

Housing Policy's Moment of Truth

PETER DREIER

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In Washington these days, HUD is about as popular as mosquitoes. But there's a way to make housing more affordable without the old bureaucracy.

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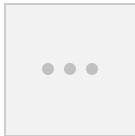
At least one million Americans, including an increasing number of children and working adults, are homeless at some point each year. About half of young families can't afford the American dream of homeownership. Yet both the Clinton administration and congressional Republicans

favor dismantling long-standing housing programs for the poor, and some in Congress want to eliminate the Department of Housing and Urban Development (HUD) altogether.

The moment of truth for federal housing policy has arrived. Hardly anyone can be found to defend the agency. "Politically, HUD is about as popular as smallpox," reports the *Washington Post*. The department is typically associated with public housing projects, big cities, and the welfare poor, and under Reagan and Bush it became identified with mismanagement and corruption. So conservatives get to look like good-government reformers, even as they throw out the housing baby with the HUD bathwater.

The United States devotes more than \$100 billion a year to housing subsidies, less than one-quarter of that through HUD. The Departments of Agriculture, Health and Human Services (HHS), and Defense provide subsidies as well, but none contributes as much as our phantom housing agency, the Internal Revenue Service, through the home mortgage interest and property tax deductions. Doubtless, much of the \$100 billion in federal subsidies is ill directed. The progressive alternative is not a reflexive defense of existing programs but a reformed housing policy that targets federal support to those who need it, relies less on bureaucratic programs, and emphasizes the role of nonprofit and community organizations in building, owning, and managing housing for poor and

working-class families.



TURNING POINTS

Among Western democracies, the U.S. relies most heavily on private market forces to house its population. Government's role dates primarily from two turning points in our history. At the turn of the century, tenement reform laws set the precedent that local government would set standards and regulate housing safety. During the 1930s, the public housing programs and banking reforms

of the New Deal established the federal role in expanding homeownership and providing subsidies to the poor. The Depression convinced reformers that the private market and philanthropy could not solve the economic and housing problems of the poor. Some of the earlier Progressive Era housing reformers, joined by a younger generation of activists and union leaders, pushed for public housing as well as union-sponsored cooperative housing and new communities guided by cooperative principles.

From the New Deal to the late 1970s, federal policies stabilized the banking industry, giving lenders greater incentives to make long-term loans to homebuyers. Washington also subsidized local public housing authorities and private developers to build low- and moderate-income housing. Every president from Franklin Roosevelt to Jimmy Carter, Republicans and Democrats, increased federal housing assistance.

We may now be at a third turning point. Reagan started to dismantle the federal role in housing; Clinton and the new Republican majority may finish the job. In December the president and HUD Secretary Henry Cisneros unveiled a plan to "reinvent" HUD. The administration's plan would streamline and consolidate HUD's crazy-quilt programs and hand the funds over to cities and states. It also calls for a dramatic cutback in HUD's mission by virtually eliminating funds for existing subsidized housing developments with about three million low-income apartments.

In truth, much of what's under attack should be cut. HUD is too top-heavy and inflexible; its programs are often poorly run. But HUD has also had many success stories that warrant expansion. If housing programs are simply cut rather than transformed, the trends toward increased homelessness and declining homeownership will only get worse.

AMERICA'S HOUSING DECLINE

For thirty years after World War II, Americans made steady progress toward broader homeownership and improved housing. By the 1970s, two out of every three American households owned their own dwelling. The size and quality of housing improved for both middle-class and poor families; for example, the proportion of dwellings without plumbing, electricity, and other basic amenities plummeted dramatically. Many poor people still lived in slums, but the major housing problem confronting both the poor and the middle class became "affordability"--how much of their income they needed to pay to keep a roof over their heads.

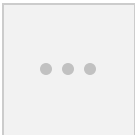
Calling for a new approach to housing based on "free and deregulated markets," the Reagan administration slashed the HUD budget from \$30 billion to \$9 billion, deregulated savings and loans, and did little to enforce laws against discrimination in housing and lending. When the press uncovered the HUD scandal in 1989, Congressman Newt Gingrich, the *New Republic*, and others called for abolishing the agency. But the Democratic Congress stymied efforts to cut HUD even further, to sell off more than a handful of public housing projects, and to penalize cities with rent control.

Since the 1980s, America's housing situation has gotten much worse, not only for the poor but also for the middle class. The homeownership rate, which had reached 65.6 percent in 1980 after climbing steadily since the 1940s, fell back for the first time, to 63.9 percent in 1989. For those aged 30 to 34, the rate dropped from 57.1 percent to 53.2 percent. As a result of both rising rents and declining incomes, nearly one-fifth of all renters devoted more than half of their income to meet housing costs; 43 percent of low-income renter households paid at least half of their income for housing. Measured in 1989 dollars, the median monthly gross rents paid by poor households living in unsubsidized housing jumped from \$258 in 1974 to \$359 in 1991. The number of low-cost apartments has dwindled, much of it lost to urban renewal, condominium conversion, and

gentrification. Between 1975 and 1991, the number of unsubsidized low-rent apartments fell from 6 million to 4.4 million, while the number of families in poverty increased significantly.

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. Demand for emergency shelter services has increased by about 20 percent a year during the past decade. Since the early 1980s, the composition of the homeless population has changed. The initial stereotype was an alcoholic or mentally ill middle-aged man or "bag lady"; now the homeless include families, even many with young children. A recent U.S. Conference of Mayors survey found that almost one-quarter of the homeless have jobs.

Racial segregation in housing continues, much of it due to economic factors. Recent studies document, however, that minorities experience discrimination by lenders, landlords, and realtors regardless of income. 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.



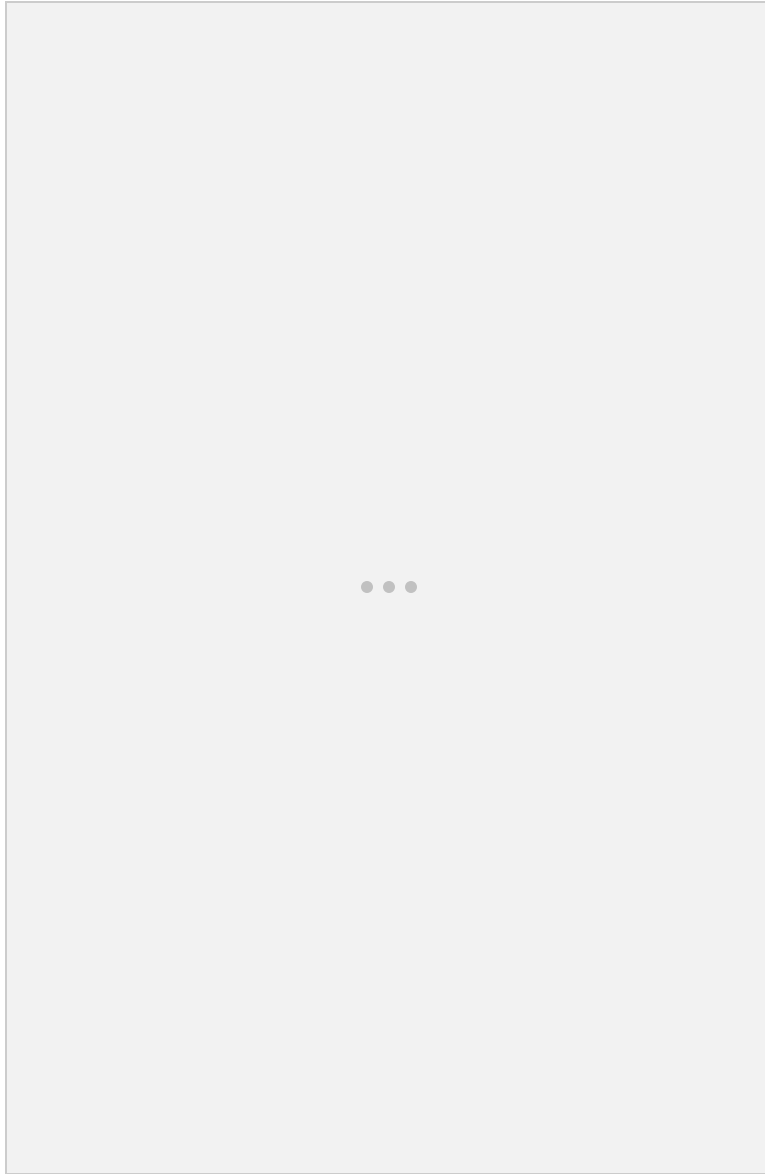
HUD AND THE `HOOD

But don't we have HUD to help house the poor? If these problems are so bad, say conservatives, clearly the agency has failed.

Here are the basic facts about HUD: Its current budget of \$25.6 billion, most of which is targeted to the poor, amounts to 1.7 percent of the federal budget. With these funds, less than one-third of the nation's poor renters receive any federal housing subsidy. Of 13.8 million low-income renter households eligible for federal housing assistance, almost 10 million poor households receive no help.

Most HUD-subsidized projects are well run, but quite a few have been mismanaged by incompetent public housing agencies and greedy slum landlords who took the subsidies but failed to maintain their properties. Over the years, HUD has used little leverage to make these agencies and landlords live up to their obligations. In some cases, they milked these properties for their tax

breaks and then walked away from the buildings entirely, leaving HUD to foreclose and become



ghetto slumlord.

Moreover, most projects were located in segregated neighborhoods. Local housing agencies and landlords argue, with some justification, that federal rules requiring them to house only the very poor are responsible for some of the problems. Many HUD-subsidized projects have, in fact, become ghettos filled with troubled families, some of whom engage in crime, join gangs, participate in the underground drug economy, and live on welfare and food stamps. These "distressed" projects (as HUD calls them) cast a giant shadow on the entire enterprise, stigmatizing "government housing" as housing of last resort. [See John Atlas and Peter Dreier, "From 'Projects' to Communities: How to Redeem Public Housing," *TAP*, No. 10, Summer 1992).

Over the years, people from across the political spectrum have urged HUD to either fix up troubled projects or tear them down. Conservatives had opposed fixing them up on the ground that it would simply be pouring good money after bad. As a result, modernization of HUD-subsided projects has proceeded slowly, with some dramatic successes but insufficient funds to change the overall picture.

Liberals have generally opposed tearing down even the worst projects. They fought to force HUD and local housing agencies to fix them up, but they have also argued that with the scarcity of low-cost housing, living in even the most distressed projects was a better alternative than living on the streets. Liberals also fought to require public housing agencies and private landlords with HUD grants to give priority to the poorest tenants and used the courts to expand renters' rights, making it difficult to evict difficult tenants.

As a congressman and as Bush's HUD Secretary, Jack Kemp tried to appeal to both constituencies. "Empower" the poor, he said, by helping the residents of HUD-subsidized projects become managers and homeowners. Kemp's idea sounded good. After all, it had worked in England, where Margaret Thatcher gained blue-collar support for selling off public housing to the tenants at reduced prices. But the plan didn't make much sense on this side of the Atlantic. Many middle-class families lived in England's public housing, which was in sound physical condition. In the U.S., the restriction of subsidized housing to the very poor now means that its tenants cannot pay for routine operating expenses, much less the cost of major repairs required in many older and run-down buildings. Despite warnings from HUD staff, Kemp plunged ahead with this Homeownership Opportunities for People Everywhere (HOPE) program but soon discovered that few tenants wanted to buy their buildings under those conditions. Only a few thousand units have been sold.

THE CLINTON PLAN TO REINVENT HUD

Housing advocates had high hopes for new HUD Secretary Cisneros, former mayor of San Antonio and a seasoned politician. His subcabinet appointments included many of the nation's leading urban policy scholars and activists, who had long been waiting for a chance to put their ideas into action. But faced with a huge budget deficit and a Congress unwilling to pass even a modest stimulus package, the Clinton administration faced severe constraints. Almost the entire HUD budget has been committed to existing contracts for subsidized housing. The Democratic Congress also stymied several of Cisneros' innovative initiatives, frustrating his attempts to reinvigorate HUD after more than a decade of mismanagement and downsizing.

Last December, faced with the possibility that his entire department would be killed, Cisneros presented Clinton with a plan to "reinvent" HUD. Clinton announced it the day after his "middle-class bill of rights" speech. The plan calls for HUD to consolidate 60 narrow programs into three broad ones. Instead of having many small housing and community development programs targeted to specific groups and micromanaging how these funds are spent, HUD would send funds to the states and cities and let them decide how to use them, with only a few strings attached.

The most dramatic change is the eventual elimination of almost all federally assisted housing projects and their replacement with housing vouchers. These projects include the 1.3 million units of public housing and the roughly 1.7 million units of subsidized projects owned by private landlords and developers and insured by FHA. Currently, tenants in both public and private subsidized projects pay 30 percent of their income for rent, while HUD pays the rest and often subsidizes renovations.

The plan is basically to privatize almost the entire inventory of HUD-assisted projects--more than three million units in all. HUD will provide local housing authorities and private developers with funds to renovate their projects, though it has no estimates about how much the renovations will cost. The department will also restructure its FHA-insured mortgages on private apartment

projects to lower rents. After the renovations, the public and private owners will be on their own, required to compete in the private housing market. The three million families and elderly tenants who now live in these buildings will receive vouchers to help them pay rents in private apartments. If the landlord wants to keep them and the vouchers enable them to cover their rent, they can stay where they are. Or they can use their vouchers to find apartments anywhere they want, even in the suburbs.

Under this plan, HUD will no longer have to monitor thousands of public housing agencies and landlords to make sure they comply with HUD's income guidelines, building maintenance standards, and other regulations--a task federal officials were never good at, anyway. Instead, HUD's job will be to provide poor tenants with housing vouchers and wish them luck finding apartments.

Simply giving low-income families a housing voucher, however, won't ensure that they can use it. Since 1974, we've had experience with housing-voucher programs; about one million families now have HUD vouchers of some kind. The lesson is that vouchers only work when there are enough apartments. During the mid-1980s, for example, half of all tenants with vouchers in Boston could not find apartments because of the tight market and high rents. Even in markets with many vacancies, racial minorities have trouble finding apartments with vouchers. Landlords discriminate. Groceries have to accept food stamps; landlords can refuse families with vouchers. Large families and the elderly also have trouble finding apartments they can afford. HUD typically requires large apartments and some handicapped-accessible apartments in subsidized projects. Private developers are unlikely to build apartments for large families, even if they have vouchers.

Suburban "snob zoning," which often excludes apartment building (and the poor and minorities), compounds the housing shortage. Unless the federal government uses carrots and sticks to limit snob zoning and vigorously enforces laws against discrimination, these problems won't go away. If HUD isn't going to do this, who is?

Housing activists correctly worry that, under the Clinton-Cisneros plan, the three million families now living in subsidized projects will get vouchers that will be good only for three years. They worry that it will look like Clinton's welfare plan--three years and you're out. Will HUD renew them? Tenants with temporary vouchers aren't much of a lobby.

At various times since the November elections, Republican leaders, including Speaker Newt Gingrich and Majority Leader Bob Dole, have urged eliminating HUD. "You could abolish HUD tomorrow morning," Gingrich said, "and improve life in most of America." Senator Launch Faircloth of North Carolina, the new chairman of the HUD oversight subcommittee, announced, "I think we need to put this department to rest." In the end, neither the House nor Senate Republican budgets eliminated HUD entirely. But in May, the Congress slashed \$6.3 billion from the current (1995) HUD budget, or about one-fourth of the total. Funds for existing public housing projects and subsidized developments were expected to take the brunt of the cuts. The Republicans were also planning to cut about one-fourth of the budget for the seven-year period beginning in 1996. Some view this as the first phase in dismantling the agency. Gingrich has been candid about the reasons for HUD's vulnerability. Its "weak political constituency," he told the Washington Post, "makes it a prime candidate for cuts."

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. Federal policy helped the blue-collar working class achieve the middle-class American dream of homeownership. Public housing for the poor was accepted on the premise that it would serve as a stepping stone to upward mobility.

HUD's current constituency, however, consists primarily of those who have a stake in housing the poor: big-city mayors and local housing bureaucrats, private developers and speculators, and poor people and their advocates (often identified as "do-gooders"). Many Americans now believe that

federal low-income housing programs reward a combination of government bureaucrats, politically connected developers, and people who engage in antisocial or self-destructive behavior.

A PROGRESSIVE HOUSING PLAN

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 almost-poor. Some form of government support is necessary to make housing affordable for the poor as well as for growing segments of the troubled middle class.

Second, it should help rebuild the social and economic fabric of troubled neighborhoods overwhelmed by unemployment, concentrated poverty, crime, drugs, abandoned buildings, and hopelessness. Expanding self-help should be a priority: Residents especially need opportunities to mobilize on their own behalf.

Third, it should stimulate homebuilding and homebuying, particularly for the middle class, a strategy whose multiplier effects are well known. In doing so, it should target government help to those who could not otherwise achieve the American Dream.

In the plan proposed here, the HUD bureaucracy would be cut by 75 percent within ten years, and it would be out of the income assistance business; instead, HHS would administer housing vouchers for the poor. HUD would not run our proposed progressive tax credit for homeownership. It would be responsible primarily for upgrading and gradually selling off the inventory of subsidized projects to residents and community groups. Its major ongoing responsibilities would 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.

GRADUATED HOMEOWNER TAX CREDIT: \$50 BILLION

Most young families starting out today are shut out of the homebuying market. To expand homeownership for the middle class, we should scrap the homeowner deduction entirely and replace it with a refundable progressive homeowner tax credit.

Currently, all mortgage debt and local property taxes are fully deductible on federal tax returns. These deductions, which cost the federal government \$64 billion last year, primarily benefit the affluent. Those with the highest incomes and the most expensive homes (including second homes) get the largest subsidy. Almost half (44 percent) of the mortgage subsidy, which cost \$51 billion, goes to the 5.2 percent of taxpayers who have incomes above \$100,000. Half of all homeowners do not claim deductions at all. Tenants, of course, don't even qualify. As a result, the average break for households with incomes above \$200,000 is worth \$8,457, while the break averages just \$486 for the 2.8 percent of households with incomes below \$30,000 that receive any deduction at all. Contrary to the rhetoric of the real estate industry, these deductions aren't the salvation of the middle class. Only one-fifth of the 28 million households with incomes between \$30,000 and \$50,000 receive any homeowner subsidy.

The new progressive tax credit we are proposing 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 reach a much broader income range. The credit could be adjusted for regional housing costs in order to avoid penalizing homebuyers and homeowners in such high-cost areas as California.

A tax credit would be much more efficient as well as fairer 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 homeowners. The wealthy would continue to purchase homes with or without a tax subsidy. Because housing demand is more elastic at low and middle incomes, a \$50 billion annual homeowner tax credit could make the difference between renting and owning for millions of working families. And it involves no bureaucracy.

The Federal Housing Administration (FHA), whether a part of HUD or a semi-public agency, would continue to provide mortgage insurance for working- and middle-class homeowners to help lower the required downpayments and closing fees.

The progressive tax credit could eventually gain the support of a broad constituency, including the housing industry lobby. By increasing the demand for homes, it would increase homeownership, catalyze homebuilding (helping builders, brokers, and lenders), generate jobs, stimulate economic growth, and add to local tax bases. The housing industry has vigorously resisted any reform of the homeowner subsidy, but with the deduction under assault across the political spectrum, the industry may be able to find common cause with housing activists in supporting progressive reform.

HOUSING VOUCHERS: \$50 BILLION

The Clinton-Cisneros plan proposes turning subsidized projects into private market-rate apartment buildings, then giving tenants vouchers. Like food stamps, housing vouchers are income supplements for the poor, but they have not been entitlements. A housing voucher for all eligible low-income households would cost about \$50 billion a year. Although most poor families will use vouchers to rent apartments, the vouchers should also be usable to purchase a home.

The voucher program should be available to the working poor as well as the welfare poor and be administered not by HUD but by HHS. It would help guarantee that the nation's 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. Alternatively, the poor could get a housing tax credit.

COMMUNITY DEVELOPERS: \$5 BILLION

During the past decade, nonprofit community-based organizations have demonstrated their growing capacity to build and rehabilitate housing for families that private developers and landlords don't serve. HUD should target about \$5 billion a year for housing development and repair sponsored by community-based groups. That translates into about 200,000 to 300,000 new homes and apartments each year.

Without subsidies, it isn't profitable to build housing for the poor. When HUD's production subsidies dried up in the 1980s, private developers walked away from inner cities. Into the vacuum stepped a new generation of housing reformers with deep roots in these neighborhoods. Perhaps the only silver lining in the Reagan and Bush housing cuts was the emergence of nonprofit housing developers. Today there are at least 3,000 such groups. Rooted in their communities, they have been sponsored by neighborhood associations, churches, social agencies, tenant groups, and

unions, and have found increasing support from foundations, local governments, and business partnerships.

The first generation of community developers in the 1960s and `70s included many 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. Still, they have accomplished a great deal.

In most other industrial nations, the "social sector" plays a key role in the provision of human services and housing. The community developers are the kind of "intermediary" institutions that conservatives and liberals both extol. [See Peter Dreier and J. David Hulchanski, "Affordable Housing: Lessons from Canada," *TAP*, No. 1, Spring 1990.]

In the past few years, an increasing proportion of the major federal programs has been allocated to nonprofit housing groups. HUD should make the nonprofit sector the major delivery system for the creation of affordable housing. Whether its funds go to states or cities, HUD needs to attach some important strings:

- The nonprofit sponsors should either create limited-equity resident-owned cooperative housing developments or, if rental, provide residents with a strong voice in management.
- Whether new construction or rehabilitation, all HUD-assisted developments should be mixed-income. Current housing policy makes it almost impossible to create mixed-income developments or to turn existing low-income projects into more livable mixed-income developments. Canada provides an excellent model. 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 both middle-class and 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, the development has no difficulty filling its units.

- HUD subsidies should 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.
- 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. We need to build political alliances between central cities and inner-ring suburbs, many of which have become "urbanized" and have similar problems--poverty, fiscal troubles, physical decay, job loss, homelessness, and crime. For example, in 1990, 42.4 percent of the poverty population lived in central cities, 30.5 percent lived in suburbs, and 27 percent lived in non-metropolitan areas.

"COOPERATIZATION" OF HOUSING PROJECTS: \$7 BILLION

The Clinton plan would privatize the nation's three million units of HUD-subsidized housing by eliminating all operating subsidies and making these complexes compete in the private rental market. This is a recipe for disaster. Most subsidized projects are in distressed urban neighborhoods and suffer from years of deferred maintenance. Many were poorly constructed and quite a few are ugly warehouses for the poor. If HUD withdraws its insurance and project-based subsidies, some private owners will simply walk away from their projects. Privatizing these projects will work only if they are fixed up and redesigned so that people with choices will want to live there.

HUD projects restricted to low-income residents concentrate and segregate the poor in ghettos. 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, it should continue to provide operating subsidies to the successful, well-managed public housing agencies, which account for at least one-half of the current units. HUD should follow some simple principles: If it ain't broke, don't fix it. Loosen the rules to allow working-class families to live there and give resident organizations the authority to set standards for eviction. Link residents to job training, child care, and other services. The operating subsidies and social services for half the inventory will 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 some continuing HUD oversight, but with a ten-year goal of "cooperatizing," not just "privatizing," these developments. In the past decade, HUD has had some success with "buyouts" of subsidized projects by resident organizations and nonprofit community groups. But it takes time to organize and educate the tenants, who should begin with a goal of improving the developments. Resident groups should get technical and financial assistance to organize. ACORN and other community groups have succeeded in such efforts.

Unlike Kemp's HOPE program, this doesn't mean simply turning over the keys to existing projects to the tenants or nonprofit developers. It requires HUD to provide funds to fix them up. About \$40 billion is needed to completely modernize, redesign, and repair the inventory of HUD-assisted projects. Some developments should be torn down, others reconfigured, and still others brought up to basic standards. Over a ten-year period, that's \$4 billion a year.

COMMUNITY EMPOWERMENT: \$1 BILLION

Community empowerment is consistent with the aims of conservatives and liberals alike to use voluntary intermediary community institutions to help rebuild the social fabric of troubled neighborhoods. Tenants who wish to organize to improve living and safety conditions in their communities should have the clear right to do so. The federal government should enact legislation to provide residents in public housing developments, HUD-assisted developments, and private housing with a vehicle similar to the National Labor Relations Act--in effect, a National Tenant-Landlord Relations Act.

To become recognized as the legitimate voice of the residents, a tenants 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 a third party such as the American Arbitration Association or the League of Women Voters would supervise the elections. The law could exempt owners and tenants in buildings or complexes with fewer than, say, 20 apartments.

Once a tenant organization wins a supervised election, it would become the recognized group vis-à-vis the local housing authority or the owner of the development. Both the tenant organization and the owner would have certain rights and responsibilities in developing solutions, including 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 standards for eviction and tenant selection, they are often more effective than the housing authority.

In public and subsidized housing developments, tenant associations that win elections and become the official voice of the residents in the development should receive funding from HUD on a per capita or per unit basis. This funding would be used to hire staff and consultants, buy equipment,

rent office space, and operate the tenant association. HUD could encourage tenant associations to raise additional funds through grassroots efforts by providing matching funds. In private apartment buildings, tenants would have to raise their own funds to maintain the organization.

Some HUD money should also go to encourage grassroots community organizing around such issues as crime watches, code enforcement, tenants rights, 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 to comply with the Community Reinvestment Act (CRA). Community reinvestment has been one of the real success stories of the past decade, thanks to such grassroots groups as ACORN. Unlike his predecessors, Clinton has been a big fan of antiredlining strategies, despite opposition from the banking industry, the Federal Reserve, and (with some exceptions) his own bank regulators. HUD has several new programs to encourage grassroots enforcement of the CRA and other fair-lending laws. What will happen to the federal government's antiredlining enforcement efforts? These need to be expanded because the bank regulators don't want to do it.

BROADENING THE CONSTITUENCY

That's the \$113 billion plan:

- \$50 billion a year in tax credits to help working-class and middle-class families become (or remain) homeowners;
- \$50 billion a year to provide vouchers (or tax credits) for every poor person;
- \$5 billion dollars a year to help community-based developers build and repair mixed-income developments in troubled neighborhoods;
- \$7 billion a year (for ten years only) to preserve well-run public housing and upgrade troubled HUD-subsidized housing projects so they can be turned over to resident groups and nonprofit groups to compete in the marketplace;

- \$1 billion a year to empower residents in rental housing complexes and poor neighborhoods.

This approach 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 apartments for the middle class. In the Depression and the postwar years, it meant building subsidized housing for the working class and shoring up homeownership for the middle class. Today it means rebuilding communities, not just housing, and restoring the dream of a home of their own for millions of Americans who can no longer afford one.

Figure 1: Where Government Housing Subsidies Go

(Pentagon subsidies to house military personnel, about \$10 billion annually, are not included here.)

\$64 billion: Mortgage interest and property tax deduction for homeowners

\$26 billion: HUD subsidies to public housing agencies, private developers, and private landlords

\$13 billion: Tax breaks for wealthy investors in rental housing and mortgage revenue bonds

\$7 billion: Welfare payments

\$3 billion: Rural subsidies

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Figure 2: Who Gets Housing Aid

The majority of eligible low-income households do not receive any help:

Eligible, but do not receive housing aid: 9.7 million

Receive aid: 4.1 million

How those who receive help get it:

Housing certificates or vouchers: 1.06 million

Public housing units: 1.36 million

Private subsidized developments: 1.65 million

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