's problems had festered for 40 years.

"This joins the most difficult issues that we face today as a society," Cuomo said. "This is about the issue of economic opportunity. This is about the issue of race. This is about the relationship between city and suburbs."

Negotiations between the city and HUD over the plan have been mired for months, as the relationship between Daley and the federal housing agency was marked by personality differences and heated political posturing.

Less than 24 hours before Saturday's scheduled news conference, HUD officials were so sensitive about being upstaged by City Hall, they flatly denied--incorrectly--that they had reached agreement with the city.

The tensions stretch back to last summer, when HUD returned control of the CHA to the city after a four-year emergency federal takeover prompted by scandals and fiscal mismanagement by the previous city-run CHA management team.

With great fanfare, Phillip Jackson, the CHA's new chief executive officer held a news conference on July 15 to highlight alleged mismanagement under the HUD regime, displaying about $700,000 worth of laptop computers, bicycles and other equipment that sat unused in a warehouse.

In reaction, Howard Glaser, a lawyer for HUD, sent a profanity-laced handwritten fax to two top Daley aides on July 16, declaring, "What kind of bull---- is this?" That message was followed by a second fax: "Consider your deal canceled."

Until late Friday night, Glaser said, "There is no agreement. We are still very far apart."

Then Cuomo, his boss, got on a plane, came to Chicago and signed the agreement.

1. How is this an article on Federalism?
2. What is going to happen to low housing projects in Chicago according to the article? Why should this happen? (What are the goals?)
3. What is the reason for privatizing these low housing units?
4. What are the strings (condition of aid) that Chicago must fulfill in order to receive 1.5 billion dollars from the national government?
5. What do you suppose is the national governments interest in requiring conditions of aid? Is this a legitimate goal of government?
6. What can the national government do to Chicago if Chicago defaults on its part of the agreement?
7. How does politics come into play in the awarding of this basic agreement between city and nation?
8. Watch the follow-up tape to bring you up to date on this situation. Does anything surprise you? Do you agree or disagree with the opinion that Dailey’s plan is going to be a national model? Why or why not?
9. In your opinion, is this the way federalism is supposed to work? What model of federalism does it seem to follow?
10. Do your own follow-up. Bring in a newspaper article that describes a case of federalism.
    1. Summarize the article in 2-3 sentences
    2. Explain how the article compares to the one on CHA
    3. Does your article explain a reasonable and legitimate governmental concern? Why or why not?
    4. What do you think is a better idea?