DOWNTOWN DEVELOPMENT AND URBAN REFORM
The Politics of Boston's Linkage Policy

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A widely held belief is that cities cannot implement redistributive social and development policies without harming their economic and fiscal base. A different view is taken in this article; both the constraints and the potential – the "room for maneuver" – for local government to carry out progressive economic and social policies are analyzed. Boston's innovative *linkage* program is used as a case study to examine the social, economic, and political forces that shaped the origins and the evolution of the city's development policies under Mayor Raymond Flynn and his predecessors.

Urban policymakers and analysts increasingly are discussing the limitations and potential of local governments to adopt progressive economic and social policies. The forces limiting the scope of progressive local action include the geographic mobility of private capital, the nation's federal system (with its fragmented political authority and fiscal resources, especially between city and suburb), and the political power of local business and real estate interests. The first two factors have taken on increased significance during the 1980s (Peterson 1981; Fainstein and Fainstein 1983; Logan and Molotch 1987; Swanstrom 1988a; Clavel 1986; Clavel and Kleniewski 1989).

The restructuring of the American economy over the past decade has led to major shifts of capital within and between cities and regions. Some areas experienced dramatic growth while many others stagnated or declined.

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Simultaneously, the Reagan administration (from 1981 to 1989) implemented massive cutbacks in urban and economic development programs, forcing cities and states to become more reliant on their own initiatives. A general outcome of these forces has been increased competition between governments hoping to stimulate local private business investment (Fainstein and Fainstein 1989).

Peterson (1981) argued that city development policies emerge largely in response to national political economic forces. According to Peterson, cities must promote private economic growth; therefore, redistributive local policies hurt cities because they entail increased taxes and/or reduced services for those residents and businesses that contribute most to the city's economic and tax base (p. 37).

Despite these significant limits on local governments, they increasingly are being recognized as having greater latitude than previously was thought (Swanstrom 1988a; Clavel and Kleniewski 1989; Fainstein and Fainstein 1989). This recent awareness stems, in part, from the historical perspective of the late 1980s: Progressive or liberal administrations were elected and endured in municipalities across the United States – most notably in Chicago, Boston, and San Francisco – and in smaller (often university-based) cities like Santa Monica, Berkeley, Cambridge, Madison, and Burlington. Also, greater attention has been paid to the role that local political forces can play in shaping progressive urban regimes.

Peterson (1981) stated that struggles for power within cities do not decisively affect local policies, but his argument slowly developed into a rationale for limited public participation in policymaking. Closed decision making allows for the "due consideration of city economic interests. . . . By keeping mass involvement at the local level to a minimum, serious pressures for policies contrary to the economic interests of cities are avoided" (p. 129).

In the postwar era, city governments and policies in the United States have been influenced, and often dominated by, local growth coalitions (Mollenkopf 1983; Logan and Molotch 1987), which have steered local development policies to intensify land use, increase rents, and generally enhance the profitability of private enterprise. The success of private businesses in affecting local development policy lies only partly in their control of private economic resources, however. Realtors, developers, contractors, and their associates in law and finance – those with the greatest economic interest in city land-use policy – are usually among the top campaign contributors in municipal elections (Logan and Molotch 1987; Dreier 1982).

A case study of Boston is used in this article to explore the limits and potential for local progressive policy. We argue that under certain social and political conditions, growth can be facilitated by *expanding* participatory and redistributive public policies and that within the structural limits that constrain urban policymaking, city governments *can* advance progressive policies without impeding economic growth. The space for reform, however limited, exists precisely because politics do matter. To demonstrate this argument, we trace the rise of Boston's governing regime under the administration of Mayor Raymond Flynn.

The confluence of several social forces in the early 1980s – sustained economic growth, severe fiscal crisis, a housing crisis, dramatic demographic changes, and a progressive electoral mobilization – created the conditions for political change and enlarged the space for reform in Boston (Swanstrom 1988a). One of the principal policies of Flynn's regime has been *linkage,* a development impact fee assessed on large commercial projects to fund affordable housing, which was first enacted in Boston in 1983.[1]

The idea of linkage was a central theme in the 1983 mayoral election that brought Flynn, then a populist city councilor, into office. It has continued as a central organizing principle of his administration, helping him to consolidate a political regime committed to promoting economic growth and economic justice (Fainstein and Fainstein 1983; Shefter 1985, 7-9; Stone and Sanders 1987, 7; Swanstrom 1988b, 72-74) This new regime includes not only certain elements of the city's business community and traditional growth coalition but also sizable segments of the city's progressive and working-class political forces. Even though only a finite quantity of new housing will be produced with linkage, its broader role in the city's changing political economy has been significant.

Moreover, these redistributive efforts, along with the expansion of community involvement in development decisions, have not hampered Boston's economic growth; rather, they actually have sustained the city's growth potential by securing a broader consensus for new development. Linkage has facilitated acceptance of projects that might otherwise have been rejected or delayed as a result of community opposition and has united a new growth coalition when no prior "unitary interest" existed. Boston's growth-oriented redistributive policies have dulled the edge of uneven economic development and thereby have furthered the city's potential for future growth.

Flynn's leadership and the political constituency he helped mobilize also made it possible to carry out other progressive policies, including rent control, inclusionary housing, child-care and job set-asides for office construction (requiring developers to provide space for child-care centers and to hire women and ethnic minorities in construction jobs), expansion of the nonprofit housing sector, growth management of downtown development, and *linked deposit banking* (a policy providing that the city's funds be deposited only in banks that significantly invest in low-income communities) and has broadened community involvement in planning and development decisions (Dreier and Keating 1990). The electoral success of this new regime can be measured, in part, by Flynn's overwhelming reelection in 1987 with more than 70% of the vote.

TRANSFORMATION AND CRISIS: ORIGINS OF BOSTON'S NEW REGIME

The origins of Boston's linkage policy can be traced back to social dynamics that emerged during the first phase of the city's economic transformation in the 1960s. Boston's revitalization was driven by three primary forces: the restructuring of the global economy with its attendant effects on urban economics (Stanback 1985), increased federal social spending in health care and education, and an aggressive, federally financed, urban renewal program (Mollenkopf 1983; Boston Urban Study Group 1984). The city's political and economic infrastructure was uniquely suited to capitalize on these broad forces. In 1960, Boston's economy was already heavily oriented toward services, and since then, its hospitals, universities, and banking, finance, and insurance corporations have experienced dramatic growth. This growth, together with the expansion of the suburban high-technology sector (principally computer and defense production), constituted the so-called Massachusetts Miracle of the late 1970s and 1980s (Harrison and Kluver 1988).

The city's economic transformation also entailed major changes in the city's built environment and social and political organization – changes that would not have occurred without the formation of a powerful coalition of downtown business leaders, developers, and politicians capable of mobilizing and coordinating the public and private resources necessary to rebuild the city's central business district and adjacent residential areas (Boston Urban Study Group 1984; Mollenkopf 1983). This growth coalition ultimately revolved around two newly created institutions: the Coordinating Committee, also known as *the Vault* (Dreier 1983), which consisted of top business leaders, and the Boston Redevelopment Authority (BRA), a superagency that combined the city's zoning, planning, and development functions. The coalition's early effectiveness was augmented by the clout of President Kennedy and Speaker of the House John McCormack, both from Boston.

Initiated by Mayor John Collins (who served from 1960 to 1967), BRA Director Edward Logue, and the Vault, the growth coalition embarked on an ambitious renewal plan that encompassed more than one-quarter of the city's land area and helped trigger a sustained era of new private investment in the city. Between 1960 and 1985, more than 20 million square feet of office space were added to Boston, almost doubling the total supply of space (Brown 1986). Employment in finance, insurance, and real estate more than doubled (to 85,100) between 1950 and 1985, and employment in a broad range of other services (mainly health, education, and business services) grew threefold (to 225,900).

The other side of Boston's revival involved the displacement of thousands of minority and working-class residents from the downtown and nearby neighborhoods (Gans 1962; Mollenkopf 1983). The "federal bulldozer" of urban renewal in the 1950s and 1960s was supplanted by the "economic bulldozer" of market speculation and gentrification in the 1970s and 1980s, resulting in the gradual displacement of residents across much of the city.

In addition to increased housing demand by new professional workers, the entry of tens of thousands of Latin American and Asian immigrants into Boston during the 1970s and 1980s exacerbated the competition for housing. By the early 1980s, Boston's housing prices and rents were among the highest in the country (BRA 1988a). These changes in the housing market greatly accelerated the process of change in Boston's neighborhoods. Even many middle-class homeowners (who benefited financially from rising values) began to worry that Boston's hot housing market would prevent their own children from settling in their neighborhoods. In less than two decades, Boston was transformed from a depressed, low-rise city of mostly white ethnic neighborhoods to a more vibrant, high-rise city composed increasingly of young professional workers and new Third World immigrants.[2]

In the early 1980s, just as Boston's economy was experiencing an unprecedented burst of growth, local and national political forces drove the city deep into fiscal crisis. Boston's budget began to unravel in 1980, when Massachusetts voters approved Proposition 2½, which drastically slashed the local property taxes that accounted for more than half of total city revenues. At the same time, President Reagan implemented major cuts in federal urban spending. These cuts pushed the city so close to bankruptcy that the city was closed out of long-term bond markets for three full years. In 1982, the city was forced to lay off 3,280 workers (19% of its total work force) and to close numerous fire and police stations and schools (Slavet and Torto 1985).

These social forces — a surge of economic growth and downtown development, the severe fiscal crisis, the emerging housing crisis, and a rapidly changing population — strained the social fabric and fueled a sense of political instability and disenchantment with the administration of Mayor Kevin White. White was elected in 1967 as a neighborhood-oriented, liberal reformer, but by the early 1980s he faced widespread opposition and was viewed as favoring downtown interests over neighborhood interests. Adding to his troubles, a federal investigation into his administration's campaign practices led to the indictment of several of his aides.

The fiscal crisis, however, made White's continued governance an intractable problem (Shefter 1985; Pecorella 1987). The lack of funds made it increasingly difficult to unite (or buy off) the centrifugal forces threatening White's regime. In May 1983, White announced he would not seek a fifth term, triggering a fierce competition for mayor. The issue of linkage became a centerpiece of the mayoral race and a symbol of the downtown-versus-neighborhood resentment among Boston residents.

THE EMERGENCE OF LINKAGE

Although the dynamics of the 1983 mayoral race led to the city's eventual adoption of a linkage policy, the seeds of that policy had been planted several years earlier in community struggles over development policy.

Establishing a linkage policy involved more than simply amending the city's zoning code: It meant building a political coalition to mobilize support for the policy. In Boston, as in most cities, the constituencies that influence housing policy include a number of varied elements with very different stakes. The relative political power of these groups and their interrelationships, establish the "room for maneuver" within local government.

In terms of linkage, the business and development community (including construction unions) solidly opposed further regulation on private development, and housing activists and progressives backed the idea. The key to mobilizing a political majority for linkage was to attain the support of another sector, Boston's neighborhood associations. In the past, these neighborhood groups, mostly dominated by middle-class homeowners, focused primarily on city services, opposing rent control, low-income housing, and similar issues. The social and economic forces described earlier served to shift the balance of political forces. For both symbolic and substantive reasons, the neighborhood groups began supporting linkage and raising it as a key issue during candidates' forums. Thus the business and development community was isolated in its opposition. Linkage became not only politically acceptable but a central issue in the election.

The idea of requiring private developers to provide specific community benefits grew out of a struggle over the $500 million Copley Place mixed-use project on the border of the Back Bay and South End neighborhoods. In 1978, the city applied for a $19 million federal Urban Development Action Grant (UDAG), fueling community opposition to this project, which included two luxury hotels, an office building, luxury housing, and an upscale retail mall anchored by a Neiman Marcus department store.

Community groups in the adjacent residential neighborhoods successfully pressured the project's Chicago-based developer to set aside fixed percentages of construction jobs for city residents, minorities, and women. In addition, the developer agreed to include 25 (of 100) residential units for affordable housing (Brown 1986). State Representative Mel King, who represented the South End and lived across the street from the proposed project, helped lead the community campaign. City Councilor Ray Flynn threatened to oppose the UDAG unless the project included affordable housing. Legal services attorneys sued the city and the U.S. Department of Housing and Urban Development for approving the UDAG, which they claimed would directly and indirectly cause the displacement of low-income residents in adjacent neighborhoods. At the same time, King introduced a bill (which did not pass) in the legislature to require developers of large commercial projects to include housing-displacement impacts and mitigation plans in their environmental impact statements.

The growing problem of gentrification and displacement was heightened further in 1979, when the first large condominium conversion in Boston fueled angry tenant protests and became a major political issue. Councilor Flynn introduced a measure protecting tenants from evictions caused by condominium conversions. The city council passed a compromise version.

Following conversations with planners from San Francisco, where a linkage regulation had already been adopted, *Boston Globe* columnist Kirk Sharfenberg (1983) promoted the idea of linkage for Boston. He noted the similarities between the two cities' development climates and suggested that Boston was ready for a linkage policy. In February 1983, Bruce Bolling, city councilor from the predominantly black neighborhood of Roxbury, proposed a requirement that office developers produce one unit of housing for every four prospective employees, or approximately one unit of housing for every 1,200 square feet of new office construction. Bolling's proposal was unanimously passed by the council only to be vetoed by Mayor White.

White's veto caused a stir; so in June 1983, he appointed a 30-member advisory committee to study the issue and make a linkage recommendation acceptable to the development industry. Cochaired by influential real estate lawyer Edward McCormack and Councilor Bolling and weighted with developers and city hall aides, the committee included only two advocates of a strong linkage policy. It met and held hearings throughout the summer and early fall, while the mayoral contest (with seven major candidates) heated up.

Shortly after White established this committee, Boston Fair Share (a confrontational, Alinsky-style, community organization based in Boston's working-class neighborhoods) threw its weight behind a strong linkage plan. Fair Share saw the political value of the linkage issue, particularly of its symbolism regarding the downtown-neighborhood disparities, and worked to place the issue of linkage before the voters in a nonbinding referendum. Another Fair Share-supported ballot question proposed the creation of neighborhood councils to give residents a stronger voice in development and planning decisions. Fair Share anticipated that these referenda would help voters differentiate between the candidates and set the agenda for the next mayoral administration. Sharfenberg (1983) wrote in favor of linkage, and candidates Flynn and King threw their support behind the ballot questions.

White sensed the growing momentum for linkage and knew he would have to establish some form of linkage before his term was over, if for no other reason than to weaken the possibility that a strong measure would be enacted after he left office. White's position—being torn between the increasingly vocal housing advocates and the powerful real estate interests—was reflected in a statement by Deputy Mayor Micho Spring:

> The question is, at a time when the city has a significant shortage of low-to-moderate housing, can we capture significantly some of the benefits of downtown development. Given that, we are still sensitive and worried about overburdening the development community. (*Boston Globe*, 28 August 1983)

Linkage became the key issue throughout the campaign. Both daily newspapers and many weekly neighborhood newspapers featured stories about the candidates' positions on linkage. The Massachusetts Tenants Organization (MTO) publicized each candidate's views on rent control, neighborhood councils, and linkage. At house parties and candidates' forums, candidates were asked consistently for their positions on the linkage issue. To many middle-class homeowners (who would not directly benefit from linkage), this issue symbolized a new direction in city priorities—striking a new balance between downtown and the neighborhoods.

A *Boston Globe* survey that was published on August 28, 1983, revealed overwhelming public support for the linkage idea. And on September 4, 1983, several weeks before the election, the newspaper published an editorial in favor of linkage.

No candidate suggested that linkage alone would be a solution to the city's housing problem, but it became a symbol of the candidates' stances on the disparity between the downtown and the residential neighborhoods and represented a way to gauge candidates' ties to the city's development and real estate interests. Flynn used the linkage issue against front-runner David Finnegan (the most conservative candidate), who was a member of the school committee and the host of a popular radio talk show and who represented the established business interests and drew electoral support primarily from middle-class homeowners. At a candidates' forum, Flynn linked Finnegan to downtown real estate interests, pointing to the large campaign contributions Finnegan had received from major developers and landlords. During an impromptu encounter televised in front of city hall, Flynn again attacked Finnegan, saying that the city hall was the people's building and not for sale. Finnegan initially opposed linkage entirely but later supported a "voluntary" policy. The other four candidates, all established political figures, also supported some form of linkage, but Flynn and King advocated the strongest form of linkage.

The strongest opposition to linkage came from the Greater Boston Real Estate Board (GBREB). Richard Lundgren, GBREB president, stated: "Conceptually, the whole thing is wrong. It's a disincentive. You're going to kill the goose that laid the golden egg" (*Boston Globe,* 28 August 1983). At public hearings, in the press, and through campaign contributions, the development industry mounted a campaign to defeat the linkage proposal.

In the October 1983 nonpartisan preliminary election, Flynn and King received the most votes, with Finnegan coming in third. The fact that the two most progressive candidates emerged in the runoff symbolized the shift in Boston's social and political makeup (Green 1986). King received almost all of the vote from the black community and did well among liberal whites. Flynn, who was endorsed by MTO, most unions, and the leadership of groups such as Fair Share and Nine-to-Five (a working-women's organization), carried most of the white working-class and low-income neighborhoods. Hispanic and Asian support was split between the two. King clearly was more radical on broader social and cultural issues, but the two candidates differed little on the key housing and development issues. In particular, their victory ensured that enactment of linkage was inevitable.

On October 14, 1983, just a few days after the mayoral primary, White's advisory committee issued its report (Advisory Group 1983). It recommended a linkage policy requiring downtown office developers to pay $5 per square foot, to be paid over a 12-year period, with the first 100,000 square feet exempted. (This formula, in terms of its present value, actually amounted to only $2.40 per square foot.) The money was to be placed in a Neighborhood Housing Trust that would be created for the allocation of the funds for affordable housing projects.

In the final election in November, Flynn beat King by a 2-to-1 margin, and the nonbinding linkage referendum passed by a margin of almost 3 to 1. (The nonbinding referendum to create neighborhood councils also passed.) In December – only a month after Flynn's victory, but before he was to take office in January – White pushed his advisory committee's linkage proposal through the BRA and the Boston Zoning Commission.

DOWNTOWN DEVELOPMENT, FISCAL STRATEGY, AND A NEW COALITION

Linkage was enacted during White's final days, but it was left to the incoming Flynn administration to determine how it would be implemented. This involved more than creating the specific mechanisms necessary to translate development dollars into affordable housing: It also entailed determining how the new government would address the broader relationship between the downtown and the neighborhoods. To understand how Flynn managed the transition from an electoral coalition to a governing coalition, the administration's early development and fiscal policies must be examined.

The Flynn administration had three major policy objectives in its first year: (1) to obtain new revenues, which were needed to balance the budget without further services cutbacks (the administration inherited a $40 million budget deficit from the White administration); (2) to strengthen rent and condominium conversion regulations; (3) to gain control of the city's development apparatus, which remained in the hands of White's four BRA appointees and his BRA director, Robert Ryan.

A particular concern of many developers, business leaders, neighborhood activists, and preservationists was what Flynn would do with the 11 major proposed projects that were rushed through the BRA during White's final six months.[3] Three of the "pipeline" projects were under intense fire from historic preservationists and neighborhood groups that opposed the ongoing destruction of Boston's livability and unique historic character.

In November 1984, Mayor Flynn and his newly appointed BRA director, Stephen Coyle, announced their support for 9 of the 11 downtown projects, emphasizing the public benefits the projects would generate: new employment opportunities, linkage, additional voluntary contributions, new tax revenues, and modest design improvements. A BRA report summarizing the 9 pipeline projects contained the following statement:

> The apparent lag in Boston-resident participation in the benefits of the Boston economy is a principal factor behind the concentrated poverty in many of its neighborhoods. . . . Accordingly, at the center of the public debate over Boston's growth policies is not the issue of height, design, or massing of buildings, although these are important concerns. The critical issue is economic justice. (BRA 1984)

In approving these projects, the Flynn administration was responding to political commitments and constraints emanating from the downtown business community, the building-trades unions, the purchasers of municipal bonds, and the city's housing and neighborhood activists.

Flynn's primary commitment was to his core working-class constituency—those who had not shared fully in the city's new wealth. But the administration's desire to improve the neighborhoods and living standards of this constituency was impeded by the public fiscal crisis. Therefore, the city was forced to rely on private economic development more directly than before to increase local employment and expand the city's tax base and thereby to finance new public services and housing.

The new administration did not, however, accept the view that any job added to the city's economy was inherently good. Because only 22% of the downtown office workers and few construction workers lived in the city in 1983, it was clear that most beneficiaries of the city's employment and wage growth were commuting home to the suburbs every evening. Flynn's employment strategy (essentially an outgrowth of struggles that had been waged by black community activists since the 1960s) was designed to capture a larger share of these job benefits for city residents (King 1981). The new policy required that private developers make a "best good-faith effort" to meet goals for hiring construction workers: 50% city residents, 25% minorities, and 10% women.

The fiscal benefits the city would reap by approving the pipeline projects were substantial and included new tax revenues and income from the sale and lease of publicly owned land. The nine projects were expected to generate about $31 million in new tax revenues for the city—an increase in property tax revenues of about 10%. Revenues from the sale and lease of BRA properties generated additional city dollars. Just one project, Rowes Wharf, provides the BRA with over $2 million in annual rent payments for its ground lease.

The Flynn administration's public rationale for approving the nine pipeline projects emphasized that as the first linkage projects, the buildings would generate approximately $25 million to build affordable housing.[4] In addition to the fixed linkage fees that were to be paid by the nine developers, the administration obtained "voluntary" contributions from most projects.[5] These extra payments, totaling $3 million, were used to fund programs for housing, park restoration and maintenance, job training, and athletics.

The immediate fiscal and economic benefits of the projects approved in 1984 perhaps were less important than the political significance of the administration's action. By approving these projects, the new administration also was responding to the needs of Boston's leading corporations and flourishing business services sector. The support of the business community is essential to the success of any city government in the United States, but it was particularly important in Boston in 1984, given the fiscal crisis and federal cutbacks.

The administration needed the support of the business community for various reasons. It wanted the cooperation of downtown businesses to support a number of social policy initiatives within the framework of public-private partnerships. It needed to restore the city's bond rating and access to capital markets: Acquiring the confidence of financial institutions in Boston and on Wall Street would be necessary to achieve this goal. The administration also wanted to build political support for two new taxes, a tax on jet fuel and a tax on hotel rooms, which were essentially taxes on local business activity.

The city needed to obtain authority from the state legislature to levy new taxes, which White was unable to do in 16 years as mayor. Flynn had jeopardized the trust of the business leadership during his first year in office with his populist rhetoric and a battle with real estate interests over proposed rent-control and condominium-conversion regulations. However, he gained critical support for new taxes from the Vault and the Boston Municipal Research Bureau (a business-sponsored group organized to monitor the city's fiscal affairs) by reforming the city's fiscal management and by demonstrating that he was not against development by approving the nine downtown projects.

Flynn's management reforms, progrowth development policies, and new taxing authority (which yielded $28 million in the first year) improved the city's bond ratings and thereby allowed its reentry into municipal capital markets. Most important, however, Flynn's success in fusing the populist image of linkage with the growth imperative of the business community broadened the popular basis for growth.

THE EVOLUTION OF BOSTON'S LINKAGE POLICY

Since 1983, linkage has become firmly institutionalized in Boston development politics, expanding beyond the initial fee imposed by the BRA. The linkage policy itself subsequently was strengthened to increase its financial impact and to add a job-training component. Furthermore, linkage has become part and parcel of Boston's development program. Developers now accept linkage as a "rule of the game," and community and housing activists tend to view the linkage policy as just a reasonable starting point for even greater demands to place on developers. The city, meanwhile, has set up the administrative apparatus to implement the housing-production aspects of linkage and has begun to produce new affordable housing with the funds.

By October 1989, six years after linkage was adopted, developers had committed $76 million (nominal value) in housing linkage funds to the city. Of that, approximately $28 million already had been expended by the city to assist with the production or rehabilitation of more than 2,900 units of housing, of which 84% is to be used to house low- or moderate-income families. More than 80% of the funds were targeted to nonprofit housing-development organizations (BRA 1989).

LINKAGE SURVIVES A LEGAL CHALLENGE

In June 1985, 18 months after linkage was enacted, a major Boston developer, Jerome L. Rappaport, filed a lawsuit against the city's linkage requirement. A Superior Court judge declared 10 months later that the linkage ordinance was illegal because the city lacked statutory authority from the state legislature to enact such an ordinance.

Significantly, this apparent defeat of linkage did not spark any celebration among Boston's developers. Most developers were convinced that linkage was going to continue and that there was no need to eliminate it (Bronner 1986; King 1986). Even Richard Lundgren (who, as head of the GBREB in 1983, was a major opponent of linkage) stated in response to the court decision: "Linkage has become such an accepted factor in development that people aren't taking much interest [in the decision]. They [developers] have made commitments and they're going to keep them." Another developer

commented that "there will continue to be linkage in one form or another. We don't disagree with the concept. . . . it's a cost of doing business. No one can argue that housing is one of the most critical needs in the city" (Bronner 1986).

In August 1986, the Superior Court decision was overturned on a technicality by the Supreme Judicial Court. Nevertheless, the city ensured the future viability of the ordinance by obtaining state legislative authority for linkage in 1987.

STRENGTHENING THE LINKAGE POLICY

Soon after the foundation was established for linkage, and even before any housing was built, housing activists mobilized to expand the program. Prompted by the Boston Linkage Action Coalition (BLAC),[6] the Flynn administration enacted changes to the linkage ordinance. The BLAC proposed increasing the fee to $10 per square foot and requiring it to be paid up front—changes that would have approximately quadrupled the real value of the payments.

The new formula, approved by the Boston Zoning Commission in February 1986, reduced the housing linkage payment period to 7 years (from 12), beginning when the permit is issued (rather than when the project is completed), and added an extra dollar to fund job-training programs. By accelerating the payment period, the net present value of the housing fee increased to approximately $3.70 per square foot—a 50% increase. In addition, by including a $1 job-training fee, payable over a 2-year period, the new formula essentially doubled the linkage fee. In 1989, the BRA developed a mechanism for obtaining the linkage funds up front rather than waiting for the payments to be made over time.

The GBREB opposed expansion of the linkage law, but its voice was not heard very far because the city's developers were no longer allied with the GBREB on this issue. By this time, most developers fully accepted the rationale for linkage or at least had learned to live with it; they knew that the mayor's proposed changes would not significantly affect the economics of their projects. For the development industry, linkage had become a "non-issue."

NEW FORMS OF LINKAGE

In addition to the housing and job-training linkage policies and the assorted voluntary contributions that the city has obtained from developers, the

Flynn administration has extended the linkage policy in five new directions: minority business development, child care, theater development and cultural programs, inclusionary housing, and linked deposit banking.

The minority business development component, dubbed *parcel-to-parcel linkage,* links the development of city-owned downtown parcels with other parcels located in a neighborhood, thus enabling profits from a lucrative downtown project to subsidize a less profitable neighborhood project directly. It also gives Boston's minority developers, entrepreneurs, and professionals (for example, architects, lawyers) an opportunity, for the first time, to participate in the development of major downtown projects. Parcel-to-parcel linkage is a strategy to join downtown and neighborhood development as well as a means of channeling profits from real estate development into the city's emerging minority business community. In doing so, this strategy has helped incorporate minority elites into the Flynn administration's new growth coalition.

The first parcel-to-parcel linkage project joins a large mixed-use project in Roxbury with an office tower in the financial district near Chinatown and involves substantial participation by a team of black and Chinese developers. A percentage of the cash flow generated from this project also will be used to support neighborhood social service agencies. The second parcel-to-parcel project links the development of an upscale mixed-use project in Park Square to the development of a mixed-income residential complex in the adjacent South End, including transitional housing for abused women and a child-care center.

Day care and theater development have both been included in the plans for the creation of the new *Midtown Cultural District,* a comprehensive zoning-and-development scheme (approved in 1989) to revitalize a 25-block area that joins the city's financial district, the "Combat Zone" red-light district, the theater district, the Boston Common, the Downtown Crossing retail area, and Chinatown. The plan not only entails the creation of over 4 million square feet of office space, a new department store, and luxury housing – but also includes the creation of day-care space for up to 600 children, the renovation and development of more than 10 theaters, and sizable housing linkage contributions. One project alone, Commonwealth Center, is expected to yield approximately $8 million in linkage money for affordable housing in Chinatown. Opponents of the plan, who are few in number, point out that the public benefits from the new development may not offset the negative impacts the project will have on the adjacent Chinatown community (Chinatown Housing and Land Development Task Force 1988).

The development strategy incorporated in the Midtown Cultural District plan extends beyond the arts-centered revitalization schemes that have become fashionable in recent years (see Whitt 1987): By incorporating a relatively wide range of community interests into the plan – day care, housing, job training, arts, and historic preservation – the Flynn administration organized a growth coalition vastly different from the business-dominated coalitions of earlier decades (McLaughlin 1989).

In 1986, the administration initiated an inclusionary housing policy in which the city negotiates with housing developers on private sites to set aside at least 10% of all housing units (in projects of 10 units or more) for low- and moderate-income residents. Although the city lacks formal regulatory authority for this policy, it has successfully obtained affordable housing commitments in most large residential projects. (This complements the city's ongoing policy of requiring that new housing built on hundreds of *city-owned* sites be affordable to low- and moderate-income residents – made possible by selling the land for a nominal sum, working primarily with nonprofit developers, and using linkage funds and other subsidies.)

Finally, in 1989 Flynn initiated a campaign against bank redlining by having the BRA hire an economist to study the Boston banks' lending patterns and by announcing the linked deposit policy described earlier. In response, and after several months of negotiating with city officials and community activists, Boston's banks announced a program to expand dramatically their affordable-housing investments and branch offices in minority areas.

COMMUNITY PARTICIPATION AND LINKAGE

Linkage has evolved into more than a fixed set of policies or formulas: It has become the starting point for numerous community struggles and negotiations over development. Community groups, acting through local neighborhood councils or other officially recognized citizen advisory groups, have been involved directly in the review of major development projects. Although these groups rarely have enough power to stop a project, they have been able to influence the scale and density of most developments and have succeeded in negotiating additional contributions from developers. In addition to the mandatory linkage fees, community groups have insisted on the inclusion of supplementary affordable housing, jobs, or financial contributions for other community services. The Flynn administration and the BRA generally have been supportive of (and occasionally have initiated) these community efforts.

Thus community groups often can slow development down through political pressure, regulatory intervention, or litigation. However, linkage has given Boston's communities a direct stake in new development. Since 1984, when Flynn took office, there has been no significant organized opposition to downtown development, even in the residential areas in which new development would have the most impact.

In the congested Chinatown neighborhood, for example, where the quality and stability of community life potentially is threatened by new commercial development associated with the Midtown Cultural District, community leaders have focused their energies on maximizing the public benefits from new development. By engaging a wide range of community interests — from local entrepreneurs to progressive community activists — in its linked-development strategy, the BRA has absorbed most of the potential opposition into its program for growth. Similar stories can be told about development in most other city neighborhoods in which neighborhood participation, compromise, and accommodation — not opposition — to growth has been the experience.

By incorporating community groups directly into the downtown-development process and providing direct material benefits to them, linkage has reduced the us-versus-them antagonism that tends to permeate relations between communities and developers. The Flynn administration has worked aggressively to establish the routine participation of community groups in development politics and thereby has reduced the level of outright opposition to new growth. Meanwhile, developers have learned that negotiating with community groups can eliminate potential roadblocks and accelerate government approval for their projects.

LINKAGE AND NEW DEVELOPMENT

Critics of linkage — both opponents and supporters of downtown development — had predicted that linkage would have a negative effect on development in Boston. On the one hand, corporate leaders and developers initially claimed that linkage would have a dampening effect on growth — that it would "kill the golden goose." On the other hand, neighborhood leaders and preservationists had predicted that linkage would have precisely the opposite effect — that it would fuel the development of large skyscrapers as city officials sought to extract the greatest amount of linkage funds from downtown projects.

Neither of these predictions — that linkage would foster either no growth or unbridled growth — has come true. In 1989, Boston's development economy was still one of the strongest in the nation. Linkage fees typically represent less than 1% of the total development cost of highly profitable projects.[7] Developers recognize that linkage is a small cost to pay for increased predictability in the development process. Publicly, they have accommodated themselves fully to the city's policy.

The second prediction, that linkage would encourage the development of larger buildings, also has not come true. In fact, the BRA adopted new downtown zoning guidelines that significantly limit the height of new buildings. These guidelines, approved in 1987, limit height to a maximum of 400 feet in special growth zones; in most parts of the downtown area, the maximum height allowed is 155 feet. The new zoning plan also calls for preservation of more than 200 historic buildings downtown.

GROWTH, LINKAGE, AND THE LIMITS OF THE CITY

As we have shown, the development of Boston's linkage policy was largely the outcome of the social forces shaping Boston's political and economic environment in the early 1980s. It was a policy intrinsic to Boston's new political regime. The regime has had to respect the imperatives of its own fiscal situation and the needs of its leading businesses as it has sought to improve the city's neighborhoods and its own base of popular support.

The administration's early success in resolving a number of fiscal and political problems enabled it to build a coalition around other housing and development policies. First, the administration has endeavored to propel the economic interests of Boston's leading businesses (and, by extension, of the city's fiscal interests) by broadening the popular consensus for growth. It has done so not only with its linkage policy but also with efforts to increase community participation in development and to downsize new projects, placing greater emphasis on preservation, design, open space, and cultural amenities. At the same time, the administration has helped mobilize a political constituency to support such progressive policies as rent control, inclusionary housing, child-care and job set-asides for office construction, expansion of the nonprofit housing sector, and banks' community reinvestment practices. The city also has dramatically stepped up production of affordable housing on publicly owned parcels.

With a strategy emphasizing both downtown development and neighborhood revitalization, the Flynn administration was able to build a new regime that could introduce new policies to transcend the limits constraining local policy in the early 1980s, demonstrating the viability of progressive local politics in an age of fiscal scarcity and political conservatism at the national level. Although it is true that such a strategy was contingent on an expanding private economy (a feature not common to every American city), the political accommodation represented by the Flynn administration was neither necessary nor predictable. Boston's political development easily could have developed more conservatively with assertions of "fiscal crisis" and allowing the unrestrained dominance of market forces over public goals. Despite the existence of a fiscal crisis and a powerful market economy, this did not happen, primarily because of the administration's success in fusing economic growth and redistributive ideologies. Linkage was a key component of this political fusion: Its broad political impact has been far greater than its direct economic impact.

However, linkage is not an appropriate urban policy for every American city, mainly because an expanding private economy is necessary. Without a strong development climate, cities have little basis for a Boston-style linkage program. Yet, even as linkage may not be appropriate for poor cities, neither is it sufficient for rich ones. Linkage funds are wholly inadequate to finance Boston's housing *affordability gap* – the difference between housing prices and people's ability to pay for housing (BRA 1988b; Stevens, Dreier, and Brown 1989). Only the federal government has the fiscal and political capacity to provide growing, as well as declining, cities with the billions of dollars that are needed to provide Americans with decent and affordable housing.

Until the federal government recommits itself to assisting America's cities and to housing low- and moderate-income citizens, housing linkage will remain an important example of progressive urban policy that is attainable within the existing space for urban reform. Boston's housing activists and political leaders have pushed the "city limits" further than Peterson (1981) and other conventional thinkers believed was possible. In doing so, they have demonstrated that creative political strategies and innovative urban policies remain important for the future of American cities.

NOTES

1. Linkage was first enacted in San Francisco in 1981. Since then, Boston, Santa Monica, Princeton, and Jersey City have initiated linkage programs, and Seattle and Miami have adopted incentive zoning programs that allow density bonuses in return for housing construction or a cash contribution to a housing trust fund. Mandatory linkage proposals have been rejected in New York City, Hartford, Cambridge, and Chicago. See the winter 1988 issue of the *Journal of the American Planning Association* (a special issue on development impact fees) and the summer

1986 issue of *Urban Land* (a special issue on linkage) for more information. Also see Porter (1985) and Waldman (1987).

2. A contributing factor in the changing racial composition of Boston's population was the enforcement of court-ordered school busing in 1974, which exacerbated racial tensions and the middle-class "white flight" to the suburbs.

3. With a heated and controversial mayoral race under way, many downtown developers sensed potential trouble for their projects: Neither Flynn nor King, the finalists in the race, were allied with real estate or downtown business interests. The White administration responded to the fears that a new administration might slow new development; so in the final months of 1983, the BRA pushed their review process and granted initial approval to 8 of 11 major downtown projects (Ehrlich 1987; Rabinovitz 1983).

White sought to ensure the continuity of development policy by reappointing his four BRA board appointees to new four-year terms. On October 14, 1983, the city council voted 8-1 to approve White's action. City Councilor (and mayoral finalist) Ray Flynn cast the lone dissenting vote.

4. Because the payments were to be made over a 12-year period beginning when the buildings were completed, the net present value of the $25 million was only about $12 million, assuming a 10% discount rate.

5. Several of these contributions had been arranged by the previous administration, but Flynn managed to get additional payments from six more developers. Also, although it is likely that most of the nine projects would have been approved even without additional payments, developers understood the importance of making these payments, given the city's new political situation.

However, at least one of the nine pipeline projects almost certainly would not have been approved without the inclusion of additional linkage payments. The 101 Arch Street project was intensely opposed by historic preservationists, and it seemed likely that it would be rejected by the new BRA director, Stephen Coyle. Coyle was able to obtain significant design changes to the proposed structure, but more significant, he obtained a $750,000 voluntary contribution from the developer (doubling the initial linkage payment) to renovate 30 low-income apartments in Roxbury. This made the project more acceptable to the mayor, and when the developers went to the BRA board for approval, they were joined by residents from Roxbury testifying in favor of their proposed building (Ehrlich 1987).

6. The BLAC was composed of Boston Fair Share, Massachusetts Tenants Organization, ACORN, Tenants United for Public Housing Progress, Greater Roxbury Neighborhood Authority, Massachusetts Coalition for the Homeless, and the Boston Affordable Housing Coalition.

7. The huge profits to be found in Boston's development economy were illustrated in a series of *Boston Globe* articles that revealed one man's quick rise to extreme wealth (O'Neil and Lehr 1988a, 1988b). Edward McCormack, a former state attorney general and a development lawyer with close ties to Mayor White, acquired ownership interests in 10 city development projects in 1982 and 1983. Although he put up little cash of his own, these interests grew to a value of $41 million by 1988.

While McCormack was obtaining these immensely lucrative deals he was cochairing Mayor White's Linkage Advisory Group, which recommended a reduction in linkage from the original proposal submitted by City Councilor Bolling. McCormack's personal profit from these 10 projects is greater than the entire value of linkage payments that developers paid to the city during the 1980s.

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