Preservation Actors — Past and Present A Trip Through the Players: From 1960 to 2000 — and Beyond

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Abstract

This paper discusses the players in the delivery of low-income housing from 1960 into the next century. It attempts to analyze characteristic roles for federal, state, local, and private-sector actors and point to changes in these roles over time.

Activities that are not controversial and not overly expensive will continue; others will fall by the wayside. Unscathed actors, with some redefinition, will continue to survive, while flawed performances will cause some providers of low-income housing to fail. Eventually, a set of actions and actors capable of promoting sustained housing delivery will emerge. The world will be much different after 2000, however, than it was in the 1960s. Public and private roles will be almost totally reversed, as will be the scale of their activities.

Introduction

The following essay discusses the ebb and flow of key housing preservation players[1] over 50 years of federal, state, and local involvement in the provision of low- and moderate-income housing. The thrust of housing policy at these three levels of government is clearly evident. The initial duplication of services and the final sorting of roles also become quite clear. This evolution lends potential insight into preservation roles that may be appropriate in the future.

The essay begins in the wonderful, socially concerned decade of the 1960s, in an almost irresponsible rush toward low-income housing production on a wide scale. The social safety net of housing had never received such attention. A variety of programs at the national level — spurred by the omnibus Housing Act of 1964, the awakening of housing finance agencies, the opening up of public housing to the most disadvantaged families, and the deteriorated state of private-sector, low-income housing — contributed to a decade of plenty in terms of public and quasi-public low-income housing production.[2]

In the 1960s, the public sector, and particularly the federal government, is viewed as the caretaker of the poor. The private sector, while providing 90 percent of the housing that is occupied by low-income families (most of it in reasonably decent shape) is nonetheless viewed as a source of unacceptably high-priced and poor-quality housing. There is a cry for more public involvement.

One moves from the 1960s to the 1970s, wherein the United States for the first time envisions itself as a resource-constrained economy. Reacting to recessions, the fuel embargo and accompanying high fuel prices, and skyrocketing inflation and interest rates, the housing programs of the 1960s, many keyed to interest rate subsidies, fall on hard times. Public housing becomes an inoperable ghetto too visible for congressional support, housing subsidy programs are too expensive, and the nation discovers that physical construction of low-income housing ultimately solidifies and extends racial segregation. National housing policy moves toward fair-housing efforts and vouchers (public purchase of private-market housing) as a way of avoiding concentrations of the poor and the public subsidy of revamped ghettos. The quest for low-income homeownership grows as state housing finance agencies focus their attention in this direction.[3] The public sector's role in low-income housing assistance is rethought in terms of both long-run costs and short-run results. The questioning of public involvement first affects bricks-and-mortar subsidies with a moratorium, and then permeates other types of direct housing assistance.

In the 1980s, the costly housing programs of the past, believed now to be ineffective, are rejected with a vengeance. New construction authorizations for public housing are significantly limited, as the U.S. Department of Housing and Urban Development's (HUD) budget authority is redirected in some measure to modernization of existing units. The remaining federal physical housing subsidies of the 1970s are cut to the bone, and a philosophy of "trickle down" is clearly invoked. Middle-class homeownership is encouraged as a way to release units for families at lower levels of the economic ladder. The voucher program, now including Section 8 certificates, is expanded, as is the idea of low-income homeownership.

A serious attempt is made to determine the potential to sell off public housing. The social safety net of housing is perhaps at its lowest point, as isolated and uncoordinated state and local efforts remain among the few producers of new family housing for the most disadvantaged of society.[4] The public sector, especially at the federal presence, is being removed from direct housing assistance. There is no immediate answer as to who will fill the gap. State and local governments make some effort, and the private sector begins to play a more central role in the form of both small nonprofit efforts and statewide affordable-housing strategies.

In the 1990s, with household formation rates at 80 percent of the prior decade and with the elderly comprising 25 percent of new households, the thrust at the federal level continues to be to expand the number and array of housing vouchers: at the state level, the emphasis is on low-income homeownership and assistance to elderly renters; at the local level, it is on direct construction of neighborhood-integrated, low-income housing reflecting heightened fair housing and antiexclusionary zoning efforts. There is a noticeable shift to locally spurred private production of low-income housing with help from a variety of selected deep subsidies from the state where needed. Led by New Jersey and California, states encourage the concept of local housing elements that provide standardized approaches to the production and maintenance of affordable housing.[5] A nationally acceptable procedure for calculating low-income housing need begins to emerge.

Private sector provision of affordable housing grows at the local level. This growth is based on community desires to retain existing zoning unchallenged and a simultaneous quest to preserve a local labor market. During the 1990s, a reasonably standard structure of delivery and maintenance of affordable housing delivery emerges. The public sector is not nearly as dominant a player as it had been 30 years ago.

In the decade beginning with the year 2000, the rate of household formation is half that of the previous decade, and 30 percent that of the 1980s. Nationally, housing is no longer viewed as the ominous problem it once was. The proportion of new households requiring assistance is half the former, and municipalities have accepted a role in affirmative and affordable housing provision.[6]

Federal public housing after 2000 falls to less than 900,000 units and is two-thirds the number of units existing just two decades before. The federal government, on the other hand, is now supporting more than double this number of vouchers or certificates in all areas of the country. State housing finance agencies are consistently solid players in low-income homeownership activities, and they also participate in the subsidized retirement market.

The private sector, spurred by the aggressive, fair, and affordable housing activities of local government, now routinely includes two low-income units within every ten building permit requests. There is a housing department, much as there is a recreation department, in every municipality The housing department performs a management and accounting role as it oversees both affordable housing controls and the income qualification of prospective residents.

Over time, the differing roles of the public and private-sector actors have become increasingly clear. The federal government maintains about one million housing units in public housing for the very poor. It augments these activities by providing about double that amount of housing vouchers.

The state government writes down the cost of selected housing by offering low- and moderate-income homeownership opportunities. On a somewhat smaller scale, there is sustained state involvement in financing rental units for the elderly.[7] The state also is involved in the oversight and coordination of affordable-housing delivery efforts sponsored by local governments.

The local sector, with public coordination of private delivery, has become the dominant housing actor. Overseen by the state government through a separate council or commission, each municipality is in the affordable housing business. The municipalities' goal is to preserve two out of every ten units built for below-market occupancy. As mentioned previously, the carrot for this approach is that communities are free from exclusionary zoning suits, and the zoning they are comfortable with may remain essentially intact. With the local assumption of affordable housing activities and with reduced numbers of low-income households to provide for, affordable housing post-2000 is not the problem that it was viewed as being some 50 years earlier. While difficulties remain in some sectors, low-income families are, by and large, reasonably well provided for in an integrated social safety net.

The decade of the 1960s

Federal housing activities

Direct public housing construction. The 1960s was an era of one of the largest amounts of direct public construction for low-income families. Toward the end of the decade, there were federal budget authorizations for a significant number of new public housing units. The inventory expanded by one-half (600,000 to 900,000 units) from 1965 to 1970. This expansion was also believed by some to coincide with the beginning of the demise of public housing. Changes in public housing rules, reflective of the Brooke Amendment, allowed incomplete families, as well as those of least income, to occupy public housing units. Public housing occupancy, heretofore dominated by complete and "high-end" working families, took a redefinitional step and began a journey in which it would become a repository for the very poor and those least able to generate income for rent.

Nonetheless, after the unrest in the central cities in 1967, prompted, it is believed, by inadequate private housing, public housing authorizations received a significant boost. New construction delivery moved to an all-time high (an increment of 200,000 units from 1968 to 1970), and public housing operating revenues (to make up the difference for those who could not pay) became a recognized part of the federal budget. Public housing (new construction and existing structures) represented approximately 60 percent of federal housing expenditures, and 40 to 50 percent of overall public and quasi-public expenditures (federal, state, and local) for housing.[8]

Physical construction housing subsidies. The mid to late 1960s also was a point of emergence of indirect housing subsidies to low-income families. This was the consolidation of Sections 221(d)(3), 221(d)(4), and other Housing and Urban Development Act of 1965 subsidies into ownership housing interest-rate (Section 235) and rental housing interest-rate subsidies (Section 236). It represented the much-vaunted partnership concept for addressing the nation's problems with affordable housing. Authorizations for these two programs from the Housing and Urban Development Act of 1968 were significant and would grow through the Housing and Community Development Act of 1974. The 1961 Consolidated Farmers Home Administration (FmHA) Act amended the Housing Act of 1949 to include loans (Section 514) and grants (Section 516) for farmers to purchase housing and for nonfarmers in rural areas to purchase housing as well. The Housing Act of 1964 further increased grants under the FmHA Section 516 program to pay up to two-thirds of the development costs of housing for farm laborers.[9] This housing act also spawned the Section 312 rehabilitation loan program, one of the most versatile and longest-running rehabilitation subsidies ever initiated.

The last half of the decade, extending into the end of the first term of President Nixon, saw physical construction housing subsidies reach their highest levels. This development was driven by the social priorities of the 1960s and their lingering effects more than by an equivalent sentiment in the early 1970s. Also significant was the continuance of the Section 202 program of rental housing for the elderly. Housing for the elderly, first unearthed as a separate need category in the Housing Act of 1959, was strongly supported during this era and grew in significance through the Housing and Urban Development Act of 1970.

Housing vouchers. Housing vouchers, which help low-income families (with certain restrictions) to purchase housing on the private market, were only an experiment at this time. The Housing Act of 1965 authorized precursors to the voucher program, including the rental assistance program, which granted income-related subsidies to tenants of privately owned housing units, and the Section 23 program, wherein the federal government leased standard housing at market prices and subleased the units to low-income households. In both of these cases, the household did not receive housing subsidies directly.

The Housing and Urban Development Act of 1970, under Title V, Section 504, authorized $20 million for an experimental program to be tried in two locations (Pittsburgh-Allegheny County, PA, and Phoenix-Maricopa County, AZ) for a period of three years. The trial would affect about a thousand families in these two locations. At this point, however, public housing — even though it contained the seeds of its own destruction — was a relatively successful program, housing subsidies were present in all forms, and other state and local efforts were growing significantly and contributing to an extraordinary, albeit duplicative, array of housing programs.

The idea of housing vouchers was that the government was not putting all of its "eggs" into large-scale, bricks-and-mortar efforts. Vouchers offered the potential of scattering units in less minority-concentrated neighborhoods, which the federal government could walk away from if the neighborhood became unsuitable or if operating costs became excessive. Families participating in this program would pay no more than 25 percent of their incomes for housing, and the federal government would pay the difference between that amount and the fair market rent. Certain restrictions applied to participating housing units, as well as participating occupants. By the beginning of the 1980s, this program was serving up to 50,000 families.[10]

State housing activities

Housing finance agencies. The major activities of state housing finance agencies (HFAs) in the late 1960s involved packaging low-income multifamily rental and cooperative housing developments. These projects used HUD Section 235 and 236 interest-rate write-downs. Almost all of these efforts by state HFAs involved some type of favorable tax treatment of the project by the federal government. Thus, much of the highly praised activity of state HFAs is performed in part at the expense of the federal government. From here on, the influence of state HFAs as a preservation player grows, but, it must be realized, they often come to the table with someone else's money.[11]

Middle-income housing assistance. Also during this era state efforts to provide rental housing subsidies for the middle class were initiated. The Mitchell-Lama program in New York and the Fox-Lance Act in New Jersey, as well as other equivalents nationally, provided an initial surge of publicly assisted housing for the middle class. Assistance (soon to be short lived) took the form of tax abatement (15 percent of gross shelter rent), interest rate subsidies (1 to 2 percent below prime), and municipally provided land or infrastructure. Further, the mortgage pay-out period was extended to as long as 40 years.[12]

Local housing activities

The local public housing authority (LPHA) and model cities. The 1960s represented the middle of the period of targeted housing assistance. Thus, the remnants of strong model cities agencies were clearly present at the local level. These agencies received federal grants in low-income urban neighborhoods to plan and operate programs designed to meet local needs in housing. As such, they became the coordinators of most entitlement programs locally.[13]

Municipal government. Municipal government activities relating to housing primarily involved code enforcement activities. In addition, the municipality often undertook relocation studies as part of urban renewal or entitlement program activities. There was generally no direct housing activity through the central offices of municipal government. This lack of central municipal power would result in a restructuring of federal housing delivery in 1974.

Nonprofit agencies. Nonprofit housing sponsors, often in the form of church groups, started to become involved as direct sponsors of housing. This trend was frequently related to the Section 221(d)(3) and 202 programs as well as to the emerging Section 235 and 236 programs.[14]

The roles of various players of the 1960s and 1970s are summarized in table 1.

Table 1. **Housing Players in the 1960s and 1970s**

Player	Activity
Federal government	Significant public housing (both actual and pipeline) Significant and multiple public subsidy programs Beginnings of a housing voucher program Significant tax advantages for sponsors of low-income housing
State government	State HFAs packaging HUD Section 235, 236, and 202 programs Low-income elderly rental assistance Low-income homeownership assistance
Local government	Coordination of entitlement grants Establishment of entitlement money pools based on need estimates and hardship indices Integration of housing with economic development objectives Leveraging private sector monies

The decade of the 1970s

Federal housing activities

Direct public housing construction. In the 1970s, public housing began to come on hard times. Following the Nixon-imposed moratorium of 1973,[15] the number of new public housing authorizations was placed on hold in fiscal year (FY) 1974, and remained on hold until the beginning of the 1980s. A six- to ten-year flirtation with public housing, during which time public housing subsidies doubled and the physical presence of the structures and the troubled conditions in and around them became more visible, was enough to sound the death knell for new public housing construction. In 1966-67 public housing represented almost 100 percent of HUD direct housing subsidies. In 1976, it constituted half;[16] in 1990, it represented barely one-quarter of all HUD subsidies (FmHA not included).

Physical construction housing subsidies. Physical construction housing subsidies in the form of HUD Section 235 and 236 programs continued to be present until the beginning of the Carter Administration in 1976. The Housing and Community Development Act of 1974 essentially replaced these remaining categorical programs with a broad, sweeping subsidy (Section 8 housing program) geared directly to low- and very low-income families. The stipend, paid by HUD, was in the form of both a mortgage interest rate subsidy and a direct payment to landlords for the difference between 25 to 30 percent of a tenant's income and the fair market rent. HUD's commitment to a landlord was for a period of 20 to 30 years.

The mortgage interest rate subsidy, as well as the landlord payment, grew precipitously as interest rates and housing costs skyrocketed in the late 1970s.[17] From 1977 through 1983, Section 8 was the major subsidized housing production program in the United States. It grew from nothing to $1.2 billion during the Carter Administration, was double that level in 1990, and currently represents about half of all federal outlays for housing.

Housing vouchers. In the 1970s, housing vouchers underwent a period of testing. The United States spent $150 million on its Experimental Housing Allowance Program (EHAP) over the ten years between 1973 and 1982. The program was divided into three major tracks: two demonstration sites to test the household demand response to housing allowances over a three-year period (Pittsburgh and Phoenix); two sites to measure the market supply response to housing allowances over a ten-year period (Allegheny County, PA, and Maricopa County, AZ); and eight sites to examine the administration of a housing allowance program and the costs associated with its delivery over a two- to three-year period.[18]

Building on EHAP experience in 1974, the Section 8 program adopted a modified form of the housing allowance, termed the Section 8 certificate. The Section 8 certificate pays a monthly stipend to landlords of privately owned housing representing the difference between fair market rent and 25 percent of the household's income.[19]

State housing activities

Housing finance agencies. State housing finance agencies in the 1970s presided over many of the HUD Section 235 and 236 projects that they had committed to in the late 1960s and early 1970s. In the middle and late 1970s, market interest rates rose so markedly that the participation of state housing finance agencies in the housing sector diminished significantly. One strong front during the lean years toward the end of the decade was the agencies' continuous involvement in the HUD Section 202 programs of rental housing for the elderly. At the end of the 1970s, housing finance agencies in the Middle Atlantic states were packaging construction and permanent financing for more elderly-targeted units than for any other type of construction in their portfolios.

Middle-income rental subsidies. Middle-income rental subsidies also went by the board as interest rates climbed. At the same time, there was broad-based agreement that in troubled economic times, middle-income housing subsidies as a national priority could not be justified.[20] Middle-income subsidies took a new twist, however. This was the decade of the seal-up, of alternative fuel, and of other energy-saving strategies of a very energy-conscious America. The United States had reacted to both a fuel embargo and to limited supplies of very high-priced fuel by authorizing through the Department of Energy a variety of energy-related savings subsidies.

Various state government offices coordinated a spate of activity that took the form of grants and loans that subsidized the insulation of homes, the movement to nonfossil fuel sources, and the purchase of energy-efficient heating systems, boilers, ovens/ranges, and other equipment.

The state government (often a state department of energy) was the source of most of these grants and loans. The state government also channeled revenue sharing (State and Local Fiscal Assistance Act of 1972), a portion of which could be used to improve housing-related infrastructure. Much activity toward the end of the decade involved the garnering and "creative use" of these funds.[21]

Local housing activities

LPHA, or Model Cities. By this time, separate Model Cities agencies had lost favor to revenue sharing and community development block grants, which were tendered directly to the mayor. As will be discussed later, there were certain restrictions on both of these sources of revenue in terms of their use for housing construction.

The LPHA was still administering the "flow in the pipeline" of new-construction public-housing funds, which were now targeted for either rental units for the elderly or low-income homeownership opportunities for families.

The realities of the needs of affected public-housing families and their ability to pay sufficient rents to cover operating costs also hit the housing authorities. In the preceding decade, LPHAs had been regulation prone and selective in their tenant mix, yet essentially solvent. They were now in a position of housing a wider variety of family types, many of whom were poor and missing one parent. The tenant mix did not provide much rental income to support operations, and the sites themselves were becoming the locus of crime, drugs, and other problems. As a result, despite the increasing necessity for significant operating subsidies, public housing units were being abandoned, authorities were approaching bankruptcy, and a significant share of public housing stock was being removed.[22]

Municipal government

At the municipal level, community development agencies were growing. These were new agencies spurred by Community Development Block Grants (CDBGs), free of the stigma of the LPHA or Model Cities agencies. They coordinated previously separate urban renewal, neighborhood development, model cities, neighborhood facilities grants, public facilities loans, housing rehabilitation, open space, urban beautification, and water and sewer programs.[23]

These agencies frequently took over the housing function and attempted to broaden their activities by packaging housing efforts with various forms of nonresidential development. Urban Development Action Grants (UDAGs) (Housing and Community Development Act of 1977) were also coordinated by these agencies, and again housing was packaged as part of a comprehensive economic development strategy for a neighborhood.[24]

The tenor of the times was against publicly sponsored housing production and for public seeding of job production. The phrase of the day was "leveraging the private sector," and this was much more possible from nonresidentially sponsored than from residentially sponsored activities. Further, full employment would lead to enhanced household income, and ultimately the ability to purchase more housing.[25] Housing subsidies, on the other hand, were synonymous with economic burden, and to be avoided as public policy in clearly difficult economic times. Notwithstanding all of this, the decade of the 1970s saw more housing and more publicly assisted housing produced in the United States than at any other time in history. Yet, the message was also clear: No more public housing subsidies were to be tied to the direct physical production of housing. If anything, housing subsidies were to be in the form of vouchers to assist in stimulating the low-end private portion of the housing market.

Nonprofit agencies. Nonprofit agencies continued to participate in flow-in-the-pipeline federal and state housing programs. These agencies, now beginning to amass experience, were able to contract for managerial and packaging assistance and, as such, to climb aboard the leveraging-private-assistance bandwagon. Overall, however, nonprofit housing sponsors were receiving a confused message. They ultimately developed serious self-doubts about whether they could manage the housing that they were attempting to package.[26]

The decade of the 1980s

Federal housing activities

Direct public housing construction. New public housing authorizations slowed precipitously during the 1980s, and new construction received only 20 percent of HUD's budget authority after 1985. Through a national "creative-thinning" process, the worst of public housing was abandoned and demolished.[27] During the mid-1980s, HUD let a contract to the University of North Carolina to investigate the possibility of selling the remaining public housing units to their current occupants. The results of this study concluded that a significant share of public housing units must remain as public housing. Paralleling this finding was an increase in HUD budget authority for existing units occupied by the abject poor and by special populations (i.e., families on Indian reservations), and for units located in areas with high housing costs such as Boston, San Francisco, and Manhattan. Other units in reasonably good neighborhoods could be sold as long as they had the potential to appreciate in the medium term and be an economic asset to their buyers.[28]

Thus, the policy toward public housing during this era was to allow natural attrition throughout the system; recognize housing in certain functional categories that would never change hands and direct public-housing modernization funds to them; and finally, to provide for ownership transfer during the 1990s of a small number of units in good neighborhoods that would be purchased by current residents. The last goal remains today a wish rather than a reality and could probably be applied to less than 10 percent of the 2,000 existing housing authorities, whose portfolios range from 100 to 100,000 units. Units not lost or sold are to be retained by default to serve the very poor in most locations or the relatively poor in selected locations.

Physical construction housing subsidies. Except for small efforts in the Section 202 program directed to the handicapped, and the Urgent Relief for the Homeless Act (1987), which generated a stipend for the homeless, bricks-and-mortar housing construction funds had become very thin by the end of the 1980s. Federal assistance for new activity in low-income housing was cut by 75 percent between FY 1981 and FY 1988. CDBG funding was cut by 32 percent, and UDAG funding by 100 percent over this same period. Only the FmHA programs were contributing any numbers of new federally supported housing units. These were in the form of units for farmers, farm laborers, or rural occupants (renters/owners) in the nonmetropolitan areas of many states.

A new problem emerged during this period, however. Many Section 236, 221(d)(3), and project-based Section 8 projects were at risk of being prepaid by owners, thus potentially driving tenants' rents to market levels. This possibility was dealt with through a set of owner prepayment restrictions contained in the Emergency Low-Income Housing Preservation Act of 1987 (and its extensions).[29]

Housing vouchers. The housing voucher program, after the experiments of the 1970s had been reviewed, was extended to more locations and to a broader base of participants. In the middle to late 1980s, vouchers and certificates were serving about 800,000 families, and their range of penetration included most states except in a few selected areas of very high housing costs. For the most part, the program's results have been good and housing services have been extended to needy families without creating physical money slumps in crime- or drug-infested locations.

State housing activities

State housing finance agencies and departments of community affairs. State housing finance agencies and departments of community affairs resumed their roles as significant housing players in the 1980s. The former provided homeownership support through a variety of mortgage-subsidy and other grant and loan programs. The latter provided rental assistance to low-income families, particularly the elderly.

The 1980s was the decade of moderate-income and low-income homeownership. This goal was pursued as at no other time in history. The pursuit led to the production of thousands of single-family, townhouse, and condominium units for the poor. For the most part, these below-market homeownership efforts have survived the short run, and defaults have been kept at a very respectable level.

The state departments of community affairs, besides providing rental assistance, make available a variety of counseling services for nonprofit housing sponsors and also have commissioned a variety of studies on streamlining local permitting procedures and reducing standards for subdivisions and site plans to mitigate the costs of housing. Departments of community affairs (DCAs) have also attempted to coordinate the charging mechanisms imposed on local developers in the form of impact fees. They have sought to provide uniform practices and more rational approaches to minimize this growing source of housing costs. Finally, DCAs are often the focus of statewide affordable housing efforts.

State governments, in reaction to the federal bailout and with the increasing incidence of homelessness, have also become active directly and indirectly in housing production. From 1980 to 1987, 39 states enacted or adopted one or more major new housing programs. These programs were a combination of new and old techniques; for example, direct low-interest loans as well as shared-equity mortgages.

Local housing activities

Local government coordinating the activities of the private sector. Local housing activities during the 1980s have witnessed a movement away from the community development-type strategies of the 1970s to freer and more individualistic approaches to housing the poor. Federal money for housing was essentially nonexistent except in locations unearthed by the HUD housing scandals of the late 1980s. State governments were not a source of deep subsidies, especially in the case of low-income rental family units.

Throughout the decade there was a cry for affordable housing. This caused municipalities first to begin changing their land-use regulations, and then to provide a host of incentives to allow affordable housing to be built. The changes were motivated first because they feared exclusionary zoning suits and later, in a more positive vein, because of an inability to house local municipal and other workers.[30]

The first wave of housing benefitted not very poor, minority families, but rather the moderate-income and lower-middle-income, newly formed, or divorce-affected families. That was because most of the units were ownership units for which occupants had to meet reasonably stringent credit standards. As the decade continued, the target population was more clearly isolated. Affordable housing, within the budgets of local governments, meant targeting to low-income families. It also meant offering a variety of incentives to developers to build low-income housing as municipalities quickly found that they themselves could not pay the tab for ambitious ideas to avoid zoning suits.

Finally, municipalities learned that there may be a linkage between an adequate labor force, sustained economic development, and affordable housing. The private sector was beginning to demand that affordable housing be built to allow a labor force to live near locally desired commercial and industrial development projects.

Employer-assisted housing, absent from the American scene for 50 years, began to come back. Universities, research-oriented firms, and others began to subsidize employees' housing costs through mortgage write-downs, down-payment assistance, and prior-house buyout programs.

The private sector was ready to respond. In a decade that saw a significant switch to ownership and single-family detached or attached housing at relatively low density levels, private developers seized upon the desire for affordable housing to increase density, build more multifamily units, and rediscover a growing market of rental tenure. HUD-sponsored affordable housing case studies throughout the nation drew the same conclusion — cheaper housing could be built if it was smaller in scale, was developed to less severe subdivision or site plan standards, and was able to pass through permitting faster. Developers began to bring pressure on municipalities to impose less severe standards and to review their building product more quickly.

Nonprofit agencies. Nonprofit agencies became more aggressive and took the lead in generating and funding their own housing. Local community-based organizations acquired and rehabilitated substandard buildings, created tenant co-ops, established local rehabilitation loan funds, and administered programs on urban homesteading and sweat equity. Still lacking numbers and unable to create a sustainable wheel, their efforts continued to be overlooked by the housing-policy sector.

The roles of the players of the 1980s are summarized in table 2.

Table 2. **Housing Players in the 1980s**

Player	Activity
Federal government	Severe cutbacks in public housing (began even earlier) Significant cutbacks in publicly assisted housing Significant cutbacks in tax advantages related to low-income housing Expanding role of housing voucher program
State government	Expanding role in elderly rental assistance and low-income homeownership programs Coordinating role of local fair share and affordable housing programs
Local government	Streamline permitting process/reduce development standards Innovative funding for affordable housing purposes Private/public sector partnerships in low-income housing provision

The decade of the 1990s

Federal housing activities

Direct public housing construction. In the 199Os, there is no collective stomach for the construction of public housing family units throughout the nation. Authorizations for new construction of family units are not forthcoming. Authorizations for public housing units for the elderly, which slowed to a trickle, receive new pressure as the proportion of total households that is elderly begins to rise from 12 percent in 1980 to 24 percent in 2030.[31]

The results of studies begin to depict a population living in one million public housing units nationally, give or take 100,000, necessarily served by a "social service safety net of housing." Public housing is directed to families who cannot be served by the private market or by housing assistance vouchers. The upshot of this policy is a sustained level of HUD outlays to refurbish and maintain select public housing complexes.

Physical construction housing subsidies. Physical construction housing subsidies reemerge in one vein — housing for the elderly. A heightened and repackaged HUD Section 202 program again puts subsidy money on the street for rental units for the elderly. The only other direct physical construction subsidies are a continued small but steady output for homeless or handicapped persons and the most severely affected families in rural America.[32]

Housing vouchers. Housing vouchers or certificates[33] are expanded to include an additional 60 to 70 percent of families currently served by the end of the decade. Criteria for qualifying for vouchers and application procedures are also made more liberal. By the end of the 1990s the voucher program is clearly the dominant vehicle of an increasingly select federal presence in housing.[34]

State housing activities

State governments in the 1990s continue to support the housing programs they feel most comfortable with — housing for the elderly and homeownership assistance for the poor. Housing for the elderly consists of packaging low-interest construction and permanent financing for primarily low-income rental units. Homeownership assistance in the form of interest write-downs in construction and permanent financing continues apace. An increasing share of homeownership assistance is targeted directly to subsidies for a growing market of elderly homeownership.[35] The states continue to experiment with shared-equity contracts with builders, loans targeted to specific areas, low-income loan guarantees, and 100 percent loan-to-value mortgages.

The states exercise a moderately growing role in housing activity of the type described above and also play an expanded role as housing coordinators of local government housing activities. Model fair share plans and the mechanics of their implementation are promulgated and overseen by state agencies.

Local housing activities

LPHAs and local government. The beginning of the 1990s marks the emergence of the local government as a dominant housing provider. The general federal withdrawal as a provider of low-income housing and state governments' decision to limit their roles to the less controversial areas of homeownership for the near-poor and rental housing for the elderly stimulate local government to be a catalyst for low-income family housing.

Reacting to a growing number of exclusionary zoning suits that provided model affordable housing experiments in several states, and also to calls from the community and local chambers of commerce for affordable housing for municipal employees and the local labor force, local government thrusts itself into the position of marshaling forces to produce affordable housing.[36]

These steps take the form of streamlined permitting procedures, model development standards, mandatory set-asides, density bonuses, housing trust funds, linkage fees, and the beginnings of a quota system for all municipalities. And whether these steps are required or voluntary, the clear message is: it is now time to look at local regulations and development procedures in terms of affirmatively incorporating housing opportunities for low-income housing. Housing and the police power no longer merely involve such physical protections as sufficient light and air, but encompass a whole range of required activities surrounding housing availability and sufficiency. The concepts of regional housing responsibility, job-housing linkages, and labor force benefits in the form of housing come front and center. Local governments, just as they provide library services, are now in the business of providing housing services.

Nonprofit agencies

Nonprofit housing agencies now actively seek the private sector almost exclusively for funding of their activities. Because of the leveraging by the private sector in the past, associations have developed between it and nonprofit housing agencies characterized by mutual support for common housing activities. Nonprofit housing agencies link with employer-assisted housing programs to generate more and more privately sponsored assisted housing.

The roles of the players in the 1990s and beyond are summarized in table 3.

Table 3. **Housing Players in the 1990s, 2000, and Beyond**

Player	Activity
Federal government	Sustained moderate level of public housing involvement Increased level of housing vouchers (income support and shelter assistance) Limited block grants/entitlement programs for impacted areas or special populations
State government	Fair housing enabling acts State housing partnerships Elderly rental assistance programs Low-income homeownership assistance programs
Local government	Housing trust funds Fair share plans Nonprofit housing development (coordination/ training) Private sector low-income housing production (mandatory set-asides; density bonuses) Integrated production (with market units) of low-income housing

2000 and beyond

Federal housing activities

Direct public housing construction. Only 1,000 housing authorities remain throughout the United States, and they control about 1.2 million public housing units. Approximately 10 percent of these units are no longer functional due primarily to neighborhood blight. The federal government seeks to relocate tenants, demolish the units, and tender the property as surplus to the host municipality.

The federal government has divided another 80 percent of public housing units into three categories of modernization attention — significant, moderate, and minor — and has authorized modernization funds in each category. The best 10 percent of public housing units are incrementally being sold to tenants with ten-year affordability controls and noneviction clauses for those who choose not to buy.[37]

For those public housing units retained by the federal government, improved — and, in most instances, privately contracted — management is sought. The federal government sees itself as having a significant role here and attempts to perform as a competent and professional housing overseer. It conducts a continuous evaluation of tenant mix, locational impacts, and management procedures as contributors to acceptable living environments. To the degree that a mode of operating combinations appears to emerge, the federal government uses this mode to shore up the least functioning locations. Active oversight is essential both to preserve this stock of one million units and to allow it to achieve its purpose of delivering safe, sound housing and an acceptable living environment to those who cannot be housed elsewhere.[38]

Housing vouchers. The housing voucher program continues strongly and encompasses more than two million households by the year 2010, an increase of one million households over the latter part of the 1980s. The standard of limiting housing costs to 30 percent of a tenant's income is no longer an absolute; the percentage now falls within a sliding scale that is higher at the upper end of ability to pay and lower at the bottom end. As the voucher program grows, it begins a process of fine tuning. For instance, the units to which vouchers are applied are solidly tied to the imposition of housing quality standards. Housing vouchers are available as a rent subsidy only for housing units that are sound, uncrowded, and free from the most severe neighborhood conditions. Further, housing vouchers are able to be packaged with additional tenant money and rents may be higher than 30 percent of income, so that users of this program can shop for more appropriate housing, such as housing in better public school systems.[39]

State housing activities

Housing finance agencies and homeownership. State housing finance agencies continue the heretofore-mentioned loans and grants to expand low-income homeownership nationally. Housing finance agencies, through their professional organization, the Council of State Housing Finance Agencies, share information and standardize programs, thereby allowing a consistent, predictable, and broad-based low-income homeownership offering nationwide.[40]

To achieve low-income homeownership in cases where it normally would not be possible, interest rates are subsidized to several points below the prime rate for loans covering the entire purchase price of the dwelling unit. Returning to the 1960s, a pilot program of moderate- or middle-income loans is extended to families that earn from 80 percent to 150 percent of median. These loans cover 90 percent of the purchase price, and interest rates are subsidized to a level somewhat closer to prime.

Housing finance agencies continue to extend moderate-income loans and low-income rehabilitation loans or grants to preserve the existing housing stock. Home improvement loans, available at several points below prime, extend for a period of 20 years. Home improvement grants are also tendered by state housing finance agencies to owners of very low-income property who are willing to retain the ownership of this property for at least ten years. Other bonuses are available to those who will additionally provide below-market rental quarters to low-income families.

Local housing activities

The private stock of low-income housing. With the growth of the elderly population, a substantial number of families fall within low-income categories and rent on the private market. They are found in small apartment buildings, one- to four-family dwellings, or in portions of single-family houses.

The private sector, as part of a national municipal affordable housing effort, moves to identify these units and provide subsidies for their maintenance. With the extension of these subsidies comes the necessary application of affordability controls to keep them within the low-income sector. A significant campaign of public information is embarked upon to alert property owners to special sources of home improvement money. Local money for housing is augmented with monies for neighborhood capital improvements and public service upgradings. The funds come from an expansion of the community's capital improvement program (CIP), which is now also tied to affordable housing objectives.

The private sector, through affordable housing or fair share programs, continues in the business of providing low-income housing. Low-income housing is an accepted accompaniment of new housing development. First justified as a means to preserve economic health (maintaining the labor force) or to maintain home rule (and avoid exclusionary zoning suits), low-income housing is now viewed as necessary to maintain an appropriate living environment for all Americans. It is widely accepted that there are those for whom housing must be provided, and that the presence of these families in all communities is necessary and productive.

Conclusion

What is clear from this trip through 50 years of federal, state, and local public and private housing involvement is that recognition of the importance of the problem has come full circle but that agreement about who the appropriate actors are has come only half circle. The view that public involvement in housing provision is necessary has also come full circle. In the 1960s, public involvement took the form of a plethora of deep and shallow federal subsidies. In 2000 and beyond, the provision of adequate housing to all is recognized as a municipal responsibility, and since the community cannot afford to do this outright it must offer a variety of carrots and sticks to private market developers to deliver the goods. While the federal government prefers vouchers over building large projects for severely affected populations, local governments embark on a program to encourage private-sector provision of scattered-site housing for those living in currently deteriorated housing, or for those likely to need subsidized housing in the future. The states continue both to play a limited direct subsidy role and to serve as coordinators of local activities.

Federal housing activities

The federal government continues to subsidize housing purchases through voucher programs. This practice enables the very poor to access the same housing that is being offered to families whose incomes are at the upper end of the income range served by local programs for low-income housing.

The federal government also continues a "by-default" program of public housing because the families housed there cannot be reached effectively by state, local, or private efforts. The federal government has a much greater commitment to providing oversight in the future and runs a much tighter ship than has been the case in the past. Scandals within HUD affect all areas of revenue-raising from the public, and no matter how noble the purpose, mismanagement — intentional or not — cannot be tolerated. There can be no more "Robin-HUDing."

State housing activities

State governments continue to support elderly rental units and low-income homeownership offerings. These two thrusts have been very successful for states, and even in occasional failure, touch such a sensitive nerve that their efforts are usually applauded.

The state governments' role in relating housing to growth-management tasks has greatly expanded. As most states move toward encouraging growth-management activities, a housing-needs projection is part of every plan. Prime among this projection of needs is a component dealing with affordable housing. State governments in this role will coordinate and oversee the housing activities of local governments. States will be actively involved in all fair share plans and housing allocation schemes that result from labor force-housing need pairings.

Local housing activities

Local governments now are solidly in the housing production business, but they too want to avoid the pitfalls experienced by the federal government. They prefer to encourage units that are scattered, that are owned by residents, and that require minimal oversight or management. They recognize, however, that they cannot avoid imposing affordability controls, nor can they avoid responsibility for the qualification of prospective tenants. Thus, a layer of bureaucracy has been created that they must reluctantly accept.

The demographics of household production have also changed. The steamroller of household formation observable in the 1970s and 1980s no longer exists. Further, the households requiring subsidizing are more often elderly and single households with some increase in per capita resources within these households. Household formation in the years 2000-2010 will be at 40 percent of 1980-1990 levels, and contain 25 percent more elderly and an equivalent percentage increase in single-person households, many of whom will not require as deep a subsidy as their predecessors. The phrases "fewer households," "elderly or single households," and "less economically affected households" are music to the ears of housing providers.

Thus, the 50-year history of federal, state, and local housing involvement has clarified and honed the roles of each of these providers. The task of providing affordable housing in the future seems well shared and workable. Housing has become a recognized public service that is necessary for both the individual's and the community's well-being, and after 50 years, experience has taught us what to pursue and what to avoid.

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Endnotes

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