

Making Policy with Communities: Research and Development in the Department of Economic Development

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The mayoral administration of Harold Washington was at once more diverse and more narrow than his electoral campaign movement. It included ex-HUD (U.S. Department of Housing and Urban Development) bureaucrats, civic planners, community activists, dollar-a-day business consultants, fiscal conservatives, leftist sectarians, and instant converts or long-time progressive moles from within the previous administration of Mayor Jane Byrne. Amid this ideological crazy quilt emerged several centers of progressive innovation in the Washington administration: for example, parts of the Mayor's Office, the Strategic Planning Group in the Mayor's Office of Employment and Training (MET), and the Research and Development (R&D) Division of the Department of Economic Development (DED). Activists in these centers promoted neighborhood participation in municipal government affairs and advocated for the equity and community agenda of the Harold Washington movement.

In this chapter I examine one of these outposts of innovation—the R&D Division of DED. I describe the division, its roles and activities, exemplary cases, and what worked and what did not work. In particular, this chapter focuses on R&D's pursuit of collaborative, special projects with community organizations, what I have termed joint problem solving.¹ The R&D Division also played other salient roles: it developed models of administrative reform and strategic planning that the Washington administration adopted; it helped Robert Mier, commissioner of economic development, become a key intellectual leader in the administration; and it attracted a quality, professional staff that performed policy, planning and development tasks in a manner new to Chicago's government.

I returned to Chicago in March 1984 to work for the Washington administration and the R&D Division. It was a difficult choice: my wife and I juggled jobs and locations, and I put off a doctoral dissertation. But it was

an irresistible opportunity for someone who had worked in Chicago community organizations in the 1970s: Harold Washington momentarily healed the animosities and unified the fiefdoms that had fragmented Chicago's liberal/progressive community.

In the 1970s, I had been executive director of the Eighteenth Street Development Corporation—a community-based organization in the Pilsen neighborhood on Chicago's Near Southwest Side. Pilsen was an activist neighborhood—a training ground for many people and a place where experimentation, controversy, and infighting flourished. I first became involved in Pilsen as a planning intern with Pilsen Neighbors Community Council, working on its alternative plan to the Chicago 21 Plan—a master plan developed by corporate elites to remake Chicago's central area. At Eighteenth Street Development Corporation we trained young people in the building trades, renovated abandoned buildings, counseled homeowners, and worked on projects as diverse as park renovation and solar greenhouses. We also started the Pilsen Housing and Business Alliance—an advocacy group that fought the high-income renovation plans for the Schoenhofen Brewery—a complex of old industrial buildings that contained manufacturing firms employing more than 150 workers, many of whom lived in the neighborhood.

Working at the Eighteenth Street Development Corporation also involved me in citywide affairs. I was a founding member of the Chicago Rehab Network and collaborated with the Center for Neighborhood Technology, the Center for Urban Economic Development, and the Jewish Council on Urban Affairs. These relationships, networks, and experiences would come alive again for me under Harold Washington.²

Returning to Chicago to work for a mayor who articulated a neighborhood agenda was all that I could hope for. What better arena to test my skills and commitment? Yet, my community organizer instincts also read caution: Could community-based interests really take over city hall? What about the powers-that-be that had promoted the Chicago 21 Plan and the Chicago 1992 World's Fair? Friends from community organization days counseled that I keep my eyes open.

What Was the R&D Division?

In late fall 1983 Commissioner Mier hired the first staff person for R&D, and in January 1984 brought Kari Moe—the issues coordinator on Washington's campaign—from the Mayor's Office to head up R&D as assistant commissioner. Mier established R&D as the only DED division

that reported directly to him: its purpose was strategic planning, policy research, and special projects and demonstrations. In retrospect I think one of Mier's strengths as a leader was that he created a division that would help him advocate policy innovation within the Washington administration and the broader community. Mier joined a small research unit with the marketing unit of the Administration Division and consolidated a number of unfilled positions to create R&D.

Much of the R&D agenda had been set in the jobs platform of *The Washington Papers*, which itself had evolved from the work of a number of neighborhood networks.³ As a result, by 1984 R&D had a mandate that had legitimate political currency and a list of specific projects to undertake. Washington's jobs platform recommended initiatives for distressed industries, small business development, resource recycling, early warning for plant closings, community loan funds, and neighborhood planning.

R&D eventually had ten professional staff with backgrounds in neighborhood organizing, labor, independent politics, and academia; they had training as planners, economists, teachers, and historians and brought a wide range of community experiences and networks to government. Three of the initial R&D staff had worked on the Employment and Economic Development Research Group with Mier, a policy group that was formed during the first Washington campaign. From the outset, interns from University of Illinois at Chicago, University of Chicago, Northwestern University, and the Associated Colleges of the Midwest supplemented this staff.

R&D was far enough away from the immediacy and political group-think of the Mayor's Office so that it had organizational space to pursue early stage work on controversial issues. At the same time, it was very close to the mayor because Mier chaired and Moe staffed the development sub-cabinet (i.e., the cluster of development departments), Mier and Moe played important roles on the Mayor's Policy Council, and Mier was perhaps the most articulate advocate of neighborhood-oriented policies in the Washington administration. Harold Washington also backed Mier and Moe.

Three people directed the R&D Division between 1983 and 1987: Kari Moe, myself, and Kenneth O'Hare. Moe and I had worked with Mier as city planning students and as neighborhood activists since the 1970s. O'Hare had worked with Mier and Moe on the campaign and with Mier and me when he was with MET under Mayor Michael Bilandic. Professional ties commingled with long-time friendships and social networks to create the foundations of teamwork and a "free space" for innovation within a bureaucracy.⁴ For example, Mier and I had worked together in the 1970s on a number of projects in Pilsen, including the Schoenhofen Brewery. Other R&D staff shared similar relationships.

R&D Theory and Practice

What did the R&D Division do, and what was its theory of problem solving? An early metaphor for the R&D Division's work was "let a thousand flowers bloom," which often meant that R&D responded to evolving opportunities. But the R&D Division also had an intentional structure; it evolved five functions that combined the routine and the nonroutine: economic research; marketing and public relations; R&D special projects; legislation; and commissioner staff work.

There were three overlapping R&D phases during the Washington administration. From Washington's election until summer 1985 was a period of administrative consolidation, R&D strategic planning, and communicating the Washington agenda. Moe ran R&D during this period. R&D provided staff for the 1984 "Chicago Works Together" development plans during this phase, for example. A second phase from summer 1985 to summer 1987, coinciding with my period as director, emphasized special projects, big project planning, and the Washington reelection effort. Projects ranged from promoting Planned Manufacturing Districts (PMDs) to sports stadium planning. The period from summer 1987 through Washington's death and the relatively short administration of Eugene Sawyer was one of implementation and keeping the Washington agenda alive. Kenneth O'Hare oversaw the R&D Division during this period of transition.

This chapter focuses almost exclusively on the second phase of the R&D Division's history—collaborative special projects and problem solving with community groups to design and implement loan funds, resource recycling demonstrations, plant closing responses, business incubators, worker buyouts, and industry plans. I was most involved and interested in this phase, so this is the story that I can tell best. However, in the minds of Mier and others, strategic planning, administration-wide innovation, implementation, and communicating the Washington message were the most important R&D functions.⁵

R&D's theory of how to pursue special projects changed dramatically during the course of the Washington administration. At first, under Moe, R&D worked closely with other DED divisions on special project teams assigned to work on issues such as first source hiring, new loan programs for small businesses (i.e., microloans), minority- and female-owned business development, enterprise zones, and industry marketing and visitation. R&D typically cochaired the special project teams with line division personnel.

That approach ultimately did not work for a number of reasons despite the design of several new policies and programs. First, line divisions often

were not committed to the special project teams because they did not have enough qualified staff early in the Washington administration. At the same time, they perceived that Mier valued policy innovation and they resented R&D interference that upstaged their potential to be innovative on issues that were arguably on their turf. Second, most of the R&D staff wanted to make their mark and felt that they represented the best of the Washington administration's progressive spirit. In their minds, having to work with line divisions diverted R&D's energy. Third, there was a conceptual and bureaucratic difference between R&D as experimental work and R&D as program design support for line divisions: line divisions wanted R&D to design parking program evaluations and program application forms; R&D wanted to launch demonstration projects or to study business needs. Fourth, although personality conflicts played their part, Mier did not build a department-wide management team or a common vision among diverse managers about the mission of the department. That freed the R&D Division to set its own agenda but constrained its ability to implement projects or to institutionalize its approach.

In this context, the R&D Division evolved a theory and practice of special projects that did not depend upon the resources or participation of the line divisions and that became more externally focused. This practice developed in all R&D phases. R&D's audience was Mier, the mayor, other DED divisions, other city departments, foundations, the media, the business community, and community coalitions. The R&D method of developing special projects was to work with community-oriented research groups to nurture, package, and publicize alternative ideas and practices of economic development, whether new policy initiatives or project feasibility studies. R&D engaged in all phases of the policy cycle—from goal setting to policy experiments, demonstrations, knowledge utilization, and evaluation. Without knowing it, community-oriented planners in an organizational setting supportive of innovation produced a practice of joint problem solving. Later they would begin to outline a theory.

R&D pursued special projects using this method. Six R&D methods, summarized below, illustrate how R&D approached policy and planning issues from many directions. There were many accomplishments. Nevertheless, one cost of these successes at the organizational level was the alienation of most of the DED. It was predictable that when Mier and I left the department in the summer of 1987, R&D was gradually stripped of positions, functions, and status.

1. R&D had Community Development Block Grant funds (about \$150,000 a year plus demonstration project funds) that it allocated for special projects, demonstrations, and research and feasibility studies. Table 1 categorizes the more than 40 projects that R&D

TABLE 1.
R&D Contracts and Demonstrations, 1984–1987

Category	No. of projects	Amount (\$)
Chicago Capital Fund (e.g. equity capital)	1	83,700
Feasibility studies (e.g., worker buyouts, incubators, facility reuse)	11	95,525
Business incubators	3	500,000
Labor/neighborhood studies	2	27,000
Minority/female business research (e.g., Latino business, women's self-employment)	7	119,860
Resource Recycling (e.g., curbside, buy-backs)	11	287,380
Industry studies and task forces (e.g., steel, apparel, printing)	5	75,700
Miscellaneous policy and economic research (e.g., inventor's guidebook)	5	26,680
Total	44	1,215,845

SOURCE: "Summary of R&D Projects" (Chicago: Department of Economic Development, 1987).

NOTE: This list does not include projects that R&D supervised but did not directly fund.

funded from 1984 to 1987, including worker buyout feasibility studies, steel research, the design of a women's self-employment program, a directory of Hispanic businesses in Chicago, and policy research on first source hiring. Research sponsors included the Midwest Center for Labor Research, the Resource Center, the Chicago Jobs Council, and the Center for Urban Economic Development at the University of Illinois at Chicago (UICUED).⁶ R&D identified projects and research sponsors based upon *The Washington Papers* and its own internal goal setting. It also responded to queries by different groups, including other divisions of the DED and other city departments such as Housing and MET. Developing R&D contracts often took a year or more because time was needed to refine the project concepts.

R&D funding was in the form of professional service contracts

that purchased specific research and demonstration products. In short, research contractors were not free to go their way; R&D negotiated research designs, established community advisory boards, promoted publicity, and conducted evaluations.

2. R&D deployed its staff to work on special task forces and on community projects. The best example of the first is the two industry task forces—Steel and Apparel—that R&D staffed.⁷ The best example of the second is that R&D staff worked on a Plant Closing Early Warning Demonstration with the West Side Jobs Network and researched and designed solutions to the problem of industrial displacement in conjunction with the Local Employment and Economic Development Council of the New City YMCA.⁸

3. R&D used printing, publication, and media resources to give special projects public exposure. Indeed, R&D was preoccupied with coming up with the appropriate “words” almost to distraction, as it published a working paper series of ten documents that made available the results of R&D research and demonstrations and cosponsored public release events with the Capital Base Task Force, the Local Initiatives Support Corporation (LISC), the Midwest Women’s Center, and the Resource Center. R&D also promoted its research and demonstrations with the media. For example, R&D released its work to *The Neighborhood Works*, a Chicago-based magazine of the Center for Neighborhood Technology.

4. R&D conducted its own policy research and evaluation studies. R&D monitored the employment outcomes of business incentive programs such as Industrial Revenue Bonds (IRBs), assessed the impacts of industrial displacement in the River North and Goose Island/Clybourn industrial corridors, and researched particular aspects of Chicago’s steel complex.⁹ In addition, short-turnaround research projects included investigating defense production in Chicago and the employment and investment impacts of enterprise zones.

5. R&D served as an advocate, thorn, and educator within DED and across the Washington administration on issues such as resource recycling and industrial displacement. Several examples stand out. R&D urged researchers at the Center for Urban Economic Development at the University of Illinois at Chicago to study the location and impacts of Chicago’s Urban Development Action Grants and provided them with access to information. R&D advised the Coalition on Alternative Waste Disposal about how they should advocate for recycling with the Department of Streets and Sanitation as well as to startup a Recycling Industry Development Corporation. Finally, several R&D staff worked with Chicago White Sox fans to

lobby to keep the White Sox baseball team in Chicago and then to save Comiskey Park. That effort combined formal assignment and the personal interest and commitment of individual R&D staff.

Above all R&D provided access: to the corridors and conference rooms of DED; to file cabinets and data archives; to the design of public hearings and briefings; to decision makers such as Mier; to gossip and inside dope about administration thinking. In short, many community groups became insiders through R&D's efforts, an experience new for community groups in Chicago.

6. Finally, R&D performed standard research, policy and project planning, and legislative functions. It gathered basic employment, economic, and business information and made this information available to the public and DED. R&D staff pushed the department toward computerization, a difficult and late-in-coming project. R&D provided the core staff for the 1984 "Chicago Works Together" development plans, promoted legislative initiatives such as a Chicago Nuclear Free Zone and Illinois Development Action Grants, and produced business retention and attraction materials, including proposals for the Saturn Plant, the Lutheran Church merger, and Firestone's administrative offices.¹⁰

R&D Management Style

R&D developed its own organizational method for performing high-quality, experimental, short-turnaround work. During its first year under Moe, there was an uneasy combination of top-down planning and accountability sessions called "drill and grill" and participatory initiative. In part, this style was necessary to cope with a number of incompetent and politically hostile leftover staff and to function within the most turbulent period of the Washington administration. Indeed, city council opponents lambasted the R&D Division as "political hacks."

Management became more participatory in the subsequent three years when I directed R&D. R&D staff needed teamwork to share information about overlapping projects. R&D held weekly staff meetings that included outside speakers, debates, videos, readings, and discussions, the purpose of which was to keep R&D staff up-to-date on Chicago and national community economic development practice and to motivate a common dialogue among staff that would carry over into project groups. R&D's four unit managers (i.e., for economic research, R&D, legislation/marketing, and the development subcabinet) met weekly to solve coordination

problems and to focus the divisional agenda. Those units also held their own staff meetings.

At least once a year, R&D conducted its own internal evaluation and strategic planning exercise. As a part of this process, R&D convened focus groups of R&D contractors and researchers to review R&D projects and to make suggestions for R&D's future agenda.

R&D Cases

The R&D Division had a rich agenda that produced many projects worthy of case studies. Several of these projects, such as Playskool and Industrial Protection, have received national attention. Six additional cases illustrate the breadth of the R&D agenda, different R&D methods, and the limitations of R&D's practice. The cases are: the Chicago Capital Fund; Resource Recycling; Business Incubators; the Playskool aftermath; Industrial Revenue Bonds (IRBs); and Chicago Electroplaters.

In particular, these cases illustrate how the R&D Division and, more generally, the Washington administration promoted a new "culture of interaction" among community, civic, business, labor, and public officials. Such collaborative efforts demanded new roles, flexibility, and understanding among diverse groups. This experience expanded conventional notions of how to build civic participation and partnerships.

Early Warning Plant Closing Responses

R&D experimented with different types of plant closing responses between 1983 and 1987. It worked collaboratively with the Midwest Center for Labor Research, the UICUED and other community and labor groups. In many cases, R&D worked in conjunction with the commissioner of the Department of Economic Development, other city departments, the corporation counsel, and the Mayor's Office.

Lack of public standing to intervene in plant closures and the variety of plant closing causes made R&D's efforts strategic and experimental.¹¹ R&D pursued joint problem solving in search of organizing, development, or public relations initiatives that would enable public action on some ten to fifteen plant closing cases.

Playskool and Bankers Print represent two relative successes. The West Side Jobs Network, which DED funded and the Midwest Center for Labor Research staffed, raised public awareness of Playskool's breach of trust in relocating from Chicago after obtaining public subsidies. Joint strategizing between the city administration and community groups produced a Play-

skool toy boycott and the City of Chicago lawsuit. A joint city and community/labor committee reviewed settlement offers.

Workers purchased Bankers Print in 1987 to form a worker cooperative. Bankers Print was a commercial printer with fifteen to twenty employees that was threatened with closure because the individual owner was quite sick and had no successor. R&D funded two phases of prefeasibility studies before the buyout was finally negotiated, using a variety of public, private, and philanthropic dollars. Bankers Print initially increased sales and added new employees, but ultimately failed because of a poor choice of company manager.

Less successful plant closing interventions resulted because of bad timing, owner intransigence, a lack of organizing potential, unsuccessful community organizing, and city reluctance. These cases ranged from the Ludwig Drum Factory to Wisconsin Steel and the LTV Steelworks. Although much was learned from these cases, they stressed all participants; in the heat of action, parties strenuously and often narrowly pressed their individual points of view. A major point of controversy was whether the city should automatically take the "position" that all shutdowns resulted from unjustified owner disinvestment and therefore could be turned around by worker buyouts or municipal eminent domain.

Two outgrowths of this work made long-term impacts. R&D funded the Midwest Center for Labor Research to identify viable worker buyout opportunities. The center staff studied small manufacturers on Chicago's West Side and showed that lack of successorship in family-owned firms was a major cause of shutdowns. The project also brought attention to worker ownership as one answer to the successorship problem by having Mayor Washington declare Employee Ownership Day in March 1987, conduct a tour of employee-owned businesses in Chicago, and hold a public forum. Two outcomes of this effort, in addition to Bankers Print, have been other worker buyout opportunities and the design of a program to promote minority leveraged buyouts of firms without successors by the Midwest Center for Labor Research, Chicago United, and DED.

A second outgrowth was the formation of the Coalition to Keep Stewart Warner Open. Stewart Warner is an auto parts manufacturer on Chicago's North Side that employs more than 1500 workers. The union and nearby community groups formed the coalition with help from the Midwest Center for Labor Research and the UICUED. R&D played a minimal role, providing a small amount of funding and initially maintaining liason with the coalition. Today, as expected, the company has been sold and the absentee owners are considering relocation. City and state officials, after years of early warning, wrung their hands and offered incentives to keep Stewart Warner in Chicago. Community and labor groups supported the passage of local legislation that would enable the use of eminent domain when absentee owners disinvested in local firms.

Industrial Protection

Perhaps R&D's most sustained and successful experiment in joint problem solving involved the issue of industrial protection and displacement, especially as it occurred in the Goose Island/Clybourn Corridor.¹² While R&D quickly recognized the importance of the issue, Mier, the Planning Department, and the Mayor's Office were slower getting on board.

The essence of this joint problem solving was to get the public to recognize a "problem." In so doing, the public had to confront the fact that manufacturing was not dead, that the benefits of manufacturing were at least as important as those resulting from commercial real estate development, that industrial displacement was a problem that local government could do something about, and that contradictory public policy was part of the problem. Getting the problem recognized as a problem required research, unusual city interventions, media coverage, aldermanic involvement, mayoral attention, and time.

Was this joint problem solving successful? The city council passed a Planned Manufacturing District (PMD) enabling ordinance and several specific planned manufacturing districts in 1988, protecting 5000 jobs. Negotiations on several industrial displacement cases resulted in design or scale changes, linkage agreements, and local employment commitments. A North Side industrial plan has been completed that calls for additional planned manufacturing districts. A broad coalition of community groups, business, labor, and government has come together around the issue of industrial protection that hopefully will stand fast against attempts to turn back industrial protection policies. Initially soft on industrial protection, Chicago's new mayor, Richard M. Daley, came out in support of PMDs in spring 1990 and two more districts are in the process of designation. On the other hand, a major business supporter—Procter & Gamble—has decided to close its Clybourn plant employing 275 workers and occupying a larger strategic parcel of land.

Chicago Capital Fund

One of the first research and program design contracts funded by R&D was with the Capital Base Task Force. By 1988, a \$10 million fund had been established to provide equity capital and management assistance to neighborhood manufacturers. Ten firms had obtained capital investments, although the fund was experiencing some difficulty in identifying viable businesses for investment.

R&D played the role of resource provider and friendly critic for this project. The idea for an alternative capital fund originated in the neighbor-

hood small business community before Harold Washington became mayor. A group of some twenty-five economic and neighborhood development professionals established the Capital Base Task Force.

The Chicago Capital Fund answered the Washington campaign's promise to establish a quasi-public authority to invest in economic development. R&D provided \$80,000 of research and design funds over three years and helped to secure foundation funding. It pushed the task force to include more black and Hispanic representatives, critiqued research designs, published a working paper, cosponsored a public-release event, and helped convince the business community that small businesses needed capital as well as management assistance. In 1987, R&D finally convinced DED to invest \$500,000 in the Chicago Capital Fund and persuaded the commissioner of economic development to serve on its board.¹³

Resource Recycling

Like many cities, Chicago faced a landfill crisis in 1983 and still faces it today. Upon assuming office, Harold Washington instituted a moratorium on new landfills, established a goal of 25 percent recycling by 1995, and convened a Solid Waste Task Force. In addition, the jobs platform of *The Washington Papers* called for innovative, community-based recycling initiatives that would create neighborhood jobs.

In this context, R&D funded recycling initiatives for a total of \$350,000 over four years. Initiatives included three recycling buy-back centers, two curbside pick-up demonstrations, and three research projects on markets, intermediate industries, and demonstration evaluations. Most of the funding went to the Resource Center, a long-established nonprofit recycling organization in Chicago. In 1986, the Resource Center collected 8000 tons of recyclables, \$460,000 went to community alley entrepreneurs, and their programs generated \$300,000 for project support.¹⁴

In addition, R&D became the chief advocate of recycling within the Washington administration, often finding itself a lone voice against the bureaucrats of the Department of Planning and the Department of Streets and Sanitation. R&D published working papers on its recycling demonstrations, funded evaluation studies, helped promote recycling days, and on occasion even went on recycling pick-up routes. R&D also counseled the Coalition for Alternative Waste Disposal on the importance of organizing a power base to force action from the city and to consider organizing a Recycling Industry Development Corporation that involved private as well as community interests.

By 1988, the city administration was still moving slowly on recycling, although another successful curbside pick-up program had been launched

in a South Side neighborhood. Chicago recyclers had established the Recycling Industry Development Corporation and had obtained \$1 million for new recycling demonstrations.

Business Incubators

The theory of business incubators is that environments can be created that increase the chances for small business survival and success. Supportive business environments include low rents, flexible spaces, shared services, access to management assistance and seed capital, and synergistic interaction with other tenant firms. A public policy rationale for business incubators is that small businesses are believed to create the most new jobs.

R&D obtained a special allocation of \$900,000 of Community Development Block Grant monies in 1984 to implement a business incubator demonstration. R&D pursued that demonstration largely because of Commissioner Mier's experience in helping to design the Fulton-Carroll Incubator of the Industrial Council of Northwest Chicago, an incubator in a rundown industrial corridor that had received national attention.

R&D designed the demonstration to cast a broad net for the best ideas and variations on the incubator theme. R&D decided only to solicit ideas from nonprofit sponsors, although these groups were encouraged to join in partnerships with private incubator developers. In the summer of 1984, R&D received 30 short incubator proposals after having collected more than 70 inquiries. After evaluating these proposals, R&D asked 11 sponsors to submit detailed project proposals.

Nonprofit sponsors submitted six final incubator proposals. R&D set up a review panel that included outside architects and industrial real estate agents that visited sites and reviewed project designs. In the end, Mier decided to make preliminary commitments to five projects of different types and locations throughout the city instead of going with the one or two best projects. He felt that project diversity would help get final incubator projects approved by a hostile city council.¹⁵ The incubator projects each had distinctive target markets: small manufacturers and service businesses, high-technology computer firms, minority suppliers, or combined employment training and small-business start-ups.

After three years, only one of the original incubators had gone forward successfully. Two sponsors failed to secure viable sites. One sponsor never submitted a final proposal even with R&D's provision of a part-time development consultant. One promising project obtained funds from the City of Chicago, the State of Illinois, and major Chicago corporations but fell apart when its director entered a drug rehabilitation program and the organization that sponsored the project was found to have misappropriated

funds.¹⁶ In response to these failures, R&D went back to groups that originally expressed interest in developing business incubators and found the Neighborhood Institute's plan to develop an incubator for small service businesses. Ultimately, DED invested \$150,000 in this incubator. The Industrial Council of the Northwest sponsored the most successful incubator, the same group that had already established a national reputation as an incubator developer. Even this success, however, ended up serving small service-oriented businesses that provided little employment for job-needy Chicago residents.

Many community groups that participated in R&D's incubator demonstration felt let down. On the one hand, groups felt they did not have enough time to develop legitimate proposals. On the other, several organizations felt that DED changed the rules in midcourse—initially conveying the idea that the incubator funds were to be on a grant basis but later requiring payback arrangements based upon the economic strength of the projects. Finally, some groups felt that DED's finance people really did not understand community economic development and were intentionally making the processing of incubator loans more difficult than necessary.

The Playskool Aftermath

Mayor Washington decided that the city would have to sue Hasbro Industries in December 1984 for reneging on its promise to create 400 jobs and for relocating its Playskool facility to Massachusetts. Playskool had received a \$1 million Industrial Revenue Bond (IRB) from the City of Chicago in 1981. The City of Chicago lawsuit resulted because of the community uproar about this breach of public trust. (Also see the chapter by Brehm).

A negotiated settlement saved 100 jobs for a year, established a \$50,000 emergency fund, launched a job placement program for dislocated workers, and committed Hasbro Industries to work with the city government for one year to find an acceptable reuse for the Playskool property that would reemploy Playskool workers. It was a modest victory at best, but inspired other creative plant closing responses in Chicago and around the country.

Two aspects of the Playskool case have received less attention. First, did the city government tighten up its agreements with other firms or developers that had obtained business incentives? The answer is no. Immediately after the Playskool suit, R&D drafted a set of restrictions aimed at tightening up the loan negotiation process, strengthening business reporting requirements, and imposing penalties for relocation, nonreporting, or failure to meet job creation promises. That step was taken in part because

the city council, in the political heat of the Playskool suit, had passed a resolution calling for tighter IRB agreements.

R&D circulated the draft of proposed restrictions to the city's corporation counsel, other DED divisions, and to several prominent bond counsel firms. The last-named group, in particular, stated point-blank that more restrictions would make Chicago's bond program noncompetitive; firms were already turning to the State of Illinois rather than the City of Chicago because of quicker application processing. In addition, IRBs were on the way out because of national legislation. Not surprisingly, city officials dropped the discussion about restrictions on City of Chicago loans except as it related to First Source Hiring. By 1988, twelve firms that had received Chicago Industrial Revenue Bonds had closed their doors.

Second, did the city government enforce the agreement with Hasbro Industries to the fullest possible extent? Again, the answer is no. Within several months, for instance, it was clear that the job placement program at Playskool was not reaching those most in need: low-income, Hispanic and black women.¹⁷ By this stage, however, part of the problem had become the inadequacy of the city's own employment and training programs for dislocated workers.

R&D, in conjunction with other DED divisions, attempted to find a developer to develop a reuse plan for the Playskool facilities. R&D funded the Greater North Pulaski Development Corporation to complete a quick and dirty market analysis of the potential for the Playskool facility. Most experts agreed that the 750,000-square-foot site should be subdivided for small manufacturing and distribution companies.

A prominent developer was found who put together a proposal that required \$3 million of public investment. R&D kept community advocates at bay while the proposal was put together, including a proposal for \$500,000 to the federal government from Greater North Pulaski Development Corporation. Eventually, however, the developer backed out. Hasbro sold the Playskool property to a private partnership that did not require public monies; they planned to subdivide the site for industry.

During this period, R&D had convened a working group of government officials, community advocates, and technical assistance providers to devise a marketing, social service, and negotiating strategy for the Playskool property that would maximize benefits for dislocated Playskool workers. They identified the miscellaneous plastic products industry as a growing industry in Chicago that contained occupations that were close to the skill levels of Playskool workers. They explored what incentives might attract such firms and what services workers would need on site.¹⁸

That design effort fell apart soon after the Playskool property was sold. DED would not advocate it, and activism in the community around Playskool had dwindled or splintered into organizing and development

factions. By 1988, the Playskool site was occupied by 15 companies employing 400 people; unfortunately, few of those employees were dislocated Playskool workers. An attempt in 1988 to establish day-care and employment training facilities at the Playskool site was stopped by MET.

Evaluating Industrial Revenue Bonds

IRBs are one of the most popular and widespread low-interest loans, and are relatively costless to municipal governments. IRBs require a public purpose to justify their exemption from federal income taxes such as creating and retaining jobs. Congress has extended the tax exemption for IRBs as of September 30, 1990.

In 1984, the City of Chicago had an IRB portfolio of more than 100 loans for over \$200 million. Chicago's IRBs were targeted to manufacturers, including firms like Playskool. Increasingly during the early 1980s, community advocates had raised questions about Chicago's IRB program as to the disclosure of recipients, job creation performance, and the appropriateness of specific loans. Their concern was that the availability of publicly-funded incentives should be tied to job opportunities for those most in need.

The primary development goal of the Washington administration, according to Chicago's 1984 Development Plan, was jobs. Not surprisingly, an early project for the R&D Division was to evaluate the job performance of the City of Chicago's IRB program. R&D's evaluation design called for a survey of IRB recipients, with particular attention to job creation and retention experience, and an analysis of a control group of Chicago manufacturers that had not received IRBs.

Results from the survey, available beginning in November 1984, showed two disturbing facts. First, firms in Chicago's IRB portfolio had lost jobs overall rather than creating jobs. Second, nine loan recipients had closed their doors, including Playskool. IRBs were hardly the job creation tool that job projections led the public to believe.¹⁹

Those findings created problems for the City of Chicago. They were embarrassing facts in a politically volatile time: a mayor promising jobs lost jobs. It also upset the DED finance staff by making their efforts look futile. The DED's response to these troubling facts was threefold: IRBs *retain* jobs and industries, but they do not *create* jobs; IRBs lost fewer jobs and firms than overall manufacturing in Chicago or Illinois; and IRB applicants should be discouraged from overestimating their job creation projections.

The second part of R&D's evaluation design, completed in 1988, showed that a select group of large, healthy firms in declining manufacturing sectors obtained Chicago's IRBs. Those firms created jobs before they

obtained IRBs but had no better job creation record than similar manufacturers that invested without them. IRBs at best helped healthy firms that were starved for capital.²⁰

Despite these evaluation results, there was no bureaucratic response other than a retooling of rhetoric. Community reaction was minimal. R&D had not established a collaborative process to review the appropriateness of business incentives as tools for job creation and industrial retention and whether the jobs measure was the proper one for evaluating economic development programs.

Chicago Electroplators

Some manufacturers that discharge production wastes cannot afford to install environmentally sound waste treatment technologies because of their small size. Such industries include food processing and electroplating. Impending implementation of the Clean Water Act of 1971 and other environmental regulations promised to drive many of these small manufacturers out of business in the mid-1980s. In fact, the Environmental Protection Agency (EPA) developed closure prediction rates for different types and sizes of business once their regulations came into effect.

The Center for Neighborhood Technology (CNT) requested R&D funding in the spring of 1984 to conduct an impact study of the implementation of environmental regulations on small manufacturers in Chicago. R&D provided \$5000, critiques of CNT's research design and draft reports as well as copyediting, and published the final report as a working paper.²¹

That rather small investment of R&D dollars has made quite an impact. CNT has raised more than \$1 million for technical assistance to businesses. In addition, CNT helped to complete a feasibility study for a cooperative waste disposal program for small electroplators and has effectively lobbied to have state finance programs changed to allow the financing of waste disposal technologies. This project assisted seventy-five businesses that employed more than 1000 workers.

Conclusion

This chapter has argued that outposts of innovation in the Washington administration developed a new style of joint problem solving with community groups that broke ground in terms of citizen participation,

encouraging grass-roots initiatives, and using city powers. The history of the R&D Division of the DED presents the record of one such outpost.

I left the Washington administration and Chicago in August 1987. My goal had been to help get Washington reelected and then to move to Baltimore to be with my wife. I organized Loop precincts for the campaign and collaborated on the campaign platform: having missed the first campaign, I felt as though I was paying my dues.

I was also weary of balancing community groups, the bureaucracy, and the Washington agenda. Indeed, they seemed less balanced and more weighted toward the center at the time of Washington's reelection than when I arrived in 1984. There were a number of dimensions to this transformation: modest participation of community activists in the second campaign compared to city workers; a growing cynicism on the part of bureaucrats toward the community; and a growing preoccupation with delivering "big bang" projects.

In my last year, I was increasingly drawn into big development issues: lights for Wrigley Field, the White Sox retention, and the Bears Stadium controversy. It was ironic that so many of us became embroiled in these issues: the mayor, in a speech to his policy cabinet that was reproduced for all senior staff, promised that he did not want to be remembered for building Taj Mahals. And yet one Friday evening I found myself with the mayor's sports czars at the Metropolitan Club in Sears Tower. Drinks in hand we circled our private dining room, gazing down upon Chicago, wisely considering the pros and cons of alternative stadium sites on Chicago's South, West, and Northwest Sides.

I felt at an intellectual and political impasse. Harold Washington, like all mayors, needed big projects to stay alive politically (or those around him thought so), and the scale of potential benefits from these projects seemed to hold real promise for communities in need. Wasn't this the cutting edge for a progressive municipal administration: if anyone could cut good development deals, it was the Washington administration. That was our hubris. Everything from my experience cast doubt on the likelihood of success of such an approach. Community groups refused to become believers. Yet the scrawny, often infeasible but politically correct projects of community groups increasingly fell short as credible alternatives. It was definitely time to leave.

Despite my eventual burnout, I think the R&D Division showed how joint problem solving between a city administration and the grass roots enabled communities to advocate innovation more effectively while making city government more open and responsive to change. Our collaboration helped to overcome the barriers to organizing and innovation that confronted communities and bureaucracies on a daily basis. The strategic use

of media, dollars, staff, and simply paying attention influenced public policy problems, actors, and solutions.

Many lasting benefits resulted from the R&D Division's activities. Despite its modest successes, R&D as an administrative innovation existed at the margins of municipal government: R&D failed to make significant inroads into the line divisions of its own department or other departments; and it applied its methods to a specialized set of issues and communities. In the end, R&D's creativity depended upon a blend of personalities, a mayoral mandate, an unusual degree of organizational discretion, and heightened community expectations—not the stuff that easily institutionalizes new government functions.

I think our experience of joint problem solving has potential to inform a broad arena of policymaking in addition to helping progressive municipal administrations achieve their visions. It demonstrated innovation, participation, and collaboration, in which government and the grass roots reinforced each other's strengths—often achieving outcomes that could not have been accomplished alone. In this sense, the administration of Harold Washington made a major contribution to the conceptualization and practice of collaboration between a municipal administration and the grass roots. That legacy will, I hope, inspire other experiments that bridge communities and municipal government.

NOTES

1. Working for Harold Washington was a rare opportunity. Many other people made this experience important for me: Rob Mier, Kari Moe, Ken O'Hare, Toni Preckwinkle, Steve Alexander, Margie Gonwa, Greg Longhini, Wendy Wintermute, Roz Paaswell, Josh Lerner, Diana Robinson, Gwen Clemons, Judy Waitz, Donna Ducharme, Susan Rosenblum, David Ranney, Patricia Wright, and Bob Brehm. Many of these coworkers also gave me valuable comments on this chapter, in particular catching me when I was tempted to simply rewrite the history of R&D as my personal projects. Pierre Clavel encouraged me to tell the R&D story and save the theorizing for another occasion. I want to thank Anne Shlay for her perseverance when we were trying to find two jobs in one location.
2. These networks included many people whom I would work with when I joined the administration of Harold Washington: Bob Brehm, Tom Carlson, Tom Clark, Slim Coleman, Doug Gills, Bob Lucas, Nancy Jefferson, Lew Kreinberg, and Arturo Vázquez, to name a few.
3. See Committee to Elect Harold Washington, *The Washington Papers* (Chicago, 1983); and Robert Mier, "Your Jobs Policy" (memo to Harold Washington from the Employment and Economic Development Research Group, Chicago, 1983).

4. See Sara Evans and Harry Boyte, *Free Spaces* (New York: Basic Books, 1985).
5. Robert Mier, Kari Moe, and Irene Sherr, "Strategic Planning and the Pursuit of Reform, Economic Development, and Equity," *Journal of the American Planning Association* 52, no. 2 (Summer 1986), 277–289.
6. These documents may be found in the Municipal Reference Library of the City of Chicago, the Harold Washington Archives at the Chicago Historical Society, and in the contractual files of the DED.
7. See Steve Alexander, Robert Giloth, and Joshua Lerner, "Chicago's Industry Task Forces: Joint Problem-solving for Economic Development," *Economic Development Quarterly* 1, no. 4 (November 1987), 352–357; also City of Chicago, *Building on the Basics: The Final Report of the Mayor's Task Force on Steel and Southeast Chicago* (Chicago: City of Chicago, 1986), and City of Chicago, *Cooperation for Survival and Growth: New Designs for Apparel Manufacturing in Chicago* (Chicago: City of Chicago, 1987).
8. See Robert Giloth and John Betancur, "Where Downtown Meets Neighborhood: Industrial Displacement in Chicago, 1983–1987," *Journal of the American Planning Association* 54, no. 3 (Summer 1988), 279–290; and Robert Giloth and Susan Rosenblum, "How to Fight Plant Closings," *Social Policy* 17, no. 3, (Winter 1987), 20–26.
9. Gwendolyn Clemons, Robert Giloth, and Ricardo Tostado, *Monitoring Chicago's Industrial Revenue Bond Performance, 1977–1984* (Chicago: Department of Economic Development, 1985); and Donna Ducharme, Robert Giloth, and Lynn McCormick, *Business Loss or Balanced Growth: Industrial Displacement in Chicago, 1977–1984* (Chicago: Department of Economic Development, 1985).
10. City of Chicago, *1984 Development Plan: Chicago Works Together*, (Chicago: City of Chicago, 1984); and City of Chicago, *Cooperation for Survival and Growth*.
11. See Giloth and Rosenblum, "How to Fight Plant Closings."
12. See Ducharme et al., *Business Loss or Balanced Growth*; and Giloth and Betancur, "Where Downtown Meets Neighborhood."
13. James Patterson and Cathy Sieros, *Plan of Action: Community Equity Corporation of Chicago* (Chicago: Department of Economic Development, 1985).
14. Patrick Barry, *Recycling: An Economic Development Opportunity* (Chicago: Department of Economic Development, 1987).
15. Judy Waitz, "Business Incubators as an Economic Development Tool" (Master's project, University of North Carolina, 1986).
16. Merrill Goozner, "Did Dream Have to Die: Distress Signals Ignored on Incubator Plan?" *Chicago Tribune* (November 15, 1987), 1, 6–7.
17. See Carol Kleiman, "Stereotypes Plaguing Blue-Collar Women, Too" *Chicago Tribune* (February 29, 1988); West Side Jobs Network, "Union and Jobs Network Survey Finds Playskool Job Center Efforts Inadequate" (West Side Jobs Network, Chicago, February 15, 1985).
18. David Ranney, "Playskool Work History Analysis and First Source Hiring Agreement" (memo to the Playskool Project Team, Center for Urban Economic Development at the University of Illinois, 1986); and Wendy Wintermute, "Playskool Team Report and Recommendations" (memo to Robert Mier, commissioner of economic development, (Chicago, January 7, 1987).

19. Clemons et al., *Monitoring Chicago's IRB Performance*.
20. See Robert Giloth, "Industrial Revenue Bonds in Chicago, 1977-1987: Subsidies for What?" (Doctoral dissertation, Cornell University, 1989).
21. Steve Basler and M. Kitwana, *The Impact of Environmental Regulations on Small Manufacturers in Chicago* (Chicago: Department of Economic Development, 1986).