

Session 1:

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This session endeavors to sketch the background of today's housing problem from the specific vantage point of the relationship between government housing programs for low-income families and the private sector. Although, as David Listokin points out in "Federal Housing Policy and Preservation," the national government was involved even before 1900 in furnishing special-purpose housing, especially in connection with national defense. It did not become involved in providing housing for civilians not affiliated with the government until the Great Depression of the early 1930s.

Local governments had already concerned themselves with establishing safety and hygiene standards for new and, to a lesser extent, existing housing, but they paid no attention to the concern of our own day — affordability. Listokin points out that federal interest in the housing problem was first excited by the 1933 threat posed to the banking system, and thus to the economy as a whole, by widespread mortgage defaults by owners of homes and farms.

Inevitably, what started as a concern for mortgages and mortgagors soon became a governmental preoccupation with the business sector that connects the two. Real estate in general and home building in particular were as badly hurt as banking. Revived home building, not incidentally, could provide new jobs more quickly than banking for men (in those days) who had already proved their skills.

Listokin's paper makes clear that what emerged from the general crisis can hardly be called a national housing policy. It was simply a series of hasty efforts to try various housing and development proposals. Each had its spokespersons who claimed that decent housing for the working poor or slum clearance or mortgage insurance or home loans to farmers would help meet the challenge of the economic downturn; a social catastrophe as maddening for its inexplicability as for the absence of anyone with a coherent idea for ending it.

Challenged by Nazism's threat to democratic values, the United States emerged from World War II having generally accepted the proposition that the national government would play a continuing role, in good times and bad, in eliminating slum conditions and providing, directly or indirectly, decent housing for families, both poor and of modest but higher income — families who would otherwise have been compelled to live forever in conditions that George Sternlieb and James W. Hughes describe as “intolerable” in their paper, “Private Market Provision of Low-Income Housing.” When they use that term, Sternlieb and Hughes seem to imply that conditions were less intolerable to people actually living in them than to a significant and powerful fraction of the elite who felt themselves bearing moral responsibility for such conditions.

The juxtaposition of the Listokin paper and that of Sternlieb and Hughes is useful and stimulating. Listokin concentrates on the assumptions made by federal government officials in shaping the nation's definition of its role in alleviating housing problems. Sternlieb and Hughes try to pry out of the historical woodwork the nuggets of fact that actually reveal the demographic, economic, and social changes to which federal approaches should have been attuned over the past 50 years and those to which they should now respond.

In his paper, “Preservation of Existing Housing,” William C. Apgar, Jr., sounds a very clear signal. He argues, in rebuttal of evidence interpreted by others as proof of a fairly good supply of housing for the poor, that low-income families in 1990 face a serious shortage of housing that meets “tolerable” standards and that is within reach of their ability to pay. The pith of his argument is that saving low-rent housing — privately and publicly owned — in as good condition as possible and at a consistently low rent, is vital and can often be accomplished with a relatively modest sum of money for minor improvements rather than total rehabilitation.

Apgar and the Hughes-Sternlieb team recognize that the quality of a freestanding home or apartment tends to decline with age, as is the case with many other complex structures. In addition to the deterioration produced by overuse and undermaintenance that Apgar stresses, Hughes and Sternlieb note that overcrowding and reduced amenities are purposeful and, on the whole, rational responses to make it possible for low-income families to re-use properties that were originally intended for consumers with bigger incomes.

Apgar insists, however, that the preservation of existing low-rent units will by no means offer low-income families a supply of such units adequate to their needs. He urges the construction of new units as well, although he recognizes that “funding limitations prohibit the creation of an entitlement housing assistance program.” He suggests that nonprofit agencies and community groups could operate housing successfully and that opportunities for these groups to acquire housing at low cost have been missed in the past and should not be missed again. Apgar offers increased flexibility and closer connections between housing programs that now work at cross-purposes.

Sternlieb and Hughes share Apgar’s concern over the shortage of tolerable housing for low-income families. They emphasize that while the percentage of American families who exist below the poverty line now hovers at about 11 percent, growth in the total population means that the 11 percent of poor families in today’s America includes one million more families than the 11 percent in 1970. But they offer a somewhat different set of remedies; they suggest, though in somewhat veiled terms, that the new construction of housing that is necessary in some markets will be discouraged by a too-vigorous program to preserve a basically unsatisfactory segment of the housing supply.

In all three papers, there are references, oblique in the case of Sternlieb and Hughes, to the potential loss of low-rent units that will result from the maturing of some privately owned, government-subsidized developments of the 1970s. They were built with the understanding that units would be priced at inception so that they would be available for low- or very moderate-income occupancy. After a stipulated number of years, now coming to an end, the developments would be relieved of such regulations. Owners of these developments must make a substantial financial investment to exercise that right; yet there is general fear that many will be in a position to do so, with an adverse, though imprecisely measurable, impact on the supply of moderate- and low-rental housing. While Apgar worries about the consequences of such a change, Sternlieb and Hughes see it as an opportunity. They look for the emergence of “bridge mechanisms,” ways to make it possible for low-income families to continue to use properties that threaten to accommodate higher income renters.

Of all the bridge mechanisms or preservationist programs for maintaining the low-rent character of existing units, none is simpler in concept and more awful in result than rent control. It probably preserved rent levels, in real dollars, for a brief span of years, but it destroyed buildings. Preservationists must be careful, in outlining their programs, to think through the problems of management, including the problem of succession that faces nonprofit agencies when their original leaders leave the scene. How likely are similarly charismatic substitutes, with matching managerial talents, to be found?

That speculation invokes the fundamental questions of housing policy that Listokin analyzes in his paper. The search for a firm and consistent policy in a democratically committed government is often futile. Members of a representative legislature like the Congress, one house of which is occupied under two-year leases, find it hard to resist popular changes in point of view. Yet, Listokin energetically sets out to define the elements that circumscribed government housing legislation over the nearly 60 years since the New Deal. He includes five elements: goals, role (of the national government), focus, mechanisms, and coordination. His discussion is useful because it makes clear that a utopian vision of slumless cities and egalitarian homes is the stuff of which party platforms, not houses, are made. Listokin finds at least one consistent role for the federal government; it seeks to aid private industry in the housing field rather than to assume responsibility for providing the housing by direct government action.

A fruitful discussion could follow from this basic statement of national policy. Private enterprise, with rare exceptions — such as universities and, perhaps, hospitals — is most useful when motivated to make a profit. In housing the poor, the primary motivation of government must be construction and management at the lowest possible cost. Extending government credit to private developers of housing seeks to get private industry to accept substitutes for the normal return of a profit based on shrewd investment and efficient operations. Until the passage of the Tax Reform Act, high income tax rates made it attractive for private entrepreneurs to invest in housing because they could profit by selling equity participation to inactive, limited partners who could use tax benefits profitably. As that incentive dwindled, there came the prospect, now feared, of allowing the private owner to shed the regulatory government bosses and raise rents after a number of years of controlled operation.

The ability of a developer to sell a building, designed for low-income occupancy, to higher income tenants after a period of years suggests a brilliantly successful real estate venture. Yet, it simultaneously suggests that the fundamental purpose of the enterprise has been violated by what appears to be a change in the income level of the occupants for whom it was built. To what extent is it really possible to develop a pattern of cooperation on the supply side that will produce housing for families of the lowest income level?

Although Listokin does not raise this specific issue under the heading of “role,” his discussions of that and the other goals and assumptions allow him to spread the panoply of programs that have been devised to provide federal subsidization of housing units. The record makes clear that the nation is still searching for an arrangement between government and private industry that will work. In the end, not one arrangement, but a flexible palette of arrangements, will remain necessary.

The Listokin discussion of the advantages and liabilities of all the alternative concepts and programs offers the reader a unique opportunity to supplement the other papers with an account of American housing history over the past 50 years.

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