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## THE NEW POLITICS OF HOUSING

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### HOW TO REBUILD THE CONSTITUENCY FOR A PROGRESSIVE FEDERAL HOUSING POLICY

By PETER DREIER. *American Planning Association. Journal of the American Planning Association. Winter 1997. Vol.63, Iss. 1; pg. 5*

The election season is over. What does the outcome tell us about where urban policy in general, and housing matters in particular, fit on the national agenda?

Americans voted for a divided government—a Democratic President and a Republican Congress. But the most important fact about the November election is that over half of all eligible voters stayed home, the lowest level since 1924. Low turnout almost always helps Republicans and conservatives. Those who did not vote—whether from indifference, confusion, or frustration over the choices—were disproportionately people on the lower rungs of the economic and social ladder. Corporate money again dominated the political process, pushing many Democrats to the ideological center and limiting debate on a progressive agenda. With the Republicans holding a narrow margin in the House and picking up a few seats in the Senate, we are not likely to see any significant progressive initiatives—for example, extending health care coverage to all children—in the next two years. Still, there were signs of hope. Most Republican candidates kept their distance from House Speaker Newt Gingrich and the right-wing "Contract with America." Most importantly, in some key Congressional races and a few Senate contests, labor unions, environmental and women's organizations, and urban community organizations and churches mobilized impressive grassroots campaigns that increased turnout, moved the debate, and influenced the outcome. The future of progressive politics depends on whether these groups can expand their efforts in 1998 and beyond.

Housing problems and policy were not high-profile issues during the campaign. In general, housing concerns—home ownership, homelessness, urban slums, the importance of housing to the nation's economy, or the fate of HUD—were not part of the basic campaign rhetoric. Occasionally, President Clinton discussed his goal of increasing the home ownership rate to two-thirds of all households by the year 2000. Bob Dole used public housing as a metaphor for the failure of activist government, and occasionally attacked HUD for its allegedly heavy-handed attempts to promote fair housing. (Indeed, the GOP platform called for the elimination of HUD.) Both Clinton and Dole proposed to exempt most home sales from capital gains taxes, a regressive idea. Otherwise, however, neither candidate discussed housing matters in his basic stump speech. Nor did housing issues surface in the Congressional or Senate races. Incumbents' votes on major housing bills, or candidates' views on housing policy were not key win-or-lose issues in any but a few races.

The hard truth is that the nation's housing crisis is still a marginal issue. For example, when journalists for major national newspapers and news magazines write about key domestic problems—or where the major candidates stood on the major issues—the list always includes the economy, crime, the environment, welfare, and education. With a few exceptions (such as DeParle 1996), however, they rarely include the plight of our cities or housing in particular. Why isn't the housing crisis on the political agenda? What can we do to put it there?

If we simply look at November's election returns, or examine the current composition in Congress, we lose sight of some broader trends that will continue to shape and influence the activities of urban planners, scholars, and activists concerned about the nation's housing crisis and our urban future. We need to think beyond the immediate future and to ask where federal housing policy ought to go into the 21st century.

So, as President Clinton begins his second term, and with the Republicans still in control of both houses of Congress, housing activists need to ask not only "What can and should we expect of federal housing policy in the coming period?" but also "How can we expand the political constituency for a progressive federal housing policy?"

### TURNING POINTS

No other major industrial nation has allowed its cities to face the fiscal and social troubles confronting America's urban areas.

Other industrial nations do not permit the level of sheer destitution and decay found in our cities. Compare, for example, cities in Canada-which has a similar economy and distribution of wealth-with our own. Here, we see the consequences of neglect every day, from the deadly levels of crime and violence, to the Third World levels of infant mortality, to the growing army of homeless people sleeping on park benches and in vacant buildings.

Among western democracies, the United States relies most heavily on private market forces to house its population. This doesn't mean that the government is not involved in housing matters, but rather that American policy emphasizes bolstering market forces and minimizing assistance for the poor.

Government's role dates primarily from two major turning points in our housing history. First, at the turn of the century, tenement reform laws set the precedent that local government would set standards and regulate housing safety. Second, during the 1930s, the public housing program and banking reforms established the federal role in expanding homeownership and providing subsidies to the poor.

Until the Depression, housing reformers were lonely voices in the political wilderness. The Depression convinced reformers that the private market and private philanthropy could not solve the economic and housing problems of the poor. Some of the earlier Progressive Era housing reformers like Edith Wood, joined by a younger generation of activists like Catherine Bauer, pushed for a strong government-led response to housing problems. Along with the labor union movement, they lobbied for a public housing program, union-sponsored cooperative housing, and new communities guided by cooperative principles (Lubove 1962; Wright 1981; Marcuse 1986; Oberlander and Newbrun 1995.)

From the New Deal to the late 1970s, national housing policy was based on the belief that the federal government could help solve the nation's housing problems. Conservatives, liberals, and radicals debated how much the government should spend and how much it should regulate lenders, landlords, and real estate agents, but they agreed on the basic premise that Washington had a key role to play. (For example, Senator Robert Taft (R-Ohio), a leading conservative, was co-sponsor of the 1949 Housing Act, which pledged to guarantee every American decent housing.) In those years, the federal government played a much expanded role in housing. Federal policies stabilized the banking industry, giving lenders greater incentives to make long-term loans to home buyers. Washington also provided subsidies to local public housing authorities and private developers for low-income and moderate-income housing.' Every President between FDR and Jimmy Carter, Democrats and Republicans, increased federal housing assistance.

In one way or another, all housing policy since then has been a variation of these themes. Each turning point was triggered by a broad housing reform movement that brought poor and middle-class forces together, even if only out of political necessity.

Are we now at a third turning point: dismantling the federal role in housing? The Reagan Administration started and the Bush Administration continued the process. They slashed HUD's budget by 80 percent in constant dollars. This reduction was part of a broader agenda to reduce domestic spending to pay for tax cuts and military expansion. They also eliminated revenue sharing and urban development action grants for cities, and they cut community development block grants, mass transit grants, and economic assistance grants. During those years, poverty rates and the AFDC caseload increased, but AFDC benefit levels declined in real terms (Caraley 1992).

Many housing activists hoped that the Clinton Administration would not only stem, but reverse the tide. But Clinton was elected in 1992 without a majority mandate. He received only 43 percent of the overall vote. Equally important, his own party, while capturing a majority of the seats in Congress, was deeply divided, with many members closely linked to big business interests who oppose progressive taxation, Keynesian pump-priming, and social spending. Congress defeated two of the Clinton Administration's early priorities-a major public investment program and health care reform-both of which would have had a significant impact on the problems facing the cities. In housing policy, Clinton's first two years saw an increase in HUD's budget, revisions in some longstanding policies on public housing and housing mobility, a pilot "empowerment zone" program in several cities, and stronger anti-redlining enforcement.

After the November 1994 elections, the Republican majority in Congress appeared to be ready to complete the Reagan revolution. In December 1994, in response to Congressional threats to eliminate HUD altogether, President Clinton and HUD Secretary Henry Cisneros unveiled a plan to "reinvent" HUD. It would streamline and consolidate HUD's crazy-quilt programs and hand the funds over to states and cities. Their plan also called for a dramatic cutback of HUD's mission by virtually eliminating the federal funding for existing subsidized housing developments with about three million low-income apartments (U.S. HUD 1995a; Vanhorenbeck 1995). By the end of 1996, Clinton and the GOP Congress had reached a stalemate. They reduced HUD's budget from \$26 billion to \$19 billion, which is 28 percent of the 1980 HUD budget in constant dollars (Dolbeare 1996b). They also gave more authority to states and cities, and agreed to "privatize" some of HUD's functions. Last summer Clinton and the GOP Congress passed a welfare revision bill that gave states more flexibility but less money. One consequence will be to reduce the funds available to low-income families to pay rent.

In the current political climate, HUD is likely to still face serious opposition. Moreover, in tandem with welfare reform, a bipartisan consensus is emerging to "devolve" federal housing funds to states and local governments, justified by the mantra that they "know best" how to craft programs and spend money to meet the diversity of local housing needs. State and local governments are being asked to "do more with less." A more realistic phrase for this approach might be "fend-for-yourself federalism."

In truth, change is needed. Much of what is under attack should be cut. HUD is too top-heavy, inflexible, and bureaucratic. Its programs often are poorly run. Some HUD policies do promote the concentration of poor people in urban ghettos. But HUD has had many success stories that warrant continuation and expansion. If housing programs are simply cut-rather than transformed-then the trends toward increased homelessness and declining home ownership will only get worse.

Equally important, we should recognize that reform of the nation's housing policy must go beyond simply reforming HUD. In fact, HUD constitutes only a small part of the federal government's housing policies. In 1995, the United States devoted more than \$113 billion a year to housing subsidies, less than onequarter of it through HUD.<sup>2</sup> The Departments of Agriculture, and Health and Human Services provide housing subsidies as well, but none contribute as much as our phantom housing agency, the Internal Revenue Service, does through deductions for home mortgage interest and property taxes, as well as through tax breaks to investors in rental housing and mortgage revenue bonds. Much of that subsidy is spent wastefully and inefficiently.

## AMERICA'S HOUSING REALITIES

For thirty years after World War II, Americans made steady progress toward broader home ownership and improved housing. Thanks to both rising incomes and federally backed mortgages, home ownership expanded dramatically. By the late 1970s, two out of every three American households owned their own dwellings. The size and quality of much middle-class housing improved significantly. The quality of housing for most poor families also improved. The proportion of dwellings without plumbing, electricity, and other basic amenities plummeted dramatically. Many poor people still live in slums, but the major housing problem confronting both the poor and the middle class is now "affordability"-how much of their income they need to pay to keep a roof over their heads. Since the early 1980s, incomes have not kept pace with housing costs, leading to a growing squeeze on renters and home owners alike (Apgar 1990). In that period, America's housing situation has grown worse, not only for the poor, but also for the middle class. Indicators of this trend are declining home ownership, rising rent-to-income ratios, rising homelessness, and persistent racial segregation.

## DECLINING HOME OWNERSHIP

In the postwar era, the home ownership rate increased steadily, from 43.6 percent in 1940, to 55 percent in 1950, to 65.6 percent in 1980. In the 1980s, it fell, reaching 63.9 percent in 1989. For those between 30 and 34, the rate fell from 57.1 percent to 53.2 percent during the decade (Callis 1990; Joint Center for Housing Studies 1995). Home ownership rates stabilized and even inched up slightly in the 1990s,<sup>3</sup> but the American Dream is still beyond the reach of many young families, not only those who live in areas with rising home prices, but also those living in areas where housing prices (along with income and employment) are declining (Myers, Peiser, Schwann, and Pitkin 1992; Joint Center for Housing Studies 1995, 1996). In 1991, 91.2 percent of renter households (including 86.7 percent of married couples) could not afford to buy the median-price house in the region where they lived<sup>4</sup> (Fronczek and Savage 1993).

## RENT SQUEEZE

Nearly one-fifth of all renters-and half of all lowincome renters-now devote more than half their income to meet housing costs. At least two out of five renters in every state cannot afford market-level rents for a two-bedroom apartment; in 15 states, market rents are beyond the reach of more than half of renter households (Dolbear 1996a).

For the middle class, this rent squeeze means that they can't save enough money to put a down payment on even a small bungalow. For the poor, it means living in substandard or overcrowded apartments, often in troubled neighborhoods. Measured in 1993 dollars, the median monthly gross rents paid by poor households living in unsubsidized housing jumped from \$366 in 1974 to \$408 in 1993. Meanwhile, the number of low-cost apartments has dwindled, many of them lost to the urban renewal bulldozer, condominium conversion, and gentrification. Between 1973 and 1983, the number of unsubsidized low-rent apartments (\$300/month in 1993 dollars) fell from 5.1 million to 3.6 million; by 1993, the number had fallen to 2.9 million. At the same time, the number of families in poverty increased significantly. The number of new subsidized apartments did not fill the gap; in fact, the gap widened (Joint Center 1995; Lazere 1995).

## RISING HOMELESSNESS

The homeless are the most tragic victims of these trends. By moderate accounts, the ranks of the homeless have swollen to 600,000 on any given night and 1.2 million over the course of a year. The new welfare bill will undoubtedly increase the homeless population. Demand for emergency shelter services has increased by about 20 percent a year during the past decade. Since the early 1980s, however, the composition of the homeless population has changed, from the initial stereotype of an

alcoholic or mentally ill middle-aged man or "bag lady," to now include families, even many with young children. Almost one quarter of the homeless work (Appelbaum, Dreier, and Gilderbloom 1991; Blau 1992; Burt 1992; U.S. Conference of Mayors 1993; Link et al. 1994; Newman 1995).

## WIDENING SEGREGATION

Housing market forces-lenders, realtors, developers, and landlords-segregate our communities by race and income. Among non-Hispanic Blacks, 62 percent live in blocks that are 60 percent or more black, and 30 percent in neighborhoods that are 90 percent or more black. Among Hispanics, 40 percent live in blocks that are 60 percent or more Hispanic. At least two out of three white Americans live in essentially allwhite neighborhoods. In most major American cities, more than 70 percent of the population would have to move to achieve full integration (Gillmor and Doig 1992; Massey and Denton 1993).

Economic factors account for much of America's segregation and racial disparities, but recent studies document that minorities experience discrimination regardless of incomes. Poor blacks and (to a lesser extent) poor Hispanics, but not poor whites, tend to live in ghettos or barrios with high concentrations of the poor. In fact, the concentration of poor blacks in highpoverty neighborhoods increased during the 1980s.

The number of "poverty" census tracts (those with at least 20 percent of residents in poverty) in the 100 largest cities increased from 4,713 in 1980 to 5,596 in 1990. The percentage of all non-Hispanic blacks who live in poverty tracts increased from 19.9 percent to 24.2 percent during that period. Realtors continue to steer black families trying to rent an apartment or buy a home into segregated areas. Banks continue to redline minority neighborhoods. Middle-income black and Hispanic families applying for a mortgage are rejected much more often than middle-income white families are, even when income and credit-worthiness are factored in (Munnell et al. 1992; Turner 1992; Kasarda 1993).

## INEQUITIES OF FEDERAL HOUSING SUBSIDIES

When Americans talk about federal housing subsidies, they typically mean housing assistance for the poor. But in fact, federal housing subsidies disproportionately benefit the affluent. The federal tax code allows all homeowners to deduct mortgage interest payments from their income taxes. Whether it is labeled a "subsidy" or a "tax expenditure," this homeowner deduction cost the federal government over \$58.3 billion in 1995 alone.<sup>5</sup> The support goes primarily to the affluent; those with the highest incomes and the most expensive homes (including a second home) get the largest subsidy. An analysis of recent Joint Tax Committee (JTC) data shows that one-half (49.7 percent) of the \$58.3 billion homeowner subsidy goes to the richest 5.6 percent of taxpayers with incomes over \$100,000. The 1.2 percent of taxpayers with incomes over \$200,000 received \$12.6 billion in mortgage interest deductions-21.6 percent of the entire amount.

Only 21.3 percent of all taxpayers take the mortgage interest deduction, but this varies significantly with income. For example, 82.5 percent of taxpayers with incomes over \$200,000 took the mortgage interest deduction, with an average benefit of \$9,763. In contrast, only about one-quarter (28.1 percent) of those in the \$40,000-50,000 bracket took the deduction; those who did so saved an average of \$952 on their taxes. Among those in the \$20,000-30,000 income category, only 6.6 percent took the deduction; those who did so received an average benefit of only \$502.

In other words, contrary to real estate industry rhetoric and lobbying, these deductions aren't the salvation of the middle class or the linchpin of the American Dream. Few middle class taxpayers actually receive any mortgage interest tax break; those who do so receive a relatively small benefit. Neither Canada nor Australia has a homeowner deduction, and their home ownership rate (about 65 percent of all households) is about the same as ours.

Don't we have HUD to help house the poor? The \$58.3 billion in homeowner tax breaks is about three times the size of the entire 1996 HUD budget of \$19 billion. (In fact, mortgage interest deductions for those earning over \$100,000 are a sum greater than the entire HUD budget). Subsidized housing for the poor is essentially a lottery, not an entitlement. Out of 14.5 million low-income renter households eligible for federal housing assistance, only 4.1 million (28 percent) receive it (Congressional Budget Office 1994).<sup>6</sup> Of these, 1.36 million lived in public housing units, 1.65 million lived in private, government-subsidized developments, and 1.06 received housing certificates or vouchers (Casey 1992).

That leaves about 10 million poor households to fend for themselves in the private marketplace. Among this group, HUD identified 5.1 million households with "worst case" housing problems-those who pay more than half their incomes for housing and/or live in seriously substandard apartments (U.S. HUD 1994).

## HOUSING'S POLITICAL CONSTITUENCY

Housing policy, especially for the poor, promises to be one of the key battlegrounds in the great clash between the forces of reform and of counterrevolution in America today, but the debate is taking place quietly, beneath the political surface. That's

because the political constituency for housing policy is weak and fragmented. Indeed, House Speaker Newt Gingrich was candid about the reasons for HUD's vulnerability. Its "weak political constituency," he told the Washington Post in December 1994, "makes it a prime candidate for cuts."

When housing policy does get on the political screen, it revolves around HUD, which these days hardly anyone can be found to defend. "Politically, HUD is about as popular as smallpox," reported the Washington Post (Gugliotta 1995). This is due, in part, to widely-held stereotypes about public housing.<sup>7</sup> In a speech before the National Association of Realtors in April, Dole labeled public housing "one of the last bastions of socialism in the world" and said that local housing authorities have become "landlords of misery." A few weeks later, Rep. Rick Lazio (R-N.Y.), chair of the House subcommittee on housing, attacked "the hulks of failure that characterize high-rise public housing." A variety of conservative pundits and Republican politicians opposed the new "Moving to Opportunity" program—a small pilot program to help the ghetto poor find apartments in better neighborhoods—as "social engineering."

Gingrich told the Washington Post, "You could abolish HUD tomorrow morning and improve life in most of America" (Cooper 1994). Senator Lauch Faircloth of North Carolina, the chair of the HUD oversight subcommittee, filed legislation to eliminate the agency, asserting, "I think we need to put this department to rest" (Administration Wins First . 1995).

The criticism of HUD and its programs is not limited to Republicans and conservatives. Soon after the 1994 Congressional elections, President Clinton, looking for a way to cut federal spending, proposed putting HUD on the chopping block. HUD Secretary Henry Cisneros, hoping to save his agency, pledged to "reinvent" it. He said he had inherited an agency "characterized by slavish loyalty to non-performing programs" and soon produced a "blueprint" for reform that called for dramatic reduction in HUD's mandate, including the privatization of most federally subsidized housing developments.

Indeed, HUD is an easy target. It is typically identified with public housing projects, big cities, and the welfare poor. Under Reagan and Bush, HUD also became identified with mismanagement and corruption. As a result, most people now believe that federal low-income housing programs reward a combination of government bureaucrats, politically connected developers, and people who engage in anti-social or self-destructive behavior. So conservatives get to look like good-government reformers, even as they throw out the housing baby with the HUD bathwater.

This wasn't always the case. After World War II, federal housing policy had a broad political constituency: young families who wanted to buy homes, developers who wanted to build them, brokers and lenders who wanted to help them buy, and labor unions whose members wanted to buy homes and construct them. So long as federal policy helped the blue-collar working class achieve the middle-class American dream of home ownership, it was politically acceptable for Washington to build public housing for the poor as a temporary way-station on the road to upward mobility (Wright 1981; Hays 1995).

HUD's fate has reflected the shifting political winds, particularly regarding cities and the poor. President Johnson created HUD in 1965 in response to pressure from civil rights activists, big-city mayors, labor unions, and private developers who wanted a piece of the subsidy action—all key Democratic Party constituencies. By the late 1960s, the New Deal and Great Society political coalition had begun to unravel in response to urban riots, white flight and suburbanization, and conflict over spending priorities between Vietnam and domestic matters. By the 1970s, this fracturing was exacerbated by declining middle-class incomes and resentments over race. During the 1980s, the ideological assault on the notion of government activism—by conservative politicians, think tanks, and the media—helped undermine support for programs for the urban poor, including housing (Edsall and Edsall 1991).

In light of the growing housing problems—including the continuing increase in homelessness, the squeeze on renters, and the decline of home ownership among young families—why wasn't housing a significant issue in recent elections? A major reason is that the organized constituencies for what is perceived as federal housing policy have narrowed dramatically. They have been especially disorganized and ineffective in the past decade.

For the most part, HUD's current constituency is composed primarily of those who have a direct stake in housing the poor: big-city mayors and local government housing bureaucrats; private housing developers, landlords and speculators; and poor people and their advocacy organizations. These groups are politically weak, fragmented, and generally viewed unfavorably.

The mayors and housing bureaucrats depend on HUD funding and programs. Their lobby groups include the National Association of Housing and Redevelopment Officials, the American Planning Association, the Council of Large Public Housing Authorities, the National League of Cities, and the U.S. Conference of Mayors. This "urban lobby" has been steadily losing clout for years, as cities have come to represent a smaller portion of the overall electorate, and as national PACs have replaced city-based political machines as the keys to winning urban seats in Congress.

HUD's private sector constituency includes the landlords, developers, real estate lawyers, and others who own and manage the

existing inventory of HUD-assisted housing. Their lobby groups include the National Leased Housing Association, the National Multi Housing Council, National Housing Partnership, National Association of HUD Management Agents, the National Housing Conference, and occasionally the National Association of Realtors and the National Association of Home Builders. Since HUD began, politically connected developers have fed at its trough of lucrative subsidies and mortgage insurance. The Reagan administration was simply more blatant about it and abused the system. The HUD scandals during the Reagan era confirmed the public's skepticism about federal housing programs as rip-offs.

The advocacy groups—including organizations like the National Coalition for the Homeless, the National Low-Income Housing Coalition, the National Community Reinvestment Coalition, and the National Congress for Community Economic Development—are often referred to as the "housing movement" by their friends and as "do gooders" (or worse) by skeptics and enemies. Funded primarily by liberal foundations, these public interest organizations occasionally activate their loose networks of local housing activists (tenant groups, homeless shelters, community and church organizations, non-profit developers) to protect or expand federal housing programs for the poor. A few networks, like ACORN, National People's Action, and the Industrial Areas Foundation, are tighter national federations with the capacity to mobilize their member groups around both local and national issues. These advocacy groups have had some success in protecting and even improving HUD programs, but they mostly put their fingers in the dike. They do not add up to a strong force for progressive housing policy, because there is little grassroots mobilization to provide these "lobbyists for the people" with adequate support to put their issues on the agenda and get them passed in Congress (Dreier 1996).

Moreover, the various segments of the housing constituency often work at cross purposes, each lobbying for its own specific piece of the HUD pie, weakening the overall impact of their efforts and undermining the likelihood of building broad support for federal housing programs.

Key social and economic sectors with broad agendas and key constituencies have not, for the most part, focused their attention on housing concerns. For example, at the national level, mainstream business groups—the U.S. Chamber of Commerce, the Business Roundtable, trade associations, and others—sit on the sidelines when it comes to HUD and housing policy. With some exceptions, few business leaders view housing as a key component of a healthy business climate. In a few cities, however, business leaders representing major employers have participated in public-private-community partnerships to help expand low-income housing by expanding the capacity of community-based agencies (Dreier, Schwartz, and Greiner 1988; Committee for Economic Development 1995).

Since the 1970s, unions have not been a major voice for federal housing policy. Part of the reason is the labor movement's declining membership and lost political clout. On the housing front, a number of unions (including the bricklayers' and the hotel workers') have mobilized their members around housing issues. In the past decade, the AFL-CIO began investing some of its pension fund in HUD-subsidized projects. Recent changes in leadership and strategy may revitalize the union movement in terms of overall membership and political influence, but it is not yet a significant force in the housing policy arena.

A number of single-issue movements and public interest organizations—women's groups, environmentalists, religious denominations, senior citizens organizations—occasionally participate in public debate and lobbying around housing issues. Generally, however, housing issues are marginal to their main concerns.

## DEVOLUTION NOW?

During the past decade, many politicians, journalists, and policy experts have pushed for reducing the role of the federal government. Some want simply to maintain federal funding levels, but give state and local governments more flexibility in using them. Others want to reduce federal assistance, hoping that states and cities will fill in the gaps. Still others call for eliminating most government programs and relying on private charity and/or market forces to address social needs. The theory behind this "devolution" strategy is that state and local governments, or neighbors and families—not Washington bureaucrats—know best how to meet the needs of people in their own backyards (Roistacher 1984).

In 1990, for example, Congress created a new housing "block grant" program (the HOME partnership program) to give localities more flexibility in using federal funds. The most dramatic example is the welfare bill passed by Congress and signed by President Clinton in July, which eliminated the 60-year-old AFDC cash assistance entitlement in favor of block grants to states and time limits on benefits.

During the 1980s, while the federal government slashed housing assistance, new players emerged to help fill the gap. The emergence of innovative community-based housing developers and public-private partnerships at the local level has given some political leaders the confidence that devolution can work. These new local players are indeed an exciting phenomenon. But do they justify the growing faith that Washington can significantly reduce housing assistance and oversight without hurting the poor and the communities in which they live? A brief look at the experience so far raises questions about the new religion of devolution.

Part of the explanation for this phenomenon is the growing housing activist movement in many American cities. Starting in the late 1970s, local groups advocating for tenants' rights and the homeless, along with groups fighting gentrification and bank redlining, forged a dynamic pressure group. They put pressure on local governments to protect tenants against unfair evictions and skyrocketing rents. They lobbied for stricter enforcement of housing safety codes. They persuaded banks to open up branches in minority neighborhoods and increase mortgage loans for working-class consumers. They pressured and worked with city and state housing agencies to make more funds available for housing, as with "linkage" policies to tax developers to build low-income housing.

The pressure by these groups got results. State and especially local institutions-government agencies, community-based organizations, and public-private partnerships-emerged or expanded their capacity to carry out innovative housing policies and programs. Some cities and states increased the level of state- and locally-generated funds targeted for housing; they incorporated housing programs into community and economic development strategies; and they increased the planning tools used to deal with housing matters (Nenno 1991; Goetz 1993).

A key part of this trend was the expansion of what has become known as the "third sector" of nonprofit housing developers. Without subsidies, it simply isn't profitable to build housing for the poor. When HUD's production subsidies dried up in the 1980s, private developers walked away from the inner cities. Into the vacuum stepped a new generation of housing reformers with deep roots in these neighborhoods. Today, there are at least 3,000 such groups, sponsored by neighborhood associations, churches, social agencies, tenant groups, and unions. They have found increasing support from foundations, local governments, and business partnerships.

As the decade began, only a handful of nonprofit organizations had the capacity to undertake complex projects that required multiple sources of funding. Even fewer had the capacity to manage rental housing occupied by populations with many social and economic problems. But in the past decade, although the nation's community-based development sector is still relatively small and its track record varies from region to region, it has made significant headway against overwhelming odds, which include an unsympathetic federal administration (from 1981 to 1992), patchwork financing, high-risk development projects, and undercapitalization. In most other industrial nations, the "third sector" plays a key role in the provision of housing and human services (Schill 1994; Salamon 1995). In the United States, this sector is moving increasingly from the margins to the mainstream of the nation's community revitalization efforts (Mayer 1990; Peirce and Steinbach 1990; Vidal 1992, 1995; Dreier and Hulchanski 1993; Goetz 1993; Sullivan 1993; Walker 1993; Bratt, Keyes, Schwartz, and Vidal 1994; Rubin 1994; Schill 1994; Urban Institute 1994; Harrison 1995; Steinbach 1995).

The first generation of Community Development Corporations (CDCs) in the 1960s and 1970s included many well-intentioned but naive (even incompetent) reformers. The new generation is more savvy and entrepreneurial. These groups have already overcome enormous challenges and obstacles. They operate in the most troubled neighborhoods, working against overwhelming odds. And they do so with few resources and considerable opposition from the powers that be. Despite these obstacles-and saying this is not to overlook the uneven capacity of the sector-they have accomplished a great deal on a variety of fronts, although their successes are typically unheralded by the mainstream media.

A key ingredient in the numerical growth and improved capacity of the community development sector has been the network of national, regional, and local nonprofit intermediary institutions. These include organizations such as the Local Initiatives Support Corporation (LISC), Enterprise Foundation, Neighborhood Reinvestment Corporation, and other organizations that provide technical assistance to help existing organizations improve their skills and to help new organizations learn the basics of community development. The intermediary organizations help channel private, philanthropic, and government funding-including Federal HOME/Community Housing Partnership funds and Low Income Housing Tax Credits-to community-based development groups to help them undertake projects. Thanks in part to the work of these intermediary institutions, community-based development organizations have become increasingly sophisticated in terms of finance, construction, management, and other key functions.

At the same time, many state and local governments have improved their capacity to implement innovative housing programs. In the past, state and local housing agencies were primarily pass-throughs for federal funds. But federal cuts forced state and local housing agencies to become more innovative and entrepreneurial. Under pressure from housing activists, many state and local governments began identifying new resources for housing assistance and initiated new housing programs that involved new construction, rehabilitation, neighborhood revitalization, housing mobility, and other purposes (Nenno and Colyer 1988; Brooks 1989; Nenno 1991; Goetz 1993; Slicing the Pie 1995).

An important component of this process has been increased cooperation among state and local governments, elements of the private sector (both businesses and foundations), and community-based organizations. The Metropolitan Boston Housing Partnership, the Chicago Rehab Network, the Coalition of Neighborhood Developers in Los Angeles, the Community Preservation Corporation in New York City, the Cleveland Housing Network, and other citywide umbrella organizations-many of them public-private-community partnerships-have expanded the capacity of housing agencies and nonprofit organizations. These

collaborative efforts have, in turn, provided community development groups with the resources to become key players in their neighborhoods, not only in housing and economic development, but also as sponsors or facilitators of improved human services, public safety, and other components of vibrant, healthy neighborhoods.

## LOCAL HOUSING DELIVERY SYSTEMS: THE BOSTON EXPERIENCE

To illustrate the strengths and weaknesses of "devolution," let's look briefly at the experience of Boston a city that is often considered a model of local housing innovation (Blau 1992; Collins and White 1994). Starting in the early 1980s in the midst of federal cuts, Boston had, compared with other cities, the best of all possible situations: a healthy economy, a progressive pro-housing mayor, a strong housing advocacy movement, a wealth of technical housing expertise, a sympathetic state government, and a somewhat supportive business leadership. What might be called Boston's "progressive housing regime" lasted for at least a decade. It is fair to ask: Given all these ingredients, how much was accomplished?

In the 1980s, after several decades of steady economic and population decline, Boston was in the midst of an economic boom, fueled by growth in the high-tech, medical, educational, and financial sectors. The city's population increased for the first time in the postwar period—a combination of well-educated professionals, low-skilled immigrants, and long-term poor and working class residents. To accommodate this economic boom, office construction in the downtown core exploded. With an aging housing stock and little new residential construction for several decades, housing prices skyrocketed, landlords began converting apartments to expensive condominiums, and private developers rushed to add market-rate housing on vacant land and by renovating existing buildings.

By the mid-1980s, Boston had the nation's highest housing prices. Even so, the city's black ghettos and Hispanic barrios were scarred with abandoned buildings and large swaths of vacant land, the result of decades of population loss, bank redlining, arson-for-profit, and slumlords milking properties. Homeless people were increasingly visible and numerous. In this "tale of two cities" situation, low-income renters faced widespread eviction and displacement; middle-income families found it difficult to purchase homes; and developers and lenders began an orgy of real estate speculation. These trends were concentrated in, but not confined to Boston. Nearby cities and outlying suburbs faced similar conditions (Clay 1988; Dreier and Keating 1990; Case and Shiller 1994; Collins and White 1994; Goetze 1994).

In response to these trends, a strong and diverse housing constituency emerged, putting the issue of affordable housing on the city's political agenda. Tenant activist groups, homeless advocacy organizations, senior citizens and church groups, neighborhood associations, civil rights groups representing minority communities, labor unions with low-income memberships and/or involved in the construction trades, and community-based development organizations all mobilized to influence the public debate, the media, and the political agenda. During the 1983 races for Mayor and City Council, the city's housing crisis became the central issue. A populist city councilor, Ray Flynn, was elected mayor with support from the city's housing activists, on a platform of "sharing the prosperity" of the city's downtown boom with its low-income and working class neighborhoods. His stances on housing issues were key to his victory. During its ten-year regime, the Flynn administration carried out perhaps the most progressive housing policy of any major American city. This included:

\*A "linkage" program, requiring downtown developers to contribute (\$5/square foot) to a Neighborhood Housing Trust Fund for affordable housing. Between 1984 and 1992, the "linkage" program generated over \$50 million in funds. A separate "inclusionary housing" policy required developers of market-rate residential projects to set aside (without public subsidies) ten percent of the units for low and moderate-income residents.

\*Strong support to community-based, nonprofit housing developers. City-owned property (buildings and vacant land), federal funds, linkage monies, and other support were targeted for Boston's strong network of over 35 CDCs and other nonprofit housing groups. City housing policies not only favored projects sponsored by community groups, but specifically promoted resident-owned cooperatives, limited-equity home ownership, and mixed-income housing. Between 1984 and 1992, Boston CDCs alone sponsored (through new construction and major renovation) more than 10,000 units of housing, about half of the city's residential starts. In addition, CDCs assumed ownership of thousands of occupied units (many in HUD-assisted developments) that required substantial rehabilitation.

\*Strong advocacy of community reinvestment by lending institutions. Boston passed a "linked deposit" policy that put city funds only in banks with a strong track record of investing in low-income neighborhoods. The city government helped negotiate a \$400 million community reinvestment agreement with the city's major banks, targeted for low-income and minority neighborhoods.

\*Strong tenants' rights laws, protecting renters from rising rents, evictions, condo conversions, and the loss of rooming houses. The city provided financial assistance to local tenant groups to deal with private slumlords, and housing owned by federal agencies such as HUD and the RTC. It pushed HUD to turn its large inventory of distressed federally-assisted projects over to resident-controlled and community-based organizations.



Mayor Flynn and his city housing agencies did not seek to carry out this agenda on their own. Under Governor Michael Dukakis, the state legislature significantly expanded funds for affordable housing development, for homeless services, for housing vouchers, and for technical assistance to CDCs. Pushed by both city and state governments as well as several liberal foundations, key leaders of the city's business establishment began to address housing concerns, primarily through the vehicle of the Boston Housing Partnership, whose board was composed of the CEOs of leading employers, government officials, and community activists. This organization became a major umbrella group to expand the capacity of Boston's CDCs.

Moreover, Boston was blessed with an unusually large number of progressive housing technocrats, many of whom had been educated at local planning and policy schools (particularly MIT, Harvard, and Tufts), and who had worked with grassroots groups during the struggles over urban renewal; they wound up as consultants, community organizers, legal aid attorneys, and staff at local and state government housing agencies or with the growing number of CDCs in Boston neighborhoods. Attorneys at some of the city's most prestigious law firms donated their pro bono services to community-based development groups and tenant groups.

By the late 1980s, many of the city's CDCs were able to undertake complex projects, such as mixed-use projects, limited equity cooperatives and condominiums, revitalization of HUD-assisted developments projects requiring multiple subsidies (including the low-income tax credit). Once they had built or rehabilitated projects, few CDCs had the in-house capacity to effectively manage these buildings, but they were able to contract this function to a number of private companies that had developed expertise in managing subsidized housing projects. Several of Boston's key unions set up housing development organizations and became part of the housing advocacy lobby. For example, the bricklayers' union not only set up its own nonprofit housing development group, but lobbied in support of the linkage and inclusionary zoning policies. The hotel workers' union local created a housing advocacy group and became a key player in the city's community reinvestment efforts. Finally, the local news media routinely covered complex housing issues with considerable depth and thoroughness.

These players did not always work as a team. There were some tensions and conflict among them; for example, the private real estate industry did not support linkage, or rent control, or even the bias toward CDCs. Lenders were not happy with the attacks on redlining. While Governor Dukakis and Mayor Flynn strongly supported progressive housing policies, they could not always marshal majorities in the City Council or state legislature for their agendas. Some radical housing activist groups believed that neither the mayor nor the governor pushed these legislative bodies hard enough to carry out their agendas.

But from the perspective of local housing policy, this set of conditions—a sympathetic state and local government, a supportive business and philanthropic community, a network of capable community-based developers and technical experts, and a politically adept housing activist movement—was probably optimal for maximizing resources and addressing the housing needs of those not well served by the private market place. Probably no other city in recent history had this combination of ingredients. Perhaps more than any other major American city, Boston sought to actively address its local housing crisis. Using existing tools and resources—and seeking to invent and create new ones—it made an aggressive effort to develop a housing policy to protect and produce housing for poor and working-class residents. These efforts met political resistance, legal challenge, and some bureaucratic inefficiency, but they nevertheless reflected a strong commitment to serve the needs of Boston's poor and its working class.

In no other city has the local government played such a leading role, rather than primarily responding to pressure. Thus, Boston's efforts to develop a progressive housing approach during the Reagan/Bush austerity years can tell us a great deal about the potential, and the limits, of "devolution" as a key federal housing strategy.

Clearly, the policies described above improved the housing conditions for Boston's residents. Renters were more secure and paid less than they would had tenants' rights laws not been strengthened. The supply of affordable housing was expanded, providing more choices for consumers, especially the poor. Public housing residents lived in better conditions and had a stronger voice in the decisions of the Boston Housing Authority. The city's other programs—such as the Boston jobs policy and the Boston Compact—helped residents gain access to jobs that improved their opportunities in the housing market. Indeed, Boston was one of the few major cities during the 1980s where the poverty rate declined (Osterman 1991; Glickman, Lahr, and Wylie 1996).

Even so, Boston's efforts served primarily as a holding action, a "finger in the dike," to slow down the tide of gentrification brought on by market forces. It could not fill the subsidy gap for people not well served by the private housing market. For example, one study calculated that it would cost \$106 million a year to provide every low- and moderate-income renter household in Boston with enough subsidy to bring the rent down to 30 percent of household income (Stevens, Dreier, and Brown 1989). Private market forces pushed housing prices in the unregulated sector beyond what most Boston residents can afford. The waiting list for Boston public housing doubled, reflecting both an improvement in the BHA's image and a growing desperation among the very poor. City resources (even with the state's support and some federal funds) could not build enough new low-income housing to accommodate this demand. Boston was one of the few cities to create enough emergency shelter beds to guarantee the entire homeless population beds, food, and health care, but these simply met mere survival needs (Blau 1992).

On balance, the city's legal and economic resources were simply too limited to counter the forces of the private labor and housing markets. The housing conditions for Boston's poor and working-class residents were better than they would have been without these policies. Overall, however, housing prices increased faster than the incomes of these groups. Developers continued to speculate on private land, assuming the city's real estate boom would continue. (By late 1989, the market had dampened, but prior speculation had destabilized the city's rental stock). The city's zoning laws and its inclusionary efforts slowed down the pace of speculation, but they could not stop speculators from buying and selling land and buildings.

## LESSONS: THE OPPORTUNITIES AND LIMITS OF DEVOLUTION

What lessons can we draw from the Boston experience about the capacity of local "housing delivery systems" and the potential of the "devolution" approach? There are at least four concerns that must be addressed before we can have confidence that the "devolution" scenario can work.

## RESOURCES AND FISCAL LIMITS

America's housing crisis is fundamentally about affordability—the gap between housing costs and household incomes. It requires money to fill the gap. State and local regulatory mechanisms, such as zoning, can play some role in reducing production costs by streamlining development costs and increasing densities, but these actions are relatively marginal to the overall problem (Downs 1991). For example, it was far beyond Boston's fiscal capacity to fill the housing "subsidy gap" of at least \$106 million a year.

Most cities and states simply lack the resources to fill much of this gap. America's cities now face a shrinking tax base and fiscal traumas" (Ladd and Yinger 1989; Swartz and Peck 1990; Peterson 1994; Bahl 1994; Pagano and Dudas 1996). Indeed, during the past decade, many cities have been on the brink of bankruptcy. To avert fiscal collapse, they have been closing schools, hospitals, and police and fire stations; laying off essential employees; reducing basic services like maintenance of parks, repairing roads, and enforcing housing and health codes; and postponing or canceling capital improvements.

Moreover, the Boston experience suggests that economic growth alone does not significantly reduce the housing affordability problem. During the 1980s and early 1990s, a number of major American cities and metropolitan areas had substantial economic growth. But this prosperity, while often evident in central business districts or some suburban communities, did not necessarily "trickle down" to low-income and working-class areas. In fact, growth was often accompanied by widening disparities of income (Frieden and Sagelyn 1989; Ong 1993).

Most major American cities, however, confront a much different situation than Boston's. They face continued disinvestment, economic decline, and deepening poverty and unemployment. In that situation, the absolute level of housing prices may decline, even while the gap between housing costs and incomes widens. The resources available to local governments to solve housing problems are very limited. On their own, they lack the revenue base to address the housing needs of their low- and moderate-income residents.

Our federal system—especially the fragmentation of political boundaries and authority—exacerbates the urban fiscal crisis. If the nation had uniform rules and laws—regarding tax rates, environmental regulations, labor-management relations, and other conditions—it would be much more difficult for businesses to play cities, states, and regions against each other. Because our federal system allows states and localities to set many of these conditions, footloose businesses can look for the best "business climate"—low wages, low taxes, lax environmental regulations and a "union free" atmosphere. In this situation, many state and local government officials feel that in order to attract or maintain jobs, they have to participate in "bidding wars" to attract capital. This puts each participant in a weaker bargaining position and undermines the economic and fiscal health of all communities.

## POLITICAL WILL

Some housing advocates worry that in carrying out its devolution strategy, the federal government will not only reduce its overall funding, but also abandon its role in setting broad standards—regarding affordability, physical conditions, and discrimination—and will let state and local players "off the hook" (NHLP 1995).

Ultimately, local housing policy choices are political. Clearly, Boston's economic prosperity offered the Flynn regime opportunities that are not available in other cities facing harder economic times. But the Flynn regime was unusual in its willingness to test what Peterson (1981) has called the "city limits"—in other words, to seek to promote economic redistribution as well as growth. On key policy matters, the city called the bluff of business leaders and firms who warned that business would disinvest if the city pushed its progressive housing agenda. Most other mayors, facing similar situations, have chosen other options—promoting the downtown development agenda over neighborhood concerns, encouraging gentrification, eschewing neighborhood involvement in planning, and using racial and ethnic divisions for political gain.

Whatever their economic impact or technical feasibility, these policies had to be sold to the public while some business groups

warned that they would undermine Boston's economic well-being. As a skillful politician, Flynn promoted a progressive agenda and remained extremely popular, as indicated by his overwhelming re-elections in 1987 and 1991. Flynn walked a political tightrope, always on the edge between confrontation and compromise. He sought to accommodate elements of the development community (if not landlords), the business community, and the construction trade unions by promoting "managed growth" and "balanced development," while promoting a progressive housing agenda that helped unite white, black, Hispanic, and Asian communities around common interests. In doing so, Flynn broadened and redefined the "growth coalition." He sought to use market forces-the city's strong economic climate-to extract concessions from the private sector (willing "partnerships" and unwilling regulations). Otherwise, the benefits of economic growth would not "trickle down" to the poor and working class.

Recent studies of American urban politics indicate that few local public officials are willing to challenge the "growth coalition" agenda.<sup>9</sup> Indeed, in most cities, the business community in general and the real estate industry in particular have disproportionate political influence. (Cummings 1988; Logan and Swanstrom 1990; Savitch and Thomas 1991; Peterson 1994). Unless the federal government sets some standards, state and local governments will vary widely in their commitment to addressing fundamental housing needs.

## ORGANIZATIONAL CAPACITY

Boston was in the enviable situation of having hundreds of housing experts located in a variety of public, private, and community institutions-planners, lawyers, consultants, managers, community developers, organizers, and others. The organizations they worked for reflected their experience and expertise. This cadre did not emerge overnight. It resulted from several decades of housing activism and from people moving easily among public, private, and community institutions, thus learning from each other. The Flynn and Dukakis administrations, for example, hired many of their key housing, planning and community development staffers from the ranks of both community organizations and private sector firms.<sup>10</sup> This cadre of housing experts was supported by the presence of several major universities with urban planning and policy programs. Sympathetic community foundations and intermediary groups such as LISC also helped solidify this network.

Few cities have this kind of sophisticated local housing delivery system on which successful "devolution" depends. Thus it is important for federal housing and community development policy to help nurture these efforts. One way is to help fund the training and capacity-building skills of local housing organizations, in part by funding intermediaries and programs at community colleges and universities. (A good model is the new Ford Foundation-funded program in community development at Los Angeles Trade Technical College, run by Denise Fairchild, the former regional director of LISC).

Another way is to help streamline and simplify the development process itself. CDCs, public-private partnerships, and local housing agencies currently must rely on a complex patchwork of funding sources to carry out the development of affordable housing. To create a 25-unit housing development, for example, a CDC may need to obtain subsidies and grants from ten different sources-corporations, foundations, and various government agencies. The various funding programs have different-in fact, often conflicting-deadlines, timetables, and guidelines. As a result, CDC staffpersons often spend more time on "grant-grubbing" than on the development and management of housing. The legal and financial complexities also require CDCs to engage the services of many lawyers and consultants, adding to the cost and time for getting housing projects underway.

## METROPOLITAN DISPARITIES

One of the key causes of urban distress is the overconcentration of poor people in America's cities, particularly in racially segregated barrios and ghettos. This concentration not only undermines cities' fiscal situations, but also compounds the social and economic problems facing the poor, including the "spatial mismatch" between the location of their housing and job opportunities, and the social isolation of the poor from networks and role models (Ihlanfeldt 1994; Hughes 1995). The siting of low-income housing projects in poor urban neighborhoods contributes to this predicament.

Here, too, the Boston situation offers a useful lesson. Boston, with about 600,000 people, represented approximately one-fifth of the metropolitan area population. But Boston had about 40 percent of the area's poor people and 42 percent of the region's subsidized housing. This situation not only compounded Boston's fiscal crisis, it affected its capacity to address educational needs and provide adequate public services to residents, commuters, and tourists, and especially to the very needy. The Dukakis administration made some effort to address this through a statewide "antisnob zoning" law, but it was weakly enforced. In the early 1990s, the Boston Housing Partnership expanded its mandate to help promote CDC-sponsored housing projects and administer housing vouchers in the greater Boston area.

Boston's situation is prototypical. More than three-quarters of all Americans live in metropolitan areas. Two-thirds of those-about half the nation's population-live in suburbs. Moreover, in the postwar era, the disparity between median incomes of cities and suburbs has widened. In 1960, the per capita income of cities was 5 percent greater than that of their surrounding suburbs; by 1989, it had fallen to 84 percent of suburban income. But these figures mask the significant diversity found within "suburbia." A growing number of working-class Americans find themselves trapped in older inner-ring suburbs that look more and more like troubled cities. They face many of the same problems-crime and violence, infant mortality, crumbling infrastructure, inadequate

housing, and chronic fiscal crises. For example, 8.7 percent of the suburban population (compared with 19 percent in the central cities) live below the poverty line. Overall, 30.5 percent of the nation's poor live in suburbs.

A growing number of scholars and practitioners recognize that we need to approach economic development, environmental, transportation, housing and other problems from a regional perspective (Peirce 1993; Rusk 1993; Barnes and Ledebur 1994; Cisneros 1995; Hill, Wolman, and Ford 1995; Hughes 1995). But, with some exceptions, the recent history of metropolitan-wide cooperation-much less metrowide government-is not promising. Affluent suburbanites, as well as working-class suburbanites, generally resist such attempts. They would rather go it alone than share decision-making and tax bases with central cities. Also, during the past several decades, as AfricanAmericans and Latinos have gained power in city halls, they too resist diluting their new-found power over public patronage by sharing programs with suburbanites.

Efforts to promote affordable housing in suburbs have met with only limited success. A few states have passed inclusionary zoning laws, but they have been poorly enforced. Even court-ordered programs-like the Gatreux program in metropolitan Chicago and the Mt. Laurel program in New Jersey-have achieved only small changes (Kirp, Dwyer, and Rosenthal 1995; Dreier and Moberg 1996).

These efforts are most likely to succeed when housing is part of broader political efforts to build urban-suburban bridges. For example, Myron Orfield, a Minnesota state legislator, has spearheaded a formidable effort to build a progressive metropolitan coalition. He sponsored legislation to create a tax-basesharing plan to reduce property tax disparities among municipalities in the region, so that inner-ring suburbs and the two major cities (Minneapolis and St. Paul) had a stake in regional cooperation plans. His legislation also created an elected metropolitan council with the authority to establish "fair share" housing goals for each municipality (Cisneros 1995; Harrigan 1996).

But cities and suburbs in most regions are unlikely, on their own, to work collaboratively. Regional planning efforts tend to be successful when the federal government induces such efforts by using a variety of carrots and sticks-for example, through legislation like the Clean Air Act and ISTEA. Thus, as Rusk (1993) forcefully suggests, the federal government can play an important role in encouraging regional cooperation to address metropolitan-wide housing concerns.

What, then, are the lessons of the Boston experience? It suggests that local housing agencies and organizations can play an important role in the nation's housing efforts. But even under the most optimal conditions in terms of expertise and capacity, political will, and economic prosperity, housing needs cannot be addressed without adequate federal funding and standards. Boston, like other localities, developed innovative models for housing programs. But such models remain empty shells unless the federal government provides adequate resources to turn them into tangible programs that help real people improve their housing needs. Recent experience suggests that with sufficient national resources and clear policies, localities and community organizations can administer housing programs without excessive bureaucratic red tape or corruption.

## **A PROGRESSIVE HOUSING POLICY**

The clash over housing policy in general, and HUD in particular, is more than a dispute over means. It also reflects wide differences over ends-the goals of government, the role of the private market, the responsibility of individuals and communities. But proponents of activist government do themselves no favors by defending the status quo, simply because it is a better alternative than wholesale dismantling of existing programs.

Can the political constituency for federal housing policy be expanded? Is there an alternative to both the indefensible status quo and the know-nothing call to dismantle HUD?

A progressive housing policy should accomplish three things:

First, it should help house the poor and almostpoor, and provide them with housing choices besides living in high poverty areas. Economic globalization has transformed the United States economy and produced growing economic inequality and deepening poverty. Some form of government support is necessary to make housing economically manageable for the poor as well as for growing segments of the troubled middle class.

Second, the policy should help rebuild the social and economic fabric of troubled neighborhoods overwhelmed by unemployment, concentrated poverty, crime, drugs, abandoned buildings, and hopelessness. A key part of doing this is giving residents opportunities to mobilize on their own behalf-to expand the self-help capacity of poor neighborhoods.

Third, it should stimulate home building and home buying, particularly for the middle class. In doing so, it should target government help to those who could not otherwise achieve the American Dream. The well-known multiplier effects of home

building will help stimulate jobs and economic growth.

The federal government currently spends over \$113 billion a year for housing subsidies. Federal housing subsidies are an entitlement only for the welloff, but help few of the struggling middle class or the desperately poor. The Clinton/Cisneros plan-and certainly the Republican proposals-do not look at housing from this larger perspective. Instead, they seek to cut housing subsidies for the most vulnerable. What's the alternative?

What's needed is a combination of federal funds and standards tied to flexible rules carried out by local delivery systems. We need to expand the uneven capacity of local housing agencies and community-based organizations. But we need to make sure that the burden of addressing the housing needs of the nation's most vulnerable people does not fall entirely on our already distressed inner cities.

In the plan proposed here, the HUD bureaucracy will be dramatically cut within ten years. HUD will be out of the income assistance business; instead, HHS will administer housing vouchers for the poor. HUD will not run the proposed progressive tax credit for home ownership. HUD will be responsible primarily for upgrading and gradually selling off the inventory of subsidized projects to residents and community groups. Its major ongoing responsibilities will be overseeing new production and rehabilitation of housing by nonprofits, and monitoring discrimination by lenders, landlords and realtors.

For the same \$113 billion we spend now, but spending it more wisely and efficiently, we can solve America's housing crisis. Here's how.

#### Proposed National Housing Strategy Graduated Homeowner Tax Credit (\$50 billion, IRS)

To expand home ownership for moderate-income households, we should scrap the homeowner mortgage deduction entirely and replace it with a refundable progressive homeowner tax credit.

The tax credit would be available to all families each year-including those moderate-income households that do not itemize their deductions. Tying the credit progressively to income would limit subsidies for the wealthy, but preserve them for the middle class. It would also add a large number of families who currently do not benefit. Its mechanics would be similar to the earned income tax credit for low-wage earners, but would reach a much broader income range. The credit could be adjusted for regional housing costs in order to avoid penalizing home buyers and homeowners in high-cost areas.

A tax credit would be much more efficient, and more fair, than the current approach. By turning the mortgage interest deduction into a progressive tax credit, the same \$50 billion would help many more families become (and remain) home owners. The wealthy would continue to purchase homes with or without a tax subsidy. Because housing demand is more elastic at the bottom and middle rungs of the economy, a \$50 billion annual homeowner tax credit could make the difference between renting and owning for millions of working families. It also involves no bureaucracy.

The FHA, whether a part of HUD or a semi-public agency, must continue to provide mortgage insurance for working and middle-class homeowners to help lower the required down payments and closing fees.

This plan should eventually be able to gain the support of the housing industry lobby. By increasing the demand for homes, it would increase home ownership, catalyze home building (helping builders, brokers, the lenders), generate jobs, help stimulate economic growth, and add to local tax bases. The housing industry, particularly the National Association of Home Builders and the National Association of Realtors, has vigorously resisted any reform of the homeowner subsidy, but now it is under assault from across the political spectrum. In 1995, Sen. Robert Packwood (R-Oregon), then Senate Finance Committee chair, joined the growing chorus of public officials who wanted to limit the mortgage deduction in order to reduce the deficit." The House Majority Leader Richard Armey, and Republican presidential candidate Steven Forbes proposed a 17 percent flat income tax that would eliminate all deductions. The chief economist of the National Association of Home Builders noted, in his trade association's magazine, that "frankly, it's possible to find countries with home ownership rates comparable to those of the United States without deductions." He acknowledged that "it's also hard to defend the deduction in terms of equality or fairness" (Seiders 1995). The housing industry and housing activists could find common cause in supporting this progressive reform.

#### **HOUSING VOUCHERS (\$50 BILLION, HHS)**

The original Clinton/Cisneros plan proposed turning subsidized projects into private market-rate apartment buildings, then giving tenants vouchers. Housing vouchers are essentially income supplements for the poor. But unlike food stamps and (until this summer's welfare bill) AFDC, vouchers are not entitlements.<sup>12</sup> A universal housing voucher for eligible low-income households would cost about \$50 billion a year. Although most poor families would use vouchers to rent apartments, the program could be

flexible enough to also help them purchase a home.

A housing voucher program should be administered by HHS and regional agencies, which already have broad income-assistance responsibilities. It should be available to the working poor as well as the welfare poor.<sup>13</sup> It would help guarantee that poor children would at least have a roof over their heads and that families would not have to scrimp on food or heat in order to pay the rent.

Simply giving all low-income families a housing voucher, however, won't solve the entire problem. Since 1974, we've had experience with different variants of "demand side" voucher programs, called Section 8. More than one million families now have HUD vouchers of some kind. From this experience we know that vouchers work only when there are enough apartments. Otherwise, it's like giving out food stamps when the supermarket shelves are empty. In loose markets, vouchers work well. But in tight markets, problems emerge. During the mid-1980s, for example, half of all tenants with Section 8 certificates in Boston could not find apartments because of the tight market and high rents. We need to increase the overall supply of housing, as discussed in the next section (Goering, Stebbins, and Siewert 1995).

Even with a universal voucher, other obstacles remain. Racial minorities have trouble finding apartments with vouchers, even in markets with many vacancies (Finkel and Kennedy 1992). Landlords still often discriminate. That's why there are "Section 8 ghettos" in many cities. For example, Fischer (n.d.) found that over half the Section 8 families in suburban Chicago live in just seven suburban communities, six of which are in nearby suburbs.

Large families and the elderly also have trouble finding apartments they can afford. There are few private market apartment buildings with 3- and 4-bedroom units; even fewer that accommodate the handicapped and the elderly. HUD typically required large apartments and some handicapped-accessible apartments in subsidized projects. Private developers are unlikely to build apartments for large families, even those with vouchers.

A possible by-product of this universal voucher program would be to help relieve the increasing concentration of the poor in high-poverty neighborhoods. For example, Chicago's Gautreaux program, run by a metropolitan-wide, nonprofit agency, provides support to Section 8 certificate-holders to help them find apartments in the area's suburbs. Because the program is small and relatively invisible (about 4,500 participating families in almost 20 years), it has been successful and relatively uncontroversial. When HUD tried to replicate this success with a small "Moving to Opportunity" program in five cities in 1994, opposition from one area-Baltimore's inner-ring suburbs led Congress to cancel it after the first round (Rosenbaum et al. 1993; Carson 1994; Mariano 1994; Peterson and Williams 1994; Waldron 1994; Polikoff 1995; Rosenbaum 1995; Dreier and Moberg 1996). Suburban "snob zoning," which keeps out apartment buildings (and the poor and minorities), compounds both the overall housing shortage and the geographic concentration of the poor (Downs 1991; Schill and Wachter 1995a, 1995b). Some suburban communities have adopted "inclusionary zoning" policies to address this problem (Mallach 1984; Peterson and Williams 1994). But unless the federal government uses some carrots and sticks to address snob zoning, and increases enforcement of laws against landlords' discriminatory practices, these problems won't go away. If HUD isn't going to do this, who will?

## COMMUNITY DEVELOPERS (\$5 BILLION, HUD)

HUD should be in the housing development and neighborhood improvement business, not the voucher (income support) business. It should do business exclusively with nonprofit, community-based organizations. In the past few years, an increasing proportion of the major federal programs have been allocated to nonprofit housing groups. HUD should make the nonprofit sector the major delivery system for the creation of affordable housing. In fact, a recent report by the business-sponsored Committee for Economic Development (1995) recommended focusing national urban policy on these nonprofit community groups. HUD should target about \$5 billion a year for housing development and repair sponsored by community-based, nonprofit groups. That translates into about 200,000 to 300,000 homes and apartments a year. Whether its funds go to states or cities, or directly to community developers, HUD should attach some important strings:

First, the nonprofit sponsors should either create limited-equity, resident-owned cooperative housing developments or, if the developments are rental, provide residents with a strong voice in management.

Second, all HUD-assisted developments (whether new construction or rehabilitation) should be mixed-income and small enough to blend into existing neighborhoods. Current housing policy (such as the Low Income Housing Tax Credit) makes it almost impossible to create mixed-income developments or turn existing low-income projects into more liveable mixed-income developments. Canada has done this successfully on a large scale, as did England's council housing (Dreier and Hulchanski 1993). HUD should limit the percentage of poor persons in each development to no more than one-half, preferably less. Experience indicates that nonprofit groups should be able to compete effectively with for-profit landlords for middle-class as well as low-income tenants. For example, at Boston's Leighton Court development, built in the late 1980s by a nonprofit group, one-quarter of the 269 units are targeted for market-rate renters, one-half for moderate-income tenants, and one-quarter for the very poor. Well designed and well managed, it has had no difficulty filling its units.

Third, the HUD subsidies would be targeted only for acquisition of land and buildings and for up-front development costs. The nonprofits should have to compete to attract low-income tenants with vouchers.

Fourth, HUD funds for new housing construction should not be limited to inner-city neighborhoods. Some money should be used to help revitalize troubled blue-collar suburbs, as well as to encourage mixed-income housing in more affluent suburban areas.

## **REINVENTING HOUSING PROJECTS: COOPERATIONS, NOT PRIVATIZATION (\$7 BILLION, HUD)**

Under pressure from the Republican Congress, the original Clinton/Cisneros "reinvention" plan called for privatizing the nation's three million units of HUD-subsidized housing projects by eliminating all operating subsidies and making these complexes compete in the private rental market. This is a recipe for disaster. The Clinton administration has backed off such dramatic change, but the political status of the nation's subsidized projects is still in limbo.

Most of these projects are in urban neighborhoods. Many suffer from years of deferred maintenance. Some were poorly constructed, and quite a few are badly designed-ugly warehouses for the poor. If HUD withdraws its insurance and project-based subsidies, some private owners will simply walk away from their projects. (Indeed, many already have.) Privatizing these projects will work only if they are fixed up and redesigned so that people with choices will want to live there. Otherwise, they will be eyesores, slums, and blights on neighborhoods, contributing to further urban decay. HUD projects-restricted to low-income residents-concentrate and segregate the poor in ghettos. The goal should be to turn these projects into mixed-income developments, owned by public housing authorities, nonprofit groups, and resident cooperatives. HUD should adopt a two-part strategy.

\*First, HUD should continue to provide successful, well-managed public housing agencies with operating subsidies to stay in business; these comprise at least one-half the current units. HUD should follow some simple principles: Loosen the rules to allow working-class families to live there and to give resident organizations the authority to set standards for eviction, in order to make projects work as functional communities. Link residents to job training, child care, and other services. Operating subsidies and social services for half the inventory would come to about \$3 billion.

\*Second, HUD should turn over troubled public housing developments and privately owned subsidized projects to nonprofit groups and resident-owned cooperatives. This will require continuation of HUD oversight, but with a 10-year goal of "cooperatizing" (not just "privatizing") these taxpayer-funded housing developments. It won't happen if (as in the original plan) this step is expected to unload most of the three million units within five years.<sup>14</sup>

The second step cannot happen overnight. In the past decade, HUD has had some success with "buyouts" of subsidized projects by resident organizations and nonprofit community groups (Peterman 1993). But it takes time to organize and educate the tenants, build leadership, and create effective organizations. Most resident organizations need to start with short-term goals, such as improving security and services in their developments. Resident groups should get technical and financial assistance to organize. ACORN is doing this in public housing with success. Other groups are doing this with private Section 8 housing.

This plan doesn't mean simply turning over the keys for existing projects to the tenants or nonprofit developers. It also requires HUD to provide funds to fix them up. About \$40 billion (\$4 billion a year for 10 years) is needed to completely modernize, redesign, and repair the inventory of HUD-assisted projects, recognizing that some developments should simply be torn down, others reconfigured, and others brought up to basic standards.

## **COMMUNITY EMPOWERMENT AND SELF-HELP (\$1 BILLION, HUD)**

Community "empowerment" is consistent with the aims of conservatives and liberals alike, to use voluntary, intermediary community institutions to help rebuild the social fabric-or social capital-of troubled neighborhoods (Kretzmann and McKnight 1993; Putnam 1995). HUD should encourage residents of troubled neighborhoods to organize self-help efforts to improve their communities. This support should come in two forms-support for resident-run organizations in rental housing developments, and support for community revitalization efforts around housing code enforcement and economic reinvestment.

Tenants who wish to organize to improve living and safety conditions in their communities should have the clear right to do so. Congress should enact legislation to provide residents in public housing and HUD-assisted developments as well as in private housing with a vehicle similar to the National Labor Relations Act-a "National Tenant-Landlord Relations Act." To become recognized as the legitimate voice of the residents, a tenant group would have to win a majority of the votes of the residents in a development. An election would be held by secret ballot. HUD, or some third party (such as the American Arbitration Association or the League of Women Voters) would supervise the elections, as the NLRB does in labor-management relations. The law could exempt owners and tenants in buildings or complexes with fewer than, say, 20 apartments.

Once a tenant organization had won a supervised election, it would become the recognized group vis-avis the local housing authority or landlord. Both the tenants' organization and the owner (PHA or private) would have certain rights and responsibilities in terms of management, budgets, tenant selection and eviction, and so on, including the steps leading to resident management and ownership. (Some elements of this process are already in place in the new regulations regarding resident councils and tenant management corporations in subsidized developments.) Experience in public housing shows, for example, that when tenant groups have responsibility for developing the standards for eviction and tenant selection, they are often much more effective than the housing authority is (Peterman 1993).

In public and subsidized housing developments, a tenant association that wins an election and becomes the official voice of the residents in the development should receive funding from HUD on a per capita or per unit basis—in essence, a dues check-off. This funding would be used to hire staff and consultants, buy equipment, rent office space, and operate the tenant association. In addition to setting this funding floor, HUD could encourage tenant associations to raise additional funds through grassroots fundraising, by providing matching funds based on some formula. In private apartment buildings, tenants would have to raise their own funds to maintain the organizations.

Some HUD money should also go to encourage grassroots community organizing, around such issues as crime watches, code enforcement, and especially bank and insurance industry redlining. Much of the success of the nonprofit sector has been due to banks' willingness to make mortgage and construction loans in marginal neighborhoods in order to comply with the federal Community Reinvestment Act. Thanks to grassroots community groups and national networks like ACORN, National People's Action, and the Center for Community Change, community reinvestment has been one of the real success stories of the past decade (Dreier 1991, 1996; Fishbein 1992).

Unlike his predecessors, Clinton has been supportive of anti-redlining strategies, despite opposition from the banking industry, and (with some exceptions) his own bank regulators, including Alan Greenspan, the chairman of the Federal Reserve. Enforcement of fair housing and community reinvestment laws should remain a key part of HUD's agenda. (Clearly, the bank regulators don't want to do it.) HUD has several successful programs (such as "testing" efforts by local organizations) to encourage grassroots enforcement of the CRA and other fair lending laws. These should be expanded.

## **CONCLUSION: BROADENING THE HOUSING CONSTITUENCY**

Housing policy is now defined by its narrow constituency. It is viewed as a narrow "special interest" rather than as part of the broad social contract. It is viewed primarily as a "social welfare" issue rather than as a key component of the nation's economic wellbeing.

The key to solving our nation's housing crisis is to expand and strengthen the constituency for a progressive national housing policy that can link the needs of the poor and the concerns of the middle class. Doing so requires strengthening the organizations that can mobilize their constituencies and, equally important, coordinating these organizational efforts into a coherent strategy that can make an impact on public opinion and public policy.

The policy approach outlined above would help rebuild the political constituency for federal housing policy. The housing agenda has always made the most headway when the concerns of the poor and the middle class were joined. In the Progressive era, that meant improving health standards for tenements for immigrant workers in the teeming slums, as well as building apartment houses for the middle class. In the Depression and the postwar years, it meant building subsidized housing for the working class and shoring up home ownership for the middle class.

Today that common interest means rebuilding communities, not just housing, and restoring the dream of home ownership for millions of Americans who can no longer afford one. This will require changing the way we talk about housing, changing the narrow way we target federal housing subsidies, and changing the way we organize politically.

The root causes of our current urban crisis are directly tied to federal policy during the past half century. The flight of industry and the rise of a low-wage American economy, the suburbanization of housing, the siting of Pentagon facilities and contracts, and redlining by banks and insurance companies can all be traced to federal policy choices, not simply market forces or consumer preferences. Urban programs have been swimming against the larger tide of federal policy that has promoted suburbanization and urban decline. Federal aid to cities—whether to revitalize downtowns, attract private business and jobs to inner cities, stabilize and improve poor and working class neighborhoods, or provide fiscal assistance to local governments—has served, in effect, to do little more than "clean up" the problems created by federally assisted disinvestment. During the past half century, federal subsidies to help America's cities were a drop in the bucket compared to those that promoted suburbanization. It was hardly a fair fight. Federal urban programs were overwhelmed by federal subsidies that undermined the economic, social and political health of the nation's cities.



Today, the vitality of our nation depends on rebuilding our troubled cities and older suburbs. To do this, we must persuade the majority of Americans that they have a stake in this enterprise (Dreier 1995c). Otherwise, urban policy in general, and housing policy in particular, will continue to be an easy target for those who want to reduce the deficit on the backs of the poor and the working class.

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#### NOTES

1. In addition to providing various housing subsidies, the federal government has also sought to monitor and reduce housing discrimination, beginning with the Fair Housing Act of 1968.

2. The \$113 billion figure includes the following:

U.S. Department of Housing and Urban Development, \$26 billion, mostly to public housing agencies, private developers, and private landlords to house some of the poor; U.S. Department of Agriculture's rural housing (formerly Farmers Home Administration) programs, \$3 billion, primarily for loans and direct subsidies to landlords, renters, and homeowners in rural areas; U.S. Department of Health and Human Services AFDC payments for housing costs, \$7 billion; mortgage interest deductions for homeowners, \$51.3 billion; property tax deductions for homeowners, \$14.8 billion; and tax breaks for investors in rental housing and mortgage revenue bonds, \$10.5 billion. The figure for AFDC payments for housing costs comes from Newman and Schnare 1994, who estimate that roughly 30 percent of the federal government's \$22 billion AFDC expenditure represents the housing component of welfare grants. Other figures, for FY 1996, come from Analytic Perspectives (1995).

The \$113 billion figure excludes the Department of Defense's housing subsidies to military families on and off U.S. military bases, which total about \$10 billion annually. It also excludes the housing programs of the Resolution Trust Corporation and the Federal Deposit Insurance Corporation, two government agencies that dispose of the assets of failed commercial bank and

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S&Ls. It also excludes the Veterans Administration (which insures mortgages for veterans), Fannie Mae, the Federal Reserve System, and the Federal Home Loan Bank System.

By 1996, the HUD budget had declined to \$19.1 billion and the various tax expenditures had increased to over \$80 billion. The Department of Agriculture and AFDC figures remained approximately the same.

3. Between 1993 and 1995, the home ownership rate rose from 64.1 percent to 64.7 percent, "brought about by a combination of moderate interest rates, stable home prices, and continued employment growth" (Joint Center for Housing Studies 1996).

4. These calculations assume a conventional fixed-rate 30-year mortgage loan with a 9.51 percent interest rate (the average for that year). Interest rates have declined since 1991.

5. Homeowner deductions for local property taxes account for another \$14.2 billion in tax expenditures. They are equally regressive. The Joint Tax Committee figures on tax expenditures differ slightly from the Office of Management and Budget. I have used the JTC figures in this analysis because it provides data on distributional effects.

6. A HUD study (Casey 1992) using 1989 data estimated the number of poor renters eligible for HUD assistance at 13.8 million. A Harvard study (Joint Center for Housing Studies 1995) using 1993 data put the figure at 13.4 million. Regardless of which figures are used, the federal government's allocation of housing and income assistance (AFDC) for the poor—the former administered by HUD, the latter by HHS—is very unequal and inefficient. Of the 13.4 million low-income renter households in 1993, 7.4 million did not receive income or housing assistance; 1.9 million received both housing and income assistance; the other 4.3 million received either housing or income assistance (Newman and Schnare 1994; Joint Center for Housing Studies 1995).

7. The biggest secrets about public housing are that most of it is well-managed, and that the majority of units are in small and mid-size developments. But many older projects in the big cities are physically isolated, high-rise ghettos, underfunded and poorly maintained. About 86,000 public housing units are "severely distressed," many of them vacant, because of the lack of funds for ongoing maintenance and repairs. Once targeted to the working poor, public housing has increasingly become home to the extremely poor. Today, the median household income in public housing is only \$5,850-19 percent of the national median income. Only about 40 percent of its non-elderly households have a wage earner. There are about 900,000 families on the waiting lists for the nation's public housing apartments. This is true even though many local housing authorities have closed off their waiting lists because it takes several years (or more) to get into an apartment—evidence that public housing is, in the eyes of many clients, a preferred option to the private rental market (National Commission on Severely Distressed Public Housing

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1992; Vale 1993; Lazere 1995; Public Housing Demographics 1995; U.S. HUD 1995b).

8. The theory behind "devolution" is that states and cities will fill the funding gap through new taxes and fees. The experience from AFDC suggests otherwise. In every state, benefit levels have declined for over a decade; they are now far below the official poverty level. (States set benefit levels and then receive matching funds from Washington). Moreover, the wide disparities in benefit levels are not tied to the cost of living in general or housing costs in particular. For example, the maximum monthly AFDC grant for a four-person household is \$144 in Mississippi, \$330 in Georgia, and \$458 in New Mexico (Dolbear 1996a). These grants do not correspond to the states' costs-of-living or their fiscal capacities. They reflect differences in political will. The new welfare law will simply exacerbate these disparities.

9. Since the mid-1970s, however, progressive regimes have governed a number of American cities. Housing issues have played a key role in mobilizing their electoral and governing coalitions. Some of these progressive regimes took root in smaller cities, mostly with university settings, such as Cambridge, Madison, Berkeley, Santa Monica, and Burlington, but there have also been successful progressive electoral coalitions in Cleveland, San Francisco, Chicago, Boston, St. Paul, Pittsburgh, and elsewhere. In these cities, progressive activists achieved electoral success and sought to use local government to promote an agenda of economic and social reform (Clavel 1986; Krumholz and Forester 1990; Clavel and Wiewel 1991; DeLeon 1992).

10. The Boston Housing Authority was in a different category than the rest of the city's "housing delivery system." When Flynn took office in 1984, the BHA had been in court-ordered receivership since 1979, following years of mismanagement and blatant segregation. The Receiver, Harry Spence, was given broad powers to clean up the 18,000-unit agency and brought in a diverse team of managers, planners, developers and organizers. Soon after Flynn took office, the Housing Court judge returned the BHA to city control, although he continued to monitor its activities.

11. A Time/CNN national poll, conducted by Yankelovich Partners on May 10-11, 1995, found that 68 percent of the public supported a reduction of the limit on the tax deduction from \$1 million to \$300,000 in mortgage principal. Source: Memorandum, Yankelovich Partners, Claremont, CA, May 16, 1995.

12. Criticizing his fellow Democrats for scrapping the AFDC entitlement, and Vice President Gore in particular for remarking that welfare should help mothers buy diapers, Senator Daniel Moynihan (D-NY) said, "We are about to repeal part of the Social Security Act of 1935, and Democrats are talking about diapers? Forget the diapers; what about the rent?" (Heilemann 1996).

13. Housing is by far the largest expense in the budgets of poor households, whether their income is from their jobs, AFDC, or both. It is also the most variable expense, given the big differences in housing costs in different

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parts of the country. A universal housing allowance, with rent levels pegged to local housing markets (as Section 8 currently is) would be the most sensible version of welfare reform, since current AFDC benefit levels bear little or no relationship to local housing costs (Dolbeare 1996a).

14. The financing and operating costs of these mixed-income developments would be covered by the housing subsidies outlined earlier. Low-income residents would be able to use their housing vouchers to pay rent or to purchase shares in the cooperative mortgage. Working-class residents could use the homeowner tax credit to help cover their share in cooperative mortgages.

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