

Influences on United States Housing Policy

Robert W. Burchell and David Listokin
Rutgers University

Abstract

This article traces the forces that will affect housing policy in the United States for the rest of the 1990s. This broad and varied set of forces includes demographic and economic factors, government, and shifting societal values.

The forces affecting housing for the coming years are both encouraging and disturbing. The housing future differs markedly for people of different social status and color. An improving economy augurs well for housing, but high minority unemployment, an inadequate social safety net, and other problems suggest otherwise. Despite generally rising incomes, tremendous inequalities remain. Blatant housing discrimination is receding, but significant housing separation by race continues. While America will continue to produce high-amenity housing, affordability is a problem, especially among ethnic and minority populations. The federal government in the future will likely not increase its support for assisted housing, but there is growing involvement of state and local governments, foundations, and community organizations.

Keywords: Housing; Demographics; Affordability

Introduction

Prior to the current administration, the United States spent 12 years returning to its capitalistic roots. This took the form of reducing federal housing subsidies to their lowest per capita levels ever and essentially making a cabinet-level agency, the U.S. Department of Housing and Urban Development (HUD), a shadow of its former self. After a brief respite from 1992 to 1994, Congress, rather than the executive branch, has continued this program reduction.

From 1980 to 1990, new budget authority for subsidized housing in the United States fell by 60 percent, from roughly \$25 billion to \$10 billion, and annual subsidized housing starts plummeted by almost 90 percent, from 175,000 to 20,000 (Stegman 1991). At the federal level, we now build almost no public housing for the poor. Deteriorated housing is inadequately accounted for in the decennial census. Although the American Housing Survey (AHS) is a font of information, it too fails to come to grips with a recognizable measure of housing inadequacy. The homeless in

America are consistently undercounted, and their numbers continue to grow. The problem is simply defined away (Cordray and Pion 1991).

But many do not take the housing “problem” seriously, because it really has ceased to touch most middle-income Americans’ daily lives. For most Americans, single-family ownership of housing is the norm. Many middle-income Americans occupy at least three homes during the course of a lifetime, with the dollar value and square footage per person increasing in each instance. Americans buy their first homes at age 25, seek new neighborhoods when their children approach school age, move (on average) once while their children are of school age, keep the homestead six years after children leave for college, and ultimately move to a retirement dwelling after age 60 (Roberts 1993). At age 75, Americans divest themselves of most property, move from retirement dwellings to senior care homes, and execute living wills.

Between parents’ homes and senior care homes, Americans spend 50 years in private housing of their own. House size has increased while household size has decreased. The majority of new Frostbelt homes offer air conditioning as a standard feature, and one-third of new Sunbelt homes include a fireplace as a necessity. Amenities abound: Many residences have 2.5 bathrooms and a zoning-mandated two-car garage. The vast majority of middle-income Americans have no experience with housing deterioration, crowding, or inadequate kitchens and baths. In the two years prior to the 1989 AHS, 9 million American households repaired or replaced their roofs, and 3 million constructed structure additions (HUD 1990).

Homeownership is imbued in the American culture. Young adults, with the help of family, save for a down payment for their own first home, which is often a condominium, town house, or small single-family residence. A pocketbook reason for the initial home is that it is the first step of economic bootstrapping. Except for the wealthy, or those in the investment business, few Americans use the stock market to accumulate wealth (Hughes and Sternlieb 1987). Thus, the prime vehicle for upward mobility and intergenerational transfer of resources is savings garnered from “investment” in housing. The United States increasingly is a debit, rather than a credit, culture, and one of the disadvantages of a revamped tax policy and low interest rates is that few Americans truly save (Turner and Reed 1990). Thus, it is not uncommon for American families, just before a son’s or daughter’s college years, to have \$100,000 equity in their home

and no more than \$10,000 in a combined checking-savings account.

Increasingly, home is in the Sunbelt. There is continued movement from the Midwest and Northeast of the United States to the South and West (figure 1). These are destinations with better employment and lifestyle linkages. While the bloom is off the rose in southern California because of urban unrest and natural disasters, Nevada and Arizona are booming. So, too, are portions of the East Coast. Whereas a decade ago the main southern destination was Georgia, increasingly now it is Florida or North Carolina. Half of the U.S. population growth between 1980 and 1990 occurred in the southern states.

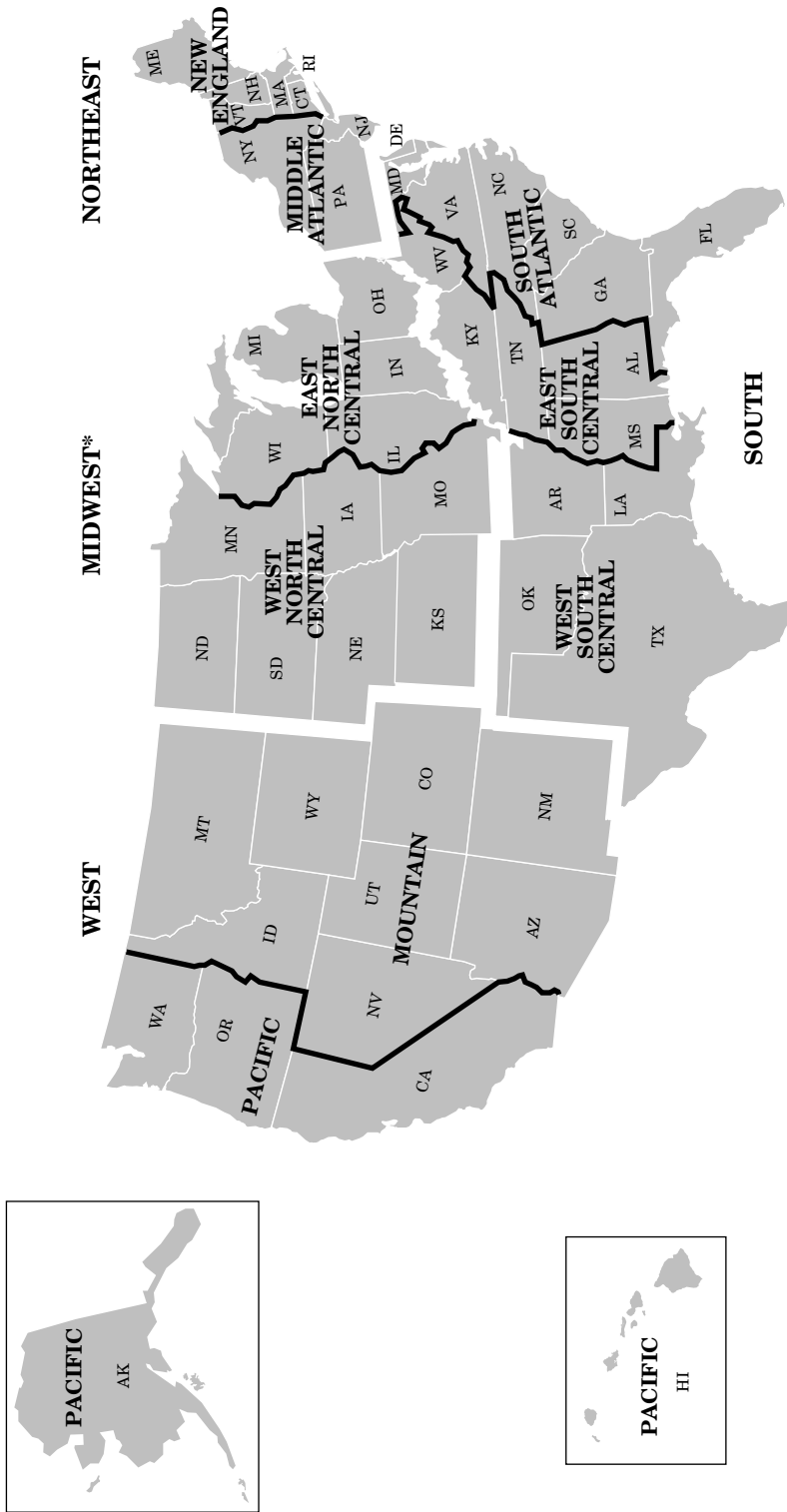
The beltways, freeways, and interstate highways have made 45 percent of Americans suburbanites. Following residents to the suburbs are shopping malls, office parks, and a variety of recreational activities. Americans travel to work as lone drivers of automobiles, and they arrive at work sites that employers have chosen to be close to chief executives' residences. These sites continue to be farther and farther out in the metropolitan area or in nonmetropolitan areas (Burchell and Schmeidler 1993). If commuting is threatened by gridlock or cost, Americans switch their work schedules to avoid rush hour and travel in more fuel-efficient cars. Our most successful public transit is buses from freeway or parkway intercept lots that ride in high-occupancy-vehicle (HOV) lanes. These lots and alternative work schedules are tolerated only because as a culture we steadfastly resist using the HOV lanes for our own cars or making a national commitment to a staggered workday.

Life is comfortable in most American suburbs, and these areas have assumed many basic functions. If you want memorable meals, fine clothing, designer furniture, reasonable theater, and museums, you go to an urban area. Otherwise, you stay in the suburbs, where the schools are usually better and your neighbors are your socioeconomic equals.

Because of greater participation by women in the labor force, suburban life is organized yet hectic. In 1970, 45 percent of women ages 25 to 34 were in the labor force; 20 years later, the figure was 75 percent. Today, two-thirds of preschoolers and three-quarters of all school-age children in the United States have mothers in the labor force.

In 1992 the United States had 87,000 local government units, including 3,000 counties, 36,000 municipalities, 15,000 school

Figure 1. Census Divisions and Regions of the United States



Source: U.S. Bureau of the Census (1994).
* The Midwest Region was designated as the North Central Region until June 1984.

districts, and 33,000 special districts such as fire and rescue, natural resources, and economic development (U.S. Bureau of the Census 1992c). Americans look to local government primarily for public safety and public education.

Safety is important in selecting a primary residence, and we seek the suburbs for such peace of mind—although it is not always realized. Suburban police expenditures are second only to education outlays. If the suburbs cannot provide the security sought, increasing numbers move farther out in the metropolitan area to exurbs, sometimes within the confines of gated communities. Gated communities are particularly suited to the rich and the elderly, who deem personal security worth paying a premium for.

Yet there is another reality of shelter and place in America. The people in Jacob Riis's "other half" live poorly. For at least 250,000 Americans, and possibly millions, there is no home. Released from institutions, sick and preyed upon as well as preying upon others, the homeless are at the bottom of America's shelter hierarchy. For them, a home is a discarded packing crate in clement weather and shelters—sometimes more dangerous than the streets—when the mercury drops.

Others, more fortunate with at least a more permanent roof over their heads, nonetheless face intolerable shelter conditions. The experts say they have "priority" or "worst case" problems—terms that do not adequately convey the impossibility of poor people paying more than half their income for housing or living in units that recall the squalid tenements that shocked the nation when Riis described them almost a century ago.

Homeless people and shabby, inadequate housing are found everywhere—in rural, suburban, and urban locations. However, the cities have the most severe housing problems (U.S. Bureau of the Census 1993b). Many urban neighborhoods are in decay, and few urban school systems can compare with private school or public suburban equivalents. Further, since most crime is crime of opportunity undertaken in familiar places, urban residents are most likely to be the victims of crime.

Where neighborhoods remain good in central cities, housing is typically expensive and serves largely the well-to-do. Even in these locations, the problems of where to park the automobile and educate the young remain. Many urban families of means reject public schools in favor of private schools. If private schools prove too costly, a common choice is to move to the suburbs,

which have superior public school systems. For most of white America, the choice has been the suburbs. As a public policy in housing, governments are now actively considering reimbursing the poor for suburban residence as they, too, seek non-central-city locations and their social and economic advantages.

Numerous scenarios are offered for the urban "solution" (Porter and Sweet 1984). One is that old baby boomers will have their preretirement fling in cities, or that young, electronically oriented baby busters, some of whom have moved to urban areas after college, will find there is no reason to go anywhere else because work and education are accomplished at home (Turner and Reed 1990). Another is that new, nonresidential functions will characterize most second-order cities. Giant health facilities, secondary education complexes, government functions, warehouse space, intercept transit or airport parking, and other uses will replace many middle-class neighborhoods.

Immigration and cultural distinction, rather than in-migration and the melting pot, seem to be the salvation of urban areas: Some city neighborhoods and, with them, parochial schools (of a variety of denominations) are emerging with a new vitality. Whether this is the Chinatown of New York or San Francisco, the Portuguese Ironbound section of Newark, NJ, the Hasidic communities of Brooklyn, the Indian communities of Chicago's South Loop or Boston's South End, or the Cubans of Hartford or Miami, immigration and cultural unity are causing renewed housing demand in cities (Roberts 1993). This is producing a louder cry for improved services, especially public safety and education.

Yet the diversity of America is a phenomenon unrepresentative of place. While there are clear exceptions, the United States is largely black and brown in cities and white in suburbs. It is this division of race by place that is typified by American land use patterns and is the root cause of a variety of social problems and public programmatic responses, including those related to housing.

Forces affecting housing: Demographics

The United States has a population of 250 million people and a population density of 70 people per square mile, or about one person per nine acres. In the northeastern part of the United States, population density is 4.5 times the national average; in the South, it is 1.5 times the average; in the Midwest, it is about

average; and in the West, it is half the average. Three of the four regions of the United States have 50 million to 60 million people each, and the South has 86 million. The Northeast and the Midwest have ceased growing substantially since 1980, each accounting for only 2 million of the 26 million overall population growth between 1980 and 1990. The South and West evenly split the remaining 22 million population growth. During the past decade, the West (53 million people) passed the Northeast (51 million) in total population and is now the third most populous region, behind the South (86 million) and Midwest (60 million) (U.S. Bureau of the Census 1992a).

As of 1990, whites constituted 80 percent of the nation's resident population, blacks represented 12 percent, Asians 3 percent, American Indians about 1 percent, and other races combined 4 percent. From 1980 to 1990, America's population grew by 10 percent. Blacks more than doubled the white percentage increase (6 percent) over the period. The Asian population increased by more than 100 percent, and the combined category of "other races" grew by just under 50 percent.

Hispanics (80 percent Mexican, but also including Puerto Rican and Cuban) increased by 50 percent over the decade and now make up 9 percent of the U.S. population.

The majority of blacks live in eight states—California, Florida, Georgia, Illinois, Louisiana, New York, North Carolina, and Texas; the majority of Asians live in three states—California, Hawaii, and New York; and the majority of Hispanics live in two states—California and Texas (Roberts 1993).

Approximately one-fourth of the United States' nearly 20 million foreign-born population entered the country between 1985 and 1990. The number of foreign-born persons entering the United States has increased steadily since the early 1960s, from 1.5 million in 1960–64 to a peak of 5.6 million in 1985–90. In 1990, about 8 percent of the U.S. population was foreign-born, the highest proportion in the past four decades. One-fifth of the foreign-born are from Mexico. Six in 10 of the U.S. foreign-born are not citizens. One-third of the foreign-born are in California; 15 percent are in New York.

Education continues to increase across the board in the United States. Eighty-six percent of Americans ages 25 to 29 have completed high school, and 24 percent have completed college. Education is translated almost directly to income. For three age brackets (under 25, 25 to 44, and 45 to 64), a person who has

graduated from high school or who has some college education averages 1.5 times the salary of someone who has not graduated from high school. Persons who complete college earn, on average, 2.75 times the salary of those who have not graduated from high school.

With education, the chances of poverty status halve by the above education declensions, but the black and Hispanic incidence levels are always multiples of whites', even standardizing for educational attainment.

The median age of the U.S. population rose from 30 to 33 between 1960 and 1990. As of 1990, average life expectancy at birth is 80 for females and 72 for males.

Characteristics affecting women (marriage, fertility, labor force)

Median age at first marriage over the period 1970 to 1990 increased 3 full years: from 23 to 26 for males and from 21 to 24 for females (table 1). Marriages occurring during the course of a year decreased from 10.5 to 9.5 per 1,000 total population, and divorces increased from 3.5 to 5.0 per 1,000 total population over the same period.

Rates of first marriage and divorce have been fairly stable over the past 15 years following large fluctuations in earlier decades. The first marriage rate for single women 14 to 44 was down by one-third from 120 per 1,000 in 1950 to 80 per 1,000 in 1975; divorce rates per 1,000 married women 14 to 44 doubled from 20 per 1,000 in 1950 to 40 per 1,000 in 1975. In both cases, they have been relatively stable from 1975 to 1990.

The fertility rate at the peak of the baby boom in 1960 was 3.6 children per woman of childbearing age; 15 years later it had declined by half, to 1.8, remaining steady there for a decade. From 1985 on, there has been a slight increase, from 1.8 to 2.1.

Premarital births (women ages 15 to 34 with first birth occurring before marriage) have increased, from 700,000 in the 1960–64 period to 2.2 million between 1985 and 1989. In the 1985–89 period, 22 percent of white women, 70 percent of black women, and 38 percent of Hispanic women had a first birth occurring before first marriage.

Table 1. Demographic Characteristics of the United States

Age at first marriage (years) (1990)	Men: 26.1	Women: 23.9
Fertility rate: women (number of children per woman of childbearing age)	1960: 3.6	1985: 2.1
Premarital births: women ages 15–34 (% of women)	1960–1964	1985–1989
White	8.5	21.6
Black	42.4	70.3
Hispanic	19.2	37.5
Household size (number of persons)	1960: 3.33	1990: 2.63
Household composition (%)	1960	1990
Family households		
Married couples with children	44.2	26.3
Married couples without children	30.3	29.8
Other families with children	4.4	8.3
Other families without children	6.4	6.5
Nonfamily households		
Men living alone	4.3	9.7
Women living alone	8.7	14.9
Other nonfamily households	1.7	4.6
Married couple families with wife in the labor force (%)	1960: 30.0	1990: 58.0
Working wives (%)	1970	1990
All wives	41	58
Without children	42	51
With child under age 6	30	59
With child age 6–17	49	74
Working women with infants (under 1 year of age) (%)*	1976: 31.0	1990: 53.0

Source: U.S. Bureau of the Census (1992b).

* U.S. Bureau of the Census (1993c).

In 1990, more than half of the female population between the ages of 18 and 44 who had given birth within the prior year were in the labor force, up from 31 percent 14 years earlier (U.S. Bureau of the Census 1993c).

Household characteristics (size, composition, presence of children)

A household consists of all persons living in a housing unit. This includes related (family) or unrelated (nonfamily) individuals and those living alone. Because families are having fewer children, and more of the population is living alone, household size continues to decrease. In 1960, average household size was 3.33; in 1990, it was 2.63 (Edmonson 1992).

Household composition has changed from predominantly married-couple-with-children households (44 percent) in 1960 to a more variegated array of households. In 1990 married couples with children were slightly more than 26 percent of all households. This 18 percent distributional change has been relatively evenly filled by other families with children (4 percentage points), men living alone (5 percentage points), women living alone (6 percentage points), and other nonfamily households (singles living together, 3 percentage points). The most precipitous change is in black households, with married couples being replaced by predominantly single-parent, female-headed households. On average, one-third of single parents have never been married. For blacks, the figure is 50 percent; for whites, 22 percent; for Hispanics, 37 percent.

The number of American households grew by 27 percent in the 1970s and by 14 percent in the 1980s. It is projected to grow by 18 percent in the 1990s and by 7 percent between 2000 and 2010. The fluctuations are due to the differing sizes and habits of the baby boom, baby bust, and baby boomlet generations.

The 1990s will see an increase of household formations (a growth from 93.3 million to 110.1 million households) over the 1980s because they are the prime household formation years of the last of the baby boomers and the first of the baby busters. These are the larger halves (in number) of both generations. During the years 2000 to 2010, there will be a slowdown in growth because the second half of the baby busters is small, and the children of the baby boomers will just begin to form households (an increase from 110.1 million to 117.7 million). There will be little growth in households from 2000 to 2005 ("The Future of Households" 1993).

Married-with-children households will decrease by 4.5 percent from 1990 to 2010; married-with-grown-children (ages 18+) households will increase by 10 percent over the period, but this will be marked by initial decline, then rapid growth after the

year 2000. Childless couples will increase by 45 percent between 1990 and 2000 and hold steady until 2010.¹ Single-mother households will increase by 18 percent and single-father households by 38 percent; households with single men and women living alone will increase by 35 percent (“The Future of Households” 1993).

Characteristics of place

Social. When viewing metropolitan-area statistics and comparing central-city versus suburban population growth in the 1980s, very little difference appears in overall population change between these two segments of the metropolitan area. As a matter of fact, central-city population grew faster than its suburban equivalent² on a national average. On the whole, over the period 1980 to 1990, central-city population grew by 15 percent, while suburban population grew by just under 13 percent (U.S. Bureau of the Census 1992a).

When the country’s metropolitan areas are viewed as a whole, growth is not a differentiating factor by suburban versus central-city location: Race is. Central cities have 3 times the percentage of black residents that suburbs do, and 1.5 times the percentage of Asian and other races. Hispanics are located in central cities at a rate twice their incidence level in suburbs.

The central city in all metropolitan areas is a place where nonfamily households exist at an incidence level of 1.5 to 2 times their incidence level in the suburbs. This is true almost without variation for all census divisions of the country. The central city is also a place where female-headed households, those who live in group residences, and single-person households exist at similar differences in incidence rates from the suburbs. The elderly, purely as a type of household, do not distribute themselves differently between cities and suburbs.

Compared with the suburbs, the central city has 50 percent more residents who have only a grade school education and 10 percent fewer residents who have at least a high school education. While the proportion of residents nationwide who have a college education is relatively equal in suburbs and in central cities, on the coasts of the United States central cities trail in the share of the population that has graduated from college. In the heartland of

¹ A dominant component of this group is empty-nester households ages 45 to 64, which will double from 8 million to 16 million between 1990 and 2010.

² Inside metropolitan area, not in central city.

the country, there is a greater proportion of college graduates residing in central cities than is the case for suburbs.

The central city is also a place where, for some, English may not be spoken well or at all. This is primarily due to immigration and is reflected in the percent foreign-born, which is twice as high in central cities as it is in suburbs. This obviously has implications for job placements that require even the most rudimentary levels of communication.

Perhaps the most telling difference of all is in the area of income variation between central cities and suburbs. Median income is 20 percent lower in central cities than it is in suburbs: The percent below the poverty level and the percent receiving welfare assistance in central cities are twice the levels found in adjacent suburbs. Again, except for some tightening up in the differences that exist for median income in the heartland of the country, these trends are uniform across all census divisions.

Economic. The labor force (civilians 16 and over, employed and unemployed) in metropolitan areas increased dramatically between 1980 and 1990. On average, in both central-city and suburban areas, the labor force increased by about 22 percent. Thus, compared with 1980, the percentage increase in the labor force was 1.5 times the increase in population.

While there was significant growth in the labor force, some of which came from a population that is not normally employed, the unemployment rate in central cities increased by half a percentage point relative to the 1980 rate. The 1990 central-city unemployment rate of nearly 8 percent nationwide was 1.6 times higher than the equivalent 5 percent rate for suburbs. The suburban unemployment rate had decreased by half a percentage point over the decade.

“At place” employment, or jobs that exist in a jurisdiction, is the most difficult data to isolate. This is because most social and demographic data are obtained from the U.S. census, which is a sample of people at home rather than at work. There is, however, information on the jobs that residents commute to by the location of that job. Using the locational portion of this data set, it is possible to compare job growth in central-city counties with that in counties in the rest of a metropolitan area. This is where one can witness differences between growth in central cities and the suburbs, especially in the older metropolitan areas.

Central-city counties' employment has grown by barely 20 percent nationally, as opposed to the remainder of the counties in the metropolitan area, which have grown by 24 percent. Even more pronounced in this direction are trends for the Northeast. Here the gap between suburban employment growth and that experienced by the central city is an average of three to one. In the southern heartland and western coast metropolitan areas, non-central-city (suburban) employment growth trails that of central cities by a factor of 1.5.

Central-city residents, at three to four times the rate of suburban residents, are likely not to have an automobile available to them. On average, slightly more than one-fifth of central-city residents have no access to an automobile. The equivalent figure for suburban residents nationally is about 6 percent.

Except in the Northeast, 80 to 90 percent of central-city residents and 90 to 95 percent of suburban residents drive to work. In 8 of 10 instances they drive alone. Except in Boston, Chicago, New York, Philadelphia, Portland, San Francisco, Seattle, and Washington, DC, only 5 to 10 percent of central-city residents and 1 to 3 percent overall of suburban residents use public transit.

Travel times tend to be low and about the same for central-city and suburban residents because people tend to live near where they work. The preponderance of those who live in the suburbs work in the suburbs (50 to 60 percent); those who live in central cities work in central cities (60 to 80 percent).

Fifteen to 20 percent of central-city residents travel to the suburbs to work, and 5 to 8 percent travel outside the metropolitan area. Suburban residents are twice as likely as central-city residents to work outside their place of residence. Thirty to 40 percent of suburban residents commute to the central city, and 10 to 12 percent commute to locations outside the metropolitan area.

When traveling to work, considering all modes, the average travel time in central cities is about 25 minutes; in suburban areas it is about 1 minute more. Average travel times have increased over the past decade by 2 to 3 percent in suburbs and decreased by about 1 percent in central cities.

Spatial mismatch

There is reasonable and consistent empirical evidence of a mismatch between lower skilled and otherwise attainable jobs that are growing in the suburbs and high levels of unemployment of central-city residents who could access these jobs. Almost three decades of sustained work by the economist John Kain from the mid-1960s onward (Kain 1992), the early portions of which were reported in the 1968 Kerner Commission report, found the following:

Most new employment opportunities do not occur in central cities, near all-Negro neighborhoods. They are being created in suburbs and outlying areas—and this trend is likely to continue indefinitely. . . .

Providing employment for the swelling Negro ghetto population will require society to link these potential workers more closely with job locations. (National Advisory Commission on Civil Disorders 1968, 392)

After 20 years of little attention from anyone other than Kain, the spatial mismatch was raised again by sociologists John Kasarda (1985) and William Wilson (1987) and economists Keith Ihlanfeldt and David Sjoquist (1990). Although the original literature related the mismatch to black workers of all ages, later studies focused on the spatial mismatch as it affected young black workers. Race as the causative agent is the main focus of inquiry throughout most of the above studies. In subsequent studies by Bennett Harrison (1974b) and John Kasarda (1985, 1989), causes of the mismatch (which, according to them, may not be spatial) are extended to inadequate skills and education and to limited transportation or access to transportation.

Thus, the mismatch of suburban jobs and urban residents has been the topic of a reasonable body of empirical investigation (Pisarski 1989). Findings, while not always consistent in their unearthing of a spatial suburban versus urban component (see Ellwood 1986; Harrison 1974a; Leonard 1987), are at least persistent in their specification of a geographic mismatch of some type. This has significant implications for housing the poor, as will be discussed shortly.

Housing implications

The housing implications of demographic trends, while obvious in many cases, may not be realized. Small families and retirement families both have increased in a variety of forms since the 1970s. This would seem to call for both smaller housing and additional rental housing. Neither of these responses has found its way strongly into the market.

With continuing high levels of divorce and increasing premarital childbearing, the proportion of children living with one parent doubled between 1970 and 1990. Again, this would seem to signal smaller housing units of rental tenure. The increased presence of women in the labor force adding to the above trends would cause demand for employer housing initiatives as well as more at-work day care; again, these responses have yet to emerge.

Single-parent families' ability to afford housing is much different from that of married-couple families. Few suburban zoning ordinances permit accessory housing or multifamily housing, which would allow these families to take advantage of the educational and economic benefits of suburban locations.

The elderly represent a powerhouse of housing access. They have the most personal resources and least encumbrances on those resources. Yet, since several lawsuits have disallowed the concept of age-restricted housing as a civil rights violation, the number of new age-restricted housing developments has fallen dramatically. The elderly seem to seek out these locations and do well upon arrival there. A market niche is clearly being missed here in all but the classic retirement locations.

There are numerous reasons why smaller units, rental housing, accessory housing, and the like are often not provided in significant numbers. Many communities view such housing with suspicion, fearing it will cause local fiscal deficits (incur public expenses higher than tax revenues paid), house "less desirable," nontraditional households, or cause other problems (such as overcrowded street parking if accessory units are carved out from existing housing). Builders themselves often favor single-family detached construction as a strategy to maximize their profits and avoid lawsuits from community associations. The result typically is limited production of smaller units, rental units, or nontraditional housing.

The baby boom, which has been the most successful economic force in history, is in a trade-up housing mode. (The oldest baby boomers were 50 in 1995.) The trade-up and second-home needs of this generation have yet to be adequately tapped. Once economic confidence returns, a 20-year trade-up market of baby boomers potentially begins. Again, this trend is underrecognized in terms of market response.

The reaction to the spatial mismatch, just beginning to be realized as an empirical reality, is reverse-commute transportation solutions—that is, facilitating commuting from cities to suburbs (the reverse of the traditional pattern) through such means as expanding the frequency of service from city locations or lowering fares for travel in this direction. Public policy prescriptions should look to more fundamental suburban affordable housing strategies to deal directly with this problem.

Economic forces

Housing is both an important contributor to, and is affected by, the economy. To present an order of magnitude with respect to housing's contributions to the economy, as of 1991 the value of residential structures in the United States (\$5.0 trillion) comprised more than a quarter of total domestic wealth (\$18.4 trillion); and this share has grown over time (Burchell and Listokin 1993b). Housing serves as the financial underpinning for local governments through the property taxes paid. For the United States as a whole, 1990 real property taxes (\$135 billion) amounted to about 40 percent of all local government revenues (\$322 billion) that year. Since housing (including both single-family detached and multifamily units) paid about \$75 billion, or almost 60 percent, of the real property taxes, it was responsible for about one-quarter of all local revenues (Burchell and Listokin 1993a).

Housing continues to contribute to the economy. According to the National Realty Committee (1989), the real estate industry is responsible for about one-fifth of the gross national product and about 5 percent of total national employment. Although real estate encompasses more than just housing—including, for instance, the nonresidential sector—housing is an important component of real estate, amounting to about 40 percent of the annual value of construction, and thus contributes significantly to the economy (U.S. Department of Commerce 1992c).

This is a two-way relationship, for what happens in housing is very much affected by the economy as a whole. The impact of interest rates on housing activity is just one obvious part of this relationship, but there is much more interaction. The economy affects employment, wages, and how the public views the future and is therefore willing or unwilling to spend on a long-term capital good such as housing, to make available tax dollars for social housing, and so on. While economic predictions are perilous, it is instructive to review some recent economic trends and forecasts for the near future.

Since 1980, the U.S. economy has experienced two cyclical recessions. After a recession in the early 1980s, the gross domestic product (GDP) grew (in real terms) by 3 to 6 percent annually in the mid to late 1980s, followed by a recession in the early 1990s (U.S. Department of Commerce 1992c). The economy is now beginning to expand slowly again, but the projected growth is expected to be low to moderate for the remainder of the decade—about a 2 to 2.5 percent increase in GDP through the late 1990s (Congressional Budget Office 1993).

With the economy growing at a low to moderate pace and other factors coming into play, such as expected lowered federal deficits and borrowing, inflation and interest rates are predicted to remain at moderate levels. While the 1980s saw inflation and borrowing rates break double-digit levels, inflation to the end of the 1990s is projected at a flat 3 percent in real terms. Interest rates are expected to be correspondingly low: about 4 and 6 percent for short- and long-term (government) borrowing, respectively (Congressional Budget Office 1993).

As of the mid-1990s, there are some signs of an economy in relatively good shape. The stock market is at an all-time high, and many American companies are acknowledged world-class producers and competitors. Yet the economy is still growing slowly, and well-publicized layoffs, frequently of middle management, continue. In addition, layoffs, which were once a private sector phenomenon, are now occurring in the public sector.

A moderately growing economy will not produce the number of jobs of yesteryear, but this must be viewed against the backdrop of the increase in the labor force (table 2). From 1975 to 1990, the labor force in the United States—spurred by such forces as the coming of employment age of the baby boom generation and the rise in women's labor force participation—grew from 94 million to 125 million, or about 2 percent annually (U.S. House of Representatives 1993). In the future, the labor force will not

Table 2. Actual and Projected Civilian Labor Force and Employment in the United States, 1975 to 2005 (Millions)

	1975	1990	2005 (Pro- jected)	Change			
				1975–1990		1990–2005	
				Number	%	Number	%
<i>Civilian Labor Force</i>							
Total	93.8	124.8	150.7	31.0	33	25.9	21
Men	56.3	68.2	79.3	11.9	21	11.1	16
Women	37.5	56.6	71.4	19.1	51	14.8	26
White	82.8	107.2	125.8	24.4	29	18.6	17
Black	9.3	13.5	17.8	4.2	45	4.3	32
<i>Employment</i>							
Total*	87.7	122.6	147.2	34.9	40	24.6	20
Total nonfarm wage and salary	76.7	109.3	132.6	32.6	43	23.3	21
Goods-producing	22.6	25.0	25.2	2.4	11	0.2	1
Manufacturing	18.3	19.1	18.5	0.8	4	-0.6	-3
Service-producing	54.0	84.3	107.4	30.3	56	23.1	27

Source: U.S. House of Representatives (1993).

Note: The white/black breakout of the civilian labor force does not include Hispanic, Asian, and "other."

* Includes farm and all other employment.

expand as rapidly, because of such factors as a leveling of women's labor force participation. Thus, from 1990 to 2005, the labor force is projected to grow from 125 million to 151 million, or about 1.3 percent annually. While the expansion in the labor force will be moderate, so will the growth in jobs (table 2). From 1975 to 1990, the total number of jobs in the United States increased by nearly 35 million (from 88 million to 123 million); from 1990 to 2005, however, job growth is projected at 25 million (from 123 million to 147 million) (U.S. House of Representatives 1993). In part because of the lowered job growth, the unemployment rate is expected to, at best, decline only slowly to the end of the decade—from the current 6–7 percent to just under 6 percent by the late 1990s (Congressional Budget Office 1993).

The unemployment rate is but one measure of a future and restructuring economy. From 1990 to 2005, service employment is projected to grow from 84.3 million to 107.4 million, or a gain of 1.6 percent per year. In contrast, goods-producing employment

is expected to gain a scant 0.1 percent annually over the same 15-year period, from 25.0 million to 25.2 million (see table 2). Within the overall goods-producing sector, manufacturing is projected to decline from 19.1 million to 18.5 million (U.S. House of Representatives 1993). Historically high temporary and permanent job losses are expected as many industries, from defense to communications, redefine themselves (Congressional Budget Office 1993). Moreover, more jobs will be part-time and provide low benefits.

Housing implications

There are mixed signals from the above economic trends in terms of housing. Low to moderate inflation and interest rates for the near future enhance affordability for homeownership (National Association of Realtors 1993). An economy on the rise should also bolster lagging consumer confidence to invest in such major capital goods as housing.

At the same time, there are less comforting signals. Nationally publicized downsizing by major corporations continues to dampen consumer confidence. More fundamentally, less robust job growth in the future, an unemployment rate not expected to decline significantly from current levels, a restructuring economy requiring new job skills, and a trend toward more part-time and low-benefit jobs are all economic patterns that imply continued, if not rising, difficulty for affected groups (i.e., the unemployed or marginally employed).

In the United States as in other countries, there are social support programs for those who are not making it economically. Unemployment compensation provides temporary and partial wage replacement to involuntarily unemployed workers, while Aid to Families with Dependent Children (AFDC) and other programs provide welfare payments. Although expenditures in these programs have increased over time (e.g., in constant 1992 dollars, total AFDC outlays increased from \$14.8 billion in 1970 to \$19.6 billion in 1980 and to \$22.2 billion in 1992), they provide only a partial safety net (U.S. House of Representatives 1993). Unemployment compensation is extended to only about half the unemployed in the United States, and average AFDC monthly benefits per family (\$388 in 1992) have dropped in real terms by about 40 percent since 1970 (U.S. House of Representatives 1993). There is further evidence that, on a relative basis, safety net programs are less generous in the United States than in

other countries. A comparison of unemployment compensation in the United States, Canada, and the United Kingdom found that the amount and longevity of these benefits were lower here than in Canada or the U.K. (Congressional Research Service 1992).

In short, while the U.S. economy as a whole is on a somewhat upward swing, and while this and other economic forecasts, such as relatively low inflation, portend well for housing, there are areas of economic and housing concern. Continued structural adjustment in the economy means that many will remain unemployed or employed but less well-off than they were in the past. With a safety net less encompassing and less generous in the United States, those who are not lifted by the rising tide of an improving economy will face problems in their ability to afford housing (Hallett 1993).

One possible response to “lift all boats” is expanded public spending on social programs—for welfare assistance, training, housing subsidies, and the like. The popular and political climate is not very conducive to this and, relatedly, the federal capacity to spend anew is limited by the national deficit. During the 1980s, in part the result of deliberate policy described later, federal outlays outran receipts by \$100 billion to \$200 billion per year—or 2 to 4 percent of the nation’s GDP. By 1992, there was a record \$300 billion deficit—a shortfall equal to almost 5 percent of the country’s GDP (U.S. Department of Commerce 1992c).

A series of legislative actions occurred in response. In 1993 the Omnibus Reconciliation Act was adopted, encompassing a major package of tax increases and spending reductions (Congressional Budget Office 1993). By the summer of 1995, Congress adopted a budget resolution calling for, at first, significantly reduced budget deficits (e.g., \$100 billion deficit by 1999), then a balanced federal budget by 2002 (Congressional Budget Office 1995). The details of this plan have yet to be worked out, but to realize the goal of a balanced budget, significant cuts in federal discretionary spending will have to be made, with federal housing expenditures being a prime candidate. Draconian cuts to the budget of HUD have, in fact, been proposed. In short, if Congress acts to balance the budget, federal housing spending will suffer. Conversely, if, as in the past, Congress does not make the hard choice to reduce the deficit, its lingering existence will brake increased housing spending.

State and local governments in the United States have fiscal constraints as well, some of these related to the budgetary shortfalls at the federal level. In 1980, about 45 percent of local

government (e.g., municipalities and counties) revenues came from intergovernmental sources such as state and federal aid. As the federal government reduced deficits, it cut back on assistance to local governments (and state governments did likewise with respect to their local aid) so that by 1990, intergovernmental support dropped to 37 percent of local revenues (Burchell and Listokin 1993a). In turn, local governments have been forced to scramble to make up for the reduced intergovernmental monies in ways ranging from raising property and sales taxes to charging for services once delivered free or nominally (e.g., imposing impact fees for governmental capital improvements provided to private developments). In this atmosphere, local jurisdictions (and states) have less willingness and fiscal capacity to embark on new or expanded social programs. (These governments, however, have begun to apply their regulatory powers creatively to foster affordable housing production, as will be described later.)

In short, at all levels of government there is a tempering of the will and ability to add to the existing programmatic menu and public outlays. There is a fiscal bounding on social policy. For instance, welfare reform is now jointly endorsed by the political right and left; but the realization that, to make reform work, deficit-busting job training and educational programs are needed has stunted progress on this front. There is a similar pressure on housing. As noted by former senator William Proxmire, the prime mover of housing policy is the “disastrous influence of budget deficits” (Johnson 1992, 69). The budgetary influence on housing is manifest at the end of the first three years of the Clinton administration. Whereas, in contradiction to the Reagan-Bush years, there is much greater professed interest in the federal government providing housing to those in need, the federal deficit and competing demands have so far limited new, major federal spending for social housing, and, in fact, future large cuts are proposed.

Income forces

Income growth in the United States has been sluggish in recent years. In constant (1990) dollars,³ the median income of all households in 1970 was \$29,421. It slipped slightly to \$28,091 in 1980 and rose by a fraction to \$29,943 by 1990 (U.S. Department of Commerce 1992c). These overall trends, however, mask

³ Unless otherwise indicated, all dollar references in this section are in 1990 values.

considerable income inequalities among groups and, more generally, for the population as a whole.

There is a direct relationship between race and income, with white households consistently outranking black households. The median income of white households was \$30,644 in 1970, \$29,636 in 1980, and \$31,231 in 1990. For black households, median income over this period was \$18,652 in 1970, \$17,073 in 1980, and \$18,676 in 1990—60 percent of their white counterparts (U.S. Department of Commerce 1992c). While economic gains by the black population should be noted—black households, for instance, comprised the fastest growing segment of the higher income population, with annual earnings of \$50,000 or more (Joint Center for Housing Studies 1993)—significant income differentials by race persist. The poverty rate is revealing, as shown in table 3, with the percentage of blacks that are poor remaining three times the equivalent percentage for whites (U.S. Department of Commerce 1992b).

Table 3. Poverty Status of Persons in the United States, Total and by Race, 1960 to 1990 (Percent)

Year	Total	White	Black
1960	22.2	NA	NA
1970	12.6	9.9	33.5
1980	13.0	10.2	32.5
1990	13.5	10.7	31.9

Source: U.S. Department of Commerce (1992a).

Note: NA = not available.

Income also differs significantly by housing tenure, with homeowners being far more advantaged than renters. In 1980, the median household income of homeowners (\$36,115) was nearly double that of renters (\$21,061). This gap has remained over time: In 1990 the median household income of homeowners was \$36,198, compared with \$20,722 for renters. Further, homeowners have reaped the benefit of appreciation that has added significantly to their net worth. Based on 1987 statistics, the median net worth of owners is \$78,403, compared with \$2,280 for renters (Joint Center for Housing Studies 1993).

There are additional income differentials. For example, female-headed families with no husband present have considerably lower earnings and a much higher incidence of poverty than

other family types, such as married couples. Immigrant households have lower incomes than other households, and a higher share (25 percent) live in poverty (Joint Center for Housing Studies 1993). Additionally, there are interrelationships among the many social and income characteristics noted. For instance, the higher share of black households that are headed by females contributes to lower earnings of blacks. The lower homeownership rate for blacks (45 percent in 1990, compared with 67 percent for white households) is a factor that explains blacks' lower net worth (in 1988 a median net worth of \$43,279 for white households, compared with \$4,169 for black households) (U.S. Department of Commerce 1992b).

The rising fortunes of one group—senior citizens—bear mentioning. Age is correlated with net worth because increasing age offers an opportunity to accumulate wealth. Thus, as of the most recent information available (1988), the median net worth was \$6,078 for households under 35 years of age, compared with \$73,471 for households 64 years of age or older (U.S. Department of Commerce 1992b). Rising Social Security and other support payments have added to seniors' relative financial advancement:

The disparity between the incomes of younger and older households is noteworthy. Measured in real terms, the incomes of young households (aged 18–34) are now lower than those of their counterparts of 15 years ago. The elderly, in contrast, have enjoyed nearly uninterrupted income growth since the mid-1970s. Increasing retirement income, Social Security, and other benefits have largely protected elderly households from economic downswings and greatly reduced the share of elderly living in poverty. (Joint Center for Housing Studies 1993, 7)

Reflecting many of these disparities is an overall inequality of income distribution in the United States—a gap that has widened over time (Danziger and Gottschalk 1993). In 1970, the lowest fifth of U.S. households garnered 4.1 percent of aggregate income, compared with 43.3 percent for the highest fifth (table 4); by 1990, earnings of the lowest fifth had slipped to 3.9 percent of the total, while the highest fifth's share rose to 46.6 percent.

Income inequality is not unique to the United States, but it is more accentuated here. The Luxembourg Income Study (LIS) is an international effort to compare social profiles and economic well-being in numerous developed countries, including Canada, the United Kingdom, and the United States (Smeeding,

Table 4. Distribution of Aggregate Household Income, 1970 to 1990 (Percent)

Year	Lowest Fifth	Second Fifth	Third Fifth	Fourth Fifth	Highest Fifth
1970	4.1	10.8	17.4	24.5	43.3
1980	4.2	10.2	16.8	24.8	44.1
1990	3.9	9.6	15.9	24.0	46.6

Source: U.S. Department of Commerce (1992a).

O'Higgins, and Rainwater 1990). One of the LIS data sets consisted of the construction of a Gini coefficient for the distribution of family incomes, adjusting for cross-national differences in purchasing power. The coefficient is a statistic that measures income inequality; the higher the value, the greater the inequality. The Gini coefficients for the countries represented at the Tri-Country Conference are reported in table 5. The United States has the highest values. In short, on a relative basis, the United States has greater income inequality than Canada or the United Kingdom.

Table 5. Gini Coefficient of Income Inequality: Canada, the United Kingdom, and the United States

Country	Distribution of Family Gross Income ^a	Distribution of Family Net Income ^b
Canada	37.4	34.8
United Kingdom	36.5	34.3
United States	41.2	37.0

Source: Smeeding, O'Higgins, and Rainwater (1990).

Note: The Gini coefficient is a statistic that measures income inequality; the higher the value, the greater the inequality.

^a Income before taxes.

^b Income after taxes.

Housing implications

Housing affordability is affected by income; hence, the trends just noted bear on that aspect of housing need. In general, the income inequality in the United States makes it difficult for the "have-nots" to afford housing (Leonard, Dolbeare, and Lazere

1989; Stone 1990). Specific groups, however, have varying income and housing postures. For some, such as the elderly, whose economic status has improved over time, opportunities are enhanced. (This is not to say that all elderly are advantaged.) The built-up equity that the elderly as a group have accumulated gives them an economic base that can be tapped through such mechanisms as reverse annuity mortgages. Their relative gains in income provide new, expanded housing options, such as independent living as opposed to residing with relatives. In fact, since the 1960s, the share of elderly living alone has increased by 50 percent, and this trend, expected to continue into the future, is attributed to seniors' rising income and other factors, such as their improved health (King 1988).

For other groups, the housing future is clouded by their lesser incomes and economic resources. Further, the interconnectedness of economic and social characteristics leads to a concatenation of problems that makes their resolution difficult. Since renters have a fraction of the net worth (as well as income) of homeowners, homeownership is often beyond their reach because they cannot make the down payment. This situation short-circuits the improvement of economic status through homeownership—a bedrock of advancement in the United States in the post-World War II era:

To the extent that young households delay becoming homeowners because they lack the savings to cover these up front costs, they remain locked out of a primary savings and investment vehicle. This, then, is the vicious circle would-be buyers face: lack of savings and wealth prevents them from securing a home, the very asset that has proven to be the best source of wealth accumulation for the vast majority of American households. (Joint Center for Housing Studies 1993, 11)

The lower income of black households relative to white households constrains their ability to afford housing. Generational social problems, such as a higher share of female-headed households among blacks, make it more difficult to overcome the minority income disadvantage. Additionally, because a higher share of blacks rent, they are disproportionately subject to the "vicious circle" noted above: Lacking the down payment for purchasing a home, they remain renters and are thus excluded from building up the equity and resources accruing from homeownership. Both related to and compounding these hurdles is lingering racial discrimination. Bias in education and employment lowers the earnings of blacks, housing discrimination

makes it more difficult for blacks to become homeowners, and so on (Galster and Hill 1992).

Housing discrimination

A particularly disturbing aspect of housing in the United States is discrimination against blacks and other minorities. In the wake of widespread racial disturbances in the 1960s, the National Advisory Commission on Civil Disorders (the Kerner Commission) concluded that America was polarized into “two nations, one white, the other black” (National Advisory Commission on Civil Disorders 1968). In the nearly three decades since the Kerner Commission, some discriminatory housing barriers have lessened, and public receptivity to integration has increased. For instance, three decades ago more than 60 percent of whites contacted by the General Social Survey of the National Opinion Research Center strongly or slightly endorsed their right to keep blacks out of residential areas; by 1990 the figure had fallen to less than one-quarter (Farley 1993). Recent history has also witnessed a lessening of blatant and often publicly sanctioned forms of “Jim Crow” discrimination. An example is the Federal Housing Administration (FHA) requirement for racially restrictive covenants as a precondition for FHA insurance of new subdivisions, an odious practice that did not disappear until the late 1950s.

While some progress has been made, the Kerner Commission’s depiction of two nations still holds. On a 0 to 100 scale, where 100 represents total segregation, analysis of the 1980 census reveals that Hispanics scored 43 and blacks 69 (Turner and Reed 1990). Data from the 1990 census show some gains: The segregation index for blacks dropped noticeably in a number of Sunbelt locations, such as the Houston and Los Angeles metropolitan areas (Farley 1993). At the same time, however, from 1980 to 1990 there was little change in the segregation index in such major Northeast and Midwest metropolitan locations as Boston, Pittsburgh, and Cleveland. And no area—even the improving locations noted above—was free of a distinct pattern of segregation. These findings are echoed in other analyses. A 1988 study by The Urban Institute concluded that “blacks remain the most segregated group in America” (Page 1988, 2), and a 1992 report found that “African Americans are still not free to live where they wish, regardless of their economic status; discrimination concentrates most African Americans into separate residential areas” (Krumholz 1992, 21).

A major basis for segregation is income inequality, whereby a disproportionate share of racial minorities are disadvantaged. Also contributing to segregation is racial solidarity—the voluntary preference of minorities to live together. A further factor is discrimination (Kingsley and Turner 1993). Discrimination takes many forms. Minorities are often denied information about some or all of the units that are available to comparable white households. A national housing discrimination study conducted by HUD found that bias resulted in 25 percent fewer units being made available to black renters than to whites and 21 percent fewer units being offered to black home buyers (Turner, Struyk, and Yinger 1991). There are many other dimensions to housing discrimination. Real estate agents have been found to systematically steer minorities to selected neighborhoods. Credit bias exists as well. Thus, there is growing research on “redlining,” whereby financial institutions deny mortgages disproportionately and without economic justification to minority applicants and areas with high minority populations (Carr and Megbolugbe 1993). In short, housing discrimination comprises a series of severe obstacles to equal housing opportunities.

To fight discrimination, civil rights laws and other measures have been put in place. In the wake of Martin Luther King’s assassination, the Fair Housing Act (Title VIII of the Civil Rights Act of 1968) was adopted, banning many discriminatory housing practices. In 1988, the Fair Housing Amendments Act expanded the coverage of the 1968 legislation, strengthened enforcement mechanisms, and increased the penalties in the sale, rental, or financing of housing (Turner and Reed 1990). Added to the civil rights arsenal is other federal legislation such as the Home Mortgage Disclosure Act (HMDA), which requires lenders to reveal where and to whom they grant loans, and an additional layer of state and local government actions to fight discrimination (Listokin and Casey 1980). There have also been recent efforts to make some housing subsidies “portable,” so that renters will be able to secure housing outside segregated locations.

These responses have often fallen short, however. Thus, in the 1980s, federal enforcement of the Fair Housing Act was substantially weakened, and HUD, designated as the primary enforcement agency, bordered on negligence in this regard (Pader 1994). Other efforts, such as HMDA, provided mountains of computer mortgage records but did little to get at the problem of redlining. Portability of subsidies has had a good start, but this approach is thus far limited. In short, as the studies cited earlier reveal, discrimination remains a lingering characteristic of American

housing and part of “an American dilemma,” as Gunnar Myrdal (1947) called it, yet to be resolved.

Housing implications

Housing discrimination in the United States is an important dimension to the housing problem faced by minority citizens, and it aggravates their economic and social disadvantage. For instance, denied access to the full range of rental housing, black renters must take what is available, so they disproportionately occupy units that are physically inadequate (Clay 1992). Practices such as redlining make it more difficult for minority renters to become homeowners and reap the benefit of equity buildup. Even when minorities become homeowners, discrimination reduces their appreciation: The median home equity of minority homeowners in the late 1980s was nearly \$10,000 less than that of white homeowners—\$36,686 versus \$46,119 (Joint Center for Housing Studies 1993). Discrimination further denies minorities access to areas with the most advantageous economic opportunities. Thus, as discussed earlier, central cities in the United States have a higher minority representation than suburbs; yet it was the suburbs where both job growth and housing appreciation were strongest during the 1980s (Burchell and Schmeidler 1993). In a similar vein, housing discrimination keeps minorities out of school districts with the best educational opportunities.

All of these factors interact and reinforce one another. Thus, as noted by George Galster (1991), there is a vicious circle of discrimination restricting residential choice that limits access to education and employment opportunities, perpetuates social and economic disparities that reinforce prejudice, and encourages further discrimination. In short, while there has been progress in lessening discrimination in housing in the United States, many barriers remain, with adverse and reinforcing physical, economic, and social consequences.

Social values

Attitudes toward race and integration are a significant influence on our society. There are many other social values, and they and their changes over time influence housing in the United States. Illustrative are the enduring American endorsement of homeownership and the shifting American perspective with respect to existing housing and the environment.

Throughout U.S. history, homeownership has been an important part of the American social value system. From colonists braving the hazards of the New World to own their own farms to modern-day pioneers homesteading abandoned buildings in inner cities to own their own homes, the enduring objective has been ownership, not rental. Speaking on this topic, Michael Stegman noted:

This . . . support for widespread homeownership reflects the extraordinary degree to which Americans equate having a home of their own with “having it made” and an overall sense of well-being. In the *1978 HUD Survey on the Quality of Community Life*, Louis Harris Associates reported that regardless of their present housing circumstances, 75 percent of all Americans would prefer to own a single-family house. This was true for rich and poor; white, black, and Hispanic; and families in all-white, racially mixed, or all-minority neighborhoods. (Stegman 1991, 29–30)

Homeownership has been backed by the most significant federal subsidy for housing: the income tax deductibility of mortgage interest and property taxes. Although subsidized programs for the less advantaged (e.g., public housing) have concentrated on rental housing, there have been scattered attempts to foster low-income homeownership, from the Section 235 program of the 1960s to the Homeownership for People Everywhere (HOPE) programs of the 1990s, designed to encourage public housing tenants to purchase their apartments (e.g., HOPE I).

If homeownership is an enduring social value, others are more in a state of flux or, in fact, are changing dramatically. A previous section noted that whites’ perceptions of integration have improved over time, although the walls of segregation for the most part remain. There is no doubting, however, the dramatic change in values with respect to existing housing and the environment.

For much of its history, the United States prided itself on focusing on the new and now, rather than the past. When the city of Philadelphia needed money in the early 1800s, it stripped the paneling from Independence Hall and sold it; only a last-minute action saved the building where the federal Constitution was written from complete demolition (Hosmer 1965). In a similar vein, George Washington’s home was almost destroyed for a hotel site in the mid-nineteenth century. Many other legacies of history were not so lucky, ranging from thousands of older homes demolished in the post–World War II urban renewal to the destruction of Penn Station in New York City in the 1960s to make space for a new office tower (Listokin 1985).

This prevailing disregard of the past distinguished the United States from many European countries. Whereas European countries continued to use their older housing stock more extensively and were much more protective of their civic monuments, the United States was not and, in fact, prided itself on this distinction.

Social values change, however. The shock of losing such monuments as Penn Station and, more fundamentally, a growing American interest in roots, neighborhood, renewable resources, and quality of life have increased public support for preservation. New York City, for instance, created a commission in the mid-1960s that prohibits demolition of, and inappropriate alterations to, landmark buildings. In short order, tens of thousands of housing units and other structures were designated as landmarks. New York was not alone. In the mid-1960s, 100 American communities had landmark preservation commissions; in the 1990s they number in the thousands (Listokin 1996).

These activities have heralded a growing emphasis on housing rehabilitation and continued use of the existing stock (Apgar 1990). In the early 1960s, only 5 percent of federally subsidized housing production consisted of rehabilitation; by the late 1980s, about 80 percent of HUD subsidies were for existing or rehabilitated units (Listokin 1991). Most recently, in the 1990 National Affordable Housing Act, housing rehabilitation was favored. There were numerous forces at work here, such as the need to economize (rehabilitated units cost less) and an emphasis on demand-side rather than supply-side subsidies, but the growing emphasis in the subsidy programs on the existing stock surely reflected an enhanced appreciation of this resource. (Supply-side subsidies focus on increasing housing supply, often through subsidizing developers of new or substantially rehabilitated housing projects, while demand-side subsidies emphasize directly aiding financially disadvantaged households so that they can secure housing in the marketplace.) Similarly, there is a growing concern, discussed later, that the federally subsidized housing stock remains physically intact and continually affordable (Clay 1987; National Housing Task Force 1988).

The changing perspective toward existing housing goes beyond just the subsidized housing stock, however. Much of the newly energized and vital community group housing activity in the United States coalesces around saving neighborhoods and preserving their housing. Much of the intervention by the Local Initiatives Support Corporation (LISC), the Enterprise Foundation, and Fannie Mae involves rehabilitation and the continued

use of housing. This is partly because of diminished financial resources, but more fundamentally it reflects changing social values. The future of housing in the United States entails a growing emphasis on the existing stock.

As concern with quality of life evoked support for saving existing housing and neighborhoods, it has also led to action on many fronts to enhance environmental quality and protection. At the federal level, these actions have ranged from amendments to the Clean Air Act to reduce automobile use to the tightening of wetlands protections (Albrecht and Sprightley 1993; Eager 1993). States have acted in parallel with the federal efforts; for example, California, Florida, Massachusetts, and New Jersey have adopted tightened wetlands protection programs of their own. Enhanced environmental sensitivity is also reflected in the spread of growth management, with just fewer than 20 states (including all but 3 of the East and West Coast states, where growth is the most significant nationally) having adopted or at least considered such legislation (Burchell and Listokin 1993b). State growth management, which ranges from broadly stated objectives to specific regulations, aims to achieve such environmental goals as reducing congestion and saving pristine lands and other natural resources, as well as fostering affordable housing (Burchell 1993).

All of this reflects changing values. For much of U.S. history, when housing and other development were built, the environment was viewed as something to be subdued or overcome. From the colonists clearing the original forest growth by fire and axe to post-World War II developers bulldozing the landscape and building everywhere, no matter how wet or steep, nature was of little consequence or would be met by an engineering solution. Today, by contrast, there is much greater environmental sensitivity and a host of regulations affecting where and how construction can proceed.

As with any change, the shifts noted above have frictions and issues of their own. Take, for instance, the enhanced view of the existing stock: All of a sudden, there is a greater need for trained property managers and people with rehabilitation construction skills, yet such expertise is in short supply in a society that until recently discarded housing as it aged. There is also a regulatory mismatch. The building codes in the United States reflect the historical emphasis on new construction and often do not work well (e.g., require more extensive improvements or disallow innovative procedures) when applied to rehabilitation. There is growing documentation from the National Institute of Building

Sciences (1987) and the Enterprise Foundation (Werwath 1996), one of the largest groups nationally involved in rehabilitation, that building codes in the United States impede rehabilitation and make it more expensive because they retain a new construction mind-set.

The shift toward greater environmental sensitivity has also not been frictionless. Environmental controls have been subject to growing criticism in the past decade. For example, the Advisory Commission on Regulatory Barriers to Affordable Housing focused on environmental “extremes” that it believed “significantly diminished the supply of land for residential development, thereby raising the cost of land and housing” (Advisory Commission on Regulatory Barriers 1991, 4-1). Growth management has also been criticized as impeding housing delivery and making it more expensive, although a recent study showed that these charges were baseless and that, in fact, growth management could foster affordable housing production (Burchell et al. 1992).

Controversy has also arisen concerning the priorities of the growing preservation and environmental movements. Efforts to save older housing and neighborhoods have been criticized by the poor as elitism and a case of misplaced priorities in an era of more pressing concerns such as basic shelter for the homeless. In a similar vein, have-nots view environmentalism as a concern of the more advantaged that is again overemphasized when other concerns (e.g., economic development and job creation) should be stressed (Lerza 1994).

In short, among the social values affecting housing in the United States, homeownership has been foremost, while others, such as enhanced appreciation of the existing housing stock and of the environment, have changed dramatically and evoked issues and controversies of their own.

Private housing production, housing characteristics, and housing cost

Housing production and existing stock in America are at unprecedented levels. Residential units in the United States number more than 100 million (table 6). About two-thirds of these are ownership units; the others are rental units. This general distribution also holds for U.S. single-family housing units (attached and detached), but not for multifamily dwellings (two or more units). Only one-eighth of the housing units in the United States

Table 6. Housing Characteristics of the United States, 1990

<i>Total Units</i>	<i>Number</i>	
Total housing units	102,263,678	
Occupied housing units	91,947,410	
<i>Year Structure Built</i>	<i>Number</i>	<i>Percent of Total</i>
1939 or earlier	18,832,498	18.4
1940–1969	40,013,636	39.1
1970–1990	43,417,544	42.5
<i>Selected Characteristics</i>	<i>Number</i>	<i>Percent of All Units</i>
Lacking complete plumbing	1,101,696	1.1
Lacking complete kitchen	1,109,626	1.1
Other source of water ^a	1,063,221	1.0
Other source of sewage disposal ^b	1,137,590	1.1
No telephone	4,817,457	5.2 ^c
No vehicle available	10,602,297	11.5 ^c
Median monthly housing costs with a mortgage	\$737	
Median monthly housing costs without a mortgage	\$209	
Owner costs as a percent of income		
With a mortgage	21.0%	
Without a mortgage	12.9%	
Median gross rent	\$447	
Gross rent as a percent of income	26.4%	

Source: U.S. Bureau of the Census (1993a).

^aOther than public water, private wells, and other private sources.

^bOther than public sewage treatment and private septic.

^cPercent of occupied units.

are in structures of 10 units or more; another 5 percent are in mobile homes or trailers (U.S. Bureau of the Census 1992d).

Underlying these broad national averages there is enormous variability by socioeconomic characteristics. Ninety percent of married couples over age 55 own a single-family detached or attached home; 93 percent of households headed by a single woman under age 25 rent in a housing complex of five or more units.

In a good housing year, private developers in the United States build 2 million units; in a bad year, they build about 1 million

units (Joint Center for Housing Studies 1993). During the same period, about 250,000 to 500,000 deteriorated or replaced units are removed from the stock. Annually, the United States adds about 1 to 1.5 percent as net new units to its housing stock. Three-quarters of the housing development in the United States is undertaken by developers who build fewer than 50 units a year; half is built by developers who build fewer than 25 units a year (Hughes and Sternlieb 1987).

During the 1970s, housing in the United States grew as in no earlier period. Although it was an era of economic upheaval, from 1970 to 1980 the housing stock posted a net gain of some 19.7 million units (from 68.7 million to 88.4 million units). This growth was twice that of any preceding decade and 1.4 times the net growth in units added from 1980 to 1990 (a gain of 13.9 million units, from 88.4 million to 102.3 million). Thus, from 1970 to 1990, despite three significant recessions, the United States increased its housing stock by almost half.

As of 1990, of the four main regions of the United States (Northeast, Midwest, West, and South; see figure 1), the first three regions averaged 22 million existing housing units each; the South had 36 million units. Half the growth of housing units in the United States between 1980 and 1990 occurred in the South, with the remaining half split between (1) the West and (2) the Midwest and Northeast. Again, national averages mask significant differences. In 1989, of the 250,000 rental units constructed in structures of five or more units, more than 100,000 were built in the West, while fewer than 15,000 were built in the Northeast (U.S. Bureau of the Census 1992d).

America's housing distribution changed greatly between 1960 and 1990. In 1960, 55 percent of the nearly 60 million units were in the Northeast and Midwest. In 1990, 55 percent of the more than 100 million units were in the South and the West. Between 1960 and 1990, both the West and the South doubled their housing units, and together they represented three-quarters of the 40-million-unit growth over the period. Even more outstanding, the South was responsible for two-thirds of the combined West and South growth. Further, this change took place while there was some growth in both the Northeast and the Midwest.

Housing characteristics

Housing in the United States is large, open, and not densely occupied. For the 10th consecutive year, housing size grew in the

United States: New units are approaching 2,000 square feet per dwelling unit. Half the housing is six rooms or more (averaging 3.0 bedrooms); half is on one-half acre or more; and two-thirds house 0.5 person per room or less (HUD 1990).

Housing in the United States is generally well equipped (see table 6). Ninety-nine percent of the units have a complete kitchen; 99 percent have a complete bathroom; 99.9 percent are part of a public or private water system or have a drilled or dug well. Ninety percent have heating provided by hot air, hot water, a steam furnace, or a heat pump; the bulk of the remainder have wall heaters, room heaters, portable heaters, or fireplaces, as their climate requires.

Many improvements took place over the two years preceding the 1989 AHS:

1. Nine million households replaced roofs (all or part).
2. Three million built additions.
3. Five million remodeled kitchens.
4. Six million remodeled baths.
5. Three-and-a-half million replaced exterior siding.
6. Nine million added storm doors or storm windows.
7. Six-and-a-half million replaced an internal major system (plumbing, heating, electrical).
8. Five million added insulation.
9. Twelve million performed other major improvements, including ground or foundation work.

Reflecting historical investment, housing in the United States is in a good state of repair. Ninety-six percent of households reported no water-supply stoppage or toilet breakdowns in the three months preceding the 1989 AHS; 93 percent reported that they had not been uncomfortably cold for more than 24 hours during the winter; and 87 percent reported no fuse or electrical outage during the three months preceding the AHS. The number of units with any physical problem represented no more than 6 percent of ownership units and 12 percent of renter units in 1989; both figures were down by 20 to 30 percent from 1975 (HUD 1990).

On the other hand, 4 to 5 percent of U.S. housing units have holes or broken plaster and peeling paint. About the same percentage have water leaks or leaking pipes, and a similar percentage evidenced the presence of rats or mice. However, the housing stock as a whole is in good physical condition.

As for amenities, 95 percent of the households have a telephone available; 91 percent have a garage or off-street parking; and 90 percent have access to a car, truck, or van. Eighty percent of the units have decks, balconies, porches, or patios, and 70 percent have an air conditioner in at least one room.

Housing in the United States has a median age of 30 years. Forty percent of the units have been built since 1970. The median age is higher in the Northeast (40 years) and Midwest (35 years) and lower in the South and West (both 25 years).

Vacancy in American housing in 1990 averaged 3.6 percent: 7.5 percent for rental housing and 1.7 percent for owner-occupied housing. Vacancy in owner-occupied housing was about the same as it was in 1980; in rental housing it was up about 15 percent.

If the United States has housing problems, they are predominantly housing cost and housing location for the poorest portion of the economic spectrum. The economic and social aspects of cost and location will be discussed subsequently. The physical aspects of location follow. Forty percent of the nation's households report a major problem with the neighborhood in which they reside. The most frequently reported problem is the antisocial behavior in and around the neighborhood, noted twice as often as any other of the cited problems—crime, noise, traffic, or litter/unsanitary conditions. The last four problems are all reported about equally (HUD 1990).

Housing costs: Rental

Median gross rent in the United States in 1990 was about \$450 monthly (see table 6). Gross rents averaged 26 percent of income. Between 1975 and 1990, real rent levels increased by 20 percent, and real renter incomes fell by 5 percent. By 1990, more than two-thirds of all poor renter households spent more than half their income on housing (Turner and Reed 1990).

Many reasons have been offered for why the “structure” (supply) side of the housing problem but not the “people” (demand) side has been increasing (Turner and Reed 1990):

1. Operating costs are outstripping incomes.
2. Units are being lost from the stock through abandonment and demolition.
3. The rental stock is being upgraded for those not in the ownership market.
4. Mobile elderly are seeking multiunit rental as opposed to single ownership units.

A situation that has typified the rental market in the United States since the late 1980s is a perceived shortage of rental units yet relatively high overall vacancy rates. In the first quarter of 1988, there was an 8 percent vacancy rate in rental units. In the first quarter of 1989 it was 9 percent. By 1990, it had dropped to 7.5 percent. This is believed to be related to (1) incongruity between size and need for space, (2) neighborhood locations that are unsuitable to raising families, (3) poor condition and thus uninhabitable nature of some units, or (4) the fact that the cost of operating a rental unit is so high that partial recovery of costs at reduced rents is not worth risking damage to the unit or the chance that a higher paying tenant could be secured if the unit were vacant and immediately available (Turner and Reed 1990).

The real incongruity between supply and demand, according to the 1989 AHS, is at the lower price ranges. There was a shortfall of 2.8 million units for those who had a household income of \$10,000 or less and thus could afford (at 30 percent of income) no more than \$250 per month in gross rent in 1989 (McGough 1993).

On the other hand, there appeared to be an 8.2 million surplus in units available to households earning \$10,000 to \$22,000 annually and renting at \$250 to \$550 monthly. Thus, it appears that in addition to an absence of rental units under \$250, there are locational and other factors that inhibit access to some portion of units renting from \$250 to \$550 monthly. Uncovering the locational aspect of this mystery is easy: Most of the lower rent units are in the South and Midwest or outside metropolitan areas. Much of the poor population resides in metropolitan areas in central cities, especially in the Northeast and West.

Housing costs: Ownership

After three decades of increase, the U.S. homeownership rate declined during the 1980s, despite low house price inflation and falling mortgage interest rates. Median home value in the United States in 1990 was about \$80,000. It was 50 percent

higher in the Northeast and West and 20 percent lower in the Midwest and South. Median homeowner costs in the United States in 1990 were \$615 monthly, or 21 percent of income.

After adjusting for inflation, monthly housing costs rose 24 percent, to \$702, between 1979 and 1989 for mortgaged homes; 5 percent, to \$204, for homes without a mortgage; and 16 percent, to \$424, for rental units (U.S. Bureau of the Census 1992e).

About 6 million American homeowners, or 10 percent of the total, were "house poor" in 1989 (U.S. Bureau of the Census 1991). Principal, interest, taxes, insurance, and various association fees exceeded 28 percent of family income, a benchmark of financial burden according to the secondary mortgage market.

Since housing costs were higher in the West and Northeast, a larger percentage of owners there (14 and 12 percent, respectively) than in the South or Midwest (8 and 7 percent, respectively) were house poor. A paid-down mortgage and high family income also affect being house poor. Only 8 percent of those who bought their houses before 1980 were house poor in 1990; 13 percent of those who purchased their homes after 1980 were house poor. Twenty percent of homeowners with family incomes less than \$15,000⁴ were house poor; only 4 percent of homeowners with incomes of \$55,000 or more were.

A 1988 report from the U.S. Bureau of the Census, Household Economic Statistics Division, was titled *Who Can Afford to Buy a Home in America?* It found that only 43 percent of Americans could qualify to buy a median-priced home in the region in which they lived. By characteristic, affordability was as follows:

1. *Family type.* Nearly 70 percent of married-couple families could afford to buy a home; barely 13 percent of female heads of household with children could.
2. *Race and Hispanic origin.* Black families were less likely to be able to afford a home than whites (23 versus 57 percent). Hispanics were less likely to be able to afford a home than non-Hispanics (26 versus 54 percent).
3. *Tenure.* Only 10 percent of renters could afford to buy, versus nearly 70 percent of those who already owned.

⁴The vast majority of this group is the elderly, whose mortgages are paid off.

4. *Age.* Seventy-three percent of families with heads of household ages 55 to 64 could afford a home; only 6 percent of those with heads of household less than 25 years of age could.

Publicly assisted housing

In considering what is meant by assisted housing, it is important to recognize the different streams of assistance in the United States (Newman and Schnare 1988). The first consists of the income tax benefits extended for private homeownership in the United States in the form of the deductibility of mortgage interest and property taxes. The second is the housing assistance payments built into the nation's public welfare program. The third is housing assistance in its most immediate and popularly recognized sense: units constructed, such as public housing.

As of 1993, mortgage interest deductions for private homeownership conservatively constituted a \$43 billion "tax expenditure," and the property tax deductibility for the same was \$13 billion (U.S. Department of Commerce 1992c). For comparison, 1993 federal outlays for subsidized housing amounted to roughly \$20 billion (HUD 1993). In other words, subsidized housing outlays were about one-third the federal tax contribution to homeownership. Yet the tax deductibility, except in arcane tax accounting, is hardly recognized as the major housing assistance that it is, perhaps because it largely benefits the upper classes, whereas the other two housing assistance streams benefit the poor.

The welfare program in the United States is yet another major form of assistance. Contained within AFDC, supplemental security income, and general assistance programs are both explicit and implicit shelter allowances (Newman and Schnare 1988). Cumulatively, in terms of dollars, these welfare shelter allowances rival HUD's housing subsidies. Ironically (as will be discussed shortly), as HUD has shifted its housing support to demand-side subsidies (e.g., payments to tenants), there has been a blurring of the distinction between the welfare and traditional housing assistance streams.

While recognizing the other streams, assisted housing in the United States is considered in both the popular and political agendas largely in its narrowest sense: public programs that are specifically targeted to support lower cost housing and lower income occupants. Although the two sectors are interrelated, it is

instructive to consider assisted housing first in terms of the federal government's intervention and then to look at the activities of state and local governments and other sectors.

Federal role

To understand trends in the 1980s with respect to the federal government and assisted housing, one must begin earlier (Burchell 1991). The United States was a late and reluctant entrant, long after European countries, into assuming responsibility for providing lower cost housing. It took the economic shocks of the Great Depression to goad the United States into action with the creation of a public housing program in 1937. Instead of intervening directly, the federal government assisted local public housing authorities (PHAs) through capital grants and loans that allowed them to lower rents to cover only the housing's operating costs. Public housing was originally designed to house the working poor. Over time, however, its mission changed.

In the early post-World War II period, public housing was the preeminent federal assisted housing program, with more than 400,000 housing units produced by 1960 (table 7). Public housing was changing, however, and increasingly becoming the repository of the poor, often those displaced by urban renewal.

From 1960 to 1980, the number of public housing units tripled from 400,000 to 1.2 million. Public housing, however, was no longer the most significant federally assisted housing program, as total subsidized production over these two decades grew from 400,000 to more than 3 million units (see table 7). These were difficult years for public housing in other ways: Its physical stock was aging, public housing continued to shelter the poor and troubled, and public housing subsidies often were inadequate to pay for proper maintenance. Public housing from the 1960s on was being eclipsed by other programs that, in the aggregate, subsidized 2 million units by 1980. These programs consisted first of supply-side subsidies in the form of low-interest mortgages for rental housing (e.g., Section 236) and homeownership (e.g., Section 235) projects. When these faltered, the emphasis shifted to more generous supply-side subsidies, the most important being the Section 8 program authorized by the 1974 Housing Act. Under Section 8 as initially implemented, the federal government paid developers constructing or substantially rehabilitating housing the difference between an established fair market rent and 25 percent (later amended to 30 percent) of the

Table 7. Cumulative Number of Assisted Housing Units by Major HUD Programs (End of Fiscal Year 1955–1994; Units in Thousands)

Fiscal Year (end of)	Public Housing	Section 236 ^a	Section 235	Rent Supplement	Section 8 (Including Voucher)	Total HUD	
						Gross ^b	Net ^c
1955	344	NA	NA	NA	NA	344	NA
1960	425	NA	NA	NA	NA	425	NA
1965	577	NA	NA	NA	NA	577	NA
1970	830	5	66	31	NA	932	NA
1975	1,151	400	409	165	NA	2,126	NA
1980	1,192	377	219	165	1,153	3,268	3,107
1985	1,355	332	200	46	2,010	4,140	3,943
1990	1,405	331	130	20	2,500	NA	4,386
1994	1,398	305	72	19	3,049	NA	4,843

Source: HUD statistics provided by the Division of Program Monitoring and Research, Office of Policy Development and Research, March 1994.

Notes: The HUD subsidized figures do not include approximately 150,000 units under the Section 221(d)(3) and Section 202 programs for which there is a below-market-interest-rate mortgage but no other subsidy such as Section 8, nor do they include any Community Development Block Grant–assisted units. Non-HUD-subsidized housing, such as that offered by the Farmers Home Administration, is also excluded. NA = information not available or not applicable.

^aUntil 1980, indicates the gross numbers of subsidized units; after 1980, the net number of units (see below).

^bIndicates the number of subsidies to units (i.e., a single unit receiving dual subsidies, such as Section 236 and Section 8, would count as two units).

^cIndicates the number of units subsidized (i.e., a single unit receiving dual subsidies would still count as one unit).

tenant's income for income-qualified households—those earning less than 80 percent of the area median income adjusted for household size.

The 1980s saw significant shifts in housing policy. The 1982 President's Commission on Housing declared that "the purpose of federal housing programs should be to help people, not build projects" (p. xxii). To this end, the primary subsidy vehicle remained Section 8; however, the program was recast as a demand-side subsidy in the form of certificates and vouchers given to income-eligible tenants for existing housing only (as opposed to new or substantially rehabilitated units, which had been the only housing previously eligible).

The 1980s also saw problems on numerous housing fronts. Privately owned rental housing assisted by the programs of the 1960s and 1970s (e.g., Section 236) had 10- to 20-year subsidy contracts that would soon be expiring (National Low-Income Housing Preservation Commission 1988). Ultimately, in response, the Low Income Housing Preservation and Resident

Homeownership Act was enacted, which, among other initiatives, gave financial incentives to keep subsidized projects with expiring contracts in place as affordable housing.

The troubles of public housing continued, and problems worsened with new policies. More so than in the past, public housing became the repository of the poorest and most troubled. Thus, in the 1980s, federal preferences were established to give priority for public housing admissions to those already or likely to become homeless. New public housing units were targeted to those with very low incomes—households earning 50 percent of median or less. The outcome of these policies was an increase in the number of impoverished public housing residents with special needs (the deinstitutionalized, those with drug addictions or violent criminal records, etc.). These were on top of long-lingering problems ranging from a subsidy formula (Performance Funding System) that was neither sensitive in reimbursing costs nor designed to reward the more efficient local PHAs to policies that discouraged upwardly mobile tenants by penalizing them, for instance, with rising monthly rents.

One reaction to public housing's woes was to sell the units to tenants. This strategy, inspired in part by the large-scale sales of council housing in England, took the form first of a demonstration program announced in 1985 and later of a program named HOPE. These efforts to allow public housing tenants to purchase their units achieved little success, however, primarily because of the inherent formidable difficulty of having impoverished, socially troubled tenants become homeowners in some of the nation's worst neighborhoods (Stegman 1991).

The 1980s' attempt to put up public housing units for sale reflected the strongly held view of that era that government itself was the problem and that the optimal strategy would be a reduced public sector and deregulation. To ensure that the federal government would continue to maintain a low profile, the Reagan administration enacted tax cuts that reduced the resources available for domestic programs. The legacy was large federal deficits that continue until today.

Antipathy toward government in the 1980s resulted in growing calls for deregulation in housing. Thus, a national commission concluded that "unnecessary regulations at all levels of government stifle the ability of the private housing industry to meet the demand for affordable housing" and recommended broad regulatory reform (Advisory Commission on Regulatory Barriers 1991, 1).

The 1980s' perspective that government was part of the problem further resulted in dramatic cutbacks in federal housing support, with the calamitous drop in HUD's subsidized housing budget authority and number of housing starts detailed in the introduction to this article. Cumulatively, from 1980 to 1990 the total HUD-subsidized inventory rose nationally by more than 1 million units, or half the increase of 1970 to 1980 (table 7).

One notable positive legacy of the 1980s in terms of housing assistance was the low-income housing tax credit (LIHTC). In an irony of history, the Tax Reform Act of 1986, which for the most part undid the generous tax allowances authorized by the 1981 Economic Recovery Tax Act (the 1981 law fueled a boom in housing and other development that went bust as its tax provisions ended), allowed for substantial tax benefits for investors in low-income rental housing. The LIHTC remained one of the few "live" housing subsidies in a barren era. Also deserving note is the 1990 National Affordable Housing Act (NAHA), authorizing a HOME program that provided federal matching grants for housing rehabilitation and other purposes. The 1990 legislation was welcomed as the first federal housing act after a long hiatus and is a harbinger of federal block grants for local housing initiatives; however, HOME was a shadow of previous federal housing programs.

NAHA also created several initiatives to save public housing. In addition to the HOPE program described earlier, NAHA created the Family Sufficiency Program (FSP), designed to coordinate education, job training, day care, and other social services provided to public housing tenants (Lane 1995). FSP joined other strategies to improve public housing, including changing the federal preference criteria that historically placed the most socially distressed households in public housing, weeding out drug and gang activity in projects, encouraging education and other social intervention programs (Operation Weed and Seed and the Public Housing Drug Elimination Program), rationalizing the funding for capital improvements, and rewarding efficiently operating PHAs by revising the PHA-rating system (Lane 1995).

With the advent of the Clinton administration, attacks against government initially muted. This has not resulted in significantly more federally subsidized housing production, however. For instance, the themes of the proposed but not enacted 1994 Housing Choice and Community Investment Act (HCCIA) are (1) addressing the previously described problems of public housing (e.g., fighting crime and encouraging more working families);

(2) improving the enforcement of fair housing laws to fight discrimination; and (3) improving distressed communities through such means as empowerment zones, in which federal grants and tax incentives would be offered to new and expanding businesses (HUD 1994a). HCCIA aims to expand affordable housing by making mortgages available to lower income families and fostering affordable housing partnerships with pension funds and others. HCCIA also offers new programs for the homeless. Estimates of the number of homeless in the United States range from 200,000 to several million. Whatever the number, there is little dispute that the homeless suffer a constellation of problems that, in addition to the lack of shelter, include mental and physical disabilities, inadequate education, and lack of job skills. The HCCIA proposes a "continuum of care" to address the range of problems and individual situations that characterize the homeless and would also provide rental housing to 15,000 formerly homeless individuals and families. While HCCIA shows that housing is yet again on the federal agenda, and that HUD is willing to tackle such vital problems as fair housing, even if this legislation were adopted, there are no programs to bring federally subsidized housing production to the level achieved two decades earlier.

The midterm election of October 1994, in which Republicans gained majority control of the House of Representatives and Senate, may make even modest housing initiatives such as those proposed by HCCIA irrelevant. The very need for a federal-level housing agency has been called into question. HUD, responding to widespread calls for a downsized federal government and a renewed imperative to balance the federal budget, proposed "reinvention" (HUD 1994b). In the HUD of the future, many categorical programs would be replaced with a small number of block grants given to states, which would then craft individual responses to providing housing. In addition, certificates would be given to disadvantaged households, thus making public housing authorities compete with other providers of low-cost housing. Accompanying the reinvention is considerably reduced proposed funding for HUD, with a total annual budget reduced by a third, from roughly \$30 billion to \$20 billion. While the programmatic details and final funding level are not yet settled, HUD and federal housing programs in the immediate future, at least, will be in a period of retrenchment.

In short, in the United States, the federal government was late and reluctant in assisting housing. For a long period, there was continued unease in this role, as reflected, for example, in the attempt—all too successful—to distinguish public housing from

housing produced by the private sector. When resources were more readily available, or at least perceived as such, and when there was greater acceptance of government intervention—for instance, in the aftermath of the riots of the 1960s—federal intervention in assisted housing grew. Thus, the Kaiser Commission of the late 1960s spoke of the federal government becoming the “nation’s houser of last resort” (President’s Commission on Urban Housing 1969). This was decidedly not the perspective of the 1980s, however, when the emphasis was on a reduced government role. While that attitude softened in the early 1990s, budgetary constraints and mid-1990s election results emphasizing skepticism toward government will constrain major federal initiatives in assisted housing production.

Role of state and local government and other sectors

One of the characteristics of the American federal system is its multiple points for intervention. When the federal government does not take the lead, states and localities may substitute. In fact, state and local governments are heralded as important laboratories for social change in areas ranging from health care to housing.

The United States is also characterized by what is often termed a third sector—entities that are not public yet act in a quasi-public, or at least public-spirited, manner. Examples range from foundations to community development corporations (CDCs).

The 1980s were characterized by an energizing of state and local government, as well as a third sector (see below), in housing (Ford Foundation 1989). Part of the impetus for this was the vacuum left when the federal government reduced its role in housing (Nenno and Colyer 1988). There were further prompting forces, however: Housing was viewed as an important component of economic development, and businesses needed to remain competitive by making housing available to their workers (Nenno 1991). There was also growing reaction against national housing solutions (e.g., requiring public housing authorities to follow standardized rules and procedures) as opposed to a more flexible and localized approach that recognized that housing problems, resources, and appropriate solutions inherently vary from location to location.

In brief, from the 1970s on, and especially in the last decade, state and local governments became much more involved in housing, especially the fostering of affordable housing delivery

and expanding housing mobility and opportunity (Burchell, Listokin, and Pashman 1994). In part this took the form of increased spending on and financing for housing; for example, states and localities issued industrial revenue bonds to assist rental housing projects (Nenno 1991). But state and local governments were constrained by fiscal pressures of their own (e.g., reduced aid from the federal government, limits on increases in property taxes), so their intervention often took the form of applying their land use and regulatory powers. California, for example, mandated that all counties and local jurisdictions include in their comprehensive plans provisions for making housing available to people at a range of income levels (Baer 1986). Numerous California local governments embarked on such planning and have attempted to realize the goal of more affordable housing production through such means as inclusionary zoning (residential developers must set aside 15 to 20 percent of their production as permanently affordable) and linkage requirements (nonresidential developers must provide or finance a given number of affordable units per increment of nonresidential square footage) (Schill 1991; Stegman and Holden 1987). These programs have generated affordable housing, such as 20,000 units from inclusionary zoning and 4,000 units from San Francisco's linkage mandate (Burchell, Listokin, and Pashman 1994).

Many other state and local actions have fostered affordable housing and housing opportunity (Brooks 1989). Fair-share plans have been formulated wherein all jurisdictions in a region or state are assigned a given number of housing units that they must provide. The best known example of this is New Jersey, where, spurred by landmark state supreme court decisions, every municipality has a fair-share housing number. From 1987 to 1992, more than 50,000 housing units have been zoned for, constructed, or rehabilitated (Burchell 1992; Burchell, Beaton, and Listokin 1983). By comparison, from 1930 to 1990, total publicly assisted housing production in New Jersey, consisting largely of public housing and other federally aided units (e.g., Section 236), amounted to 150,000 units. Thus, in five years, the state-led effort in New Jersey had yielded one-third of what the largely federally driven subsidized production had taken six decades to accomplish. Other state and local actions on the housing front range from establishment of housing trust funds (moneys dedicated for housing from such sources as deed surcharges) to housing partnerships that, among other activities, attempt to work with an emerging third sector described below (Burchell, Listokin, and Pashman 1994).

If anything, state and local housing efforts will become even more prominent in the future. There has been definite movement in federal programs toward a block grant approach, whereby federal moneys are given in blocks to state and local governments, which craft individual approaches. Community development programs were consolidated into Community Development Block Grants in 1974, and HOME grants to state and local governments for housing production were authorized in 1990. The HUD *Reinvention Blueprint* (1994b) envisions a larger share of housing assistance being tendered in block grants to state and local governments. This proposal, reflecting a political climate that questions federal intervention, will encourage further invigoration of state and local governments' role in housing.

Recent history has also witnessed the emergence of a third sector—entities that are not public but act in a public-spirited fashion—on the American housing scene. Fannie Mae, a private corporation—but chartered by Congress and acting with a public purpose—has become an important funder for affordable housing (and, incidentally, a major force in housing research). Fannie Mae has committed to, and surpassed, the goal that a sizable portion of its housing assistance would be in central cities and affordable housing. The Neighborhood Reinvestment Corporation, established in 1978, has a congressionally chartered mission of revitalizing lower income neighborhoods and providing affordable housing. Among its other achievements, the corporation has fostered the creation of Neighborhood Housing Service programs throughout the United States. LISC, founded by the Ford Foundation in 1979, has raised almost \$1 billion to support low-cost housing, including the rehabilitation of some 45,000 units. The Enterprise Foundation, founded in 1981 by developer James Rouse, has helped to construct or renovate about 25,000 housing units. Private businesses have become involved in housing—for example, through the New York and Boston Partnerships.

Fannie Mae, LISC, the Neighborhood Reinvestment Corporation, the Enterprise Foundation, and private businesses have partnered not only with state and local governments (and the federal government) but with thousands of local community groups. The emergence of CDCs, nonprofits, and similar entities is an important new feature of how housing is being produced in the United States, and these groups are important members of the third sector. For instance, there are an estimated 3,000 CDCs, and they and their sister organizations produce 20,000 to 30,000 units of subsidized housing each year (Schwartz 1994).

Reflecting their growing importance, NAHA set aside 15 percent of HOME moneys for CDCs.

In short, two contrasting pictures emerge. Over the past 10 to 15 years, the federal government in the United States has been a less significant housing force, and given budgetary constraints and irresolution, this posture is not likely to change soon. At the same time, and not coincidentally, the federal eclipse has been met by growing state and local governmental involvement in housing and the emergence of a third sector encompassing foundations, committed private corporations, and newly energized and expert community groups.

Gap between the housing problem and assisted housing

All assisted housing production combined is falling far short of meeting even the most pressing housing needs. In the United States, those in such need are typically defined as income-constrained individuals and households (earning no more than 50 to 80 percent of the area median income) living in physically inadequate rental units (e.g., with severe heating and plumbing problems) or paying 50 percent or more of their income for rent. The focus is on those of more limited resources because the more advantaged are deemed less deserving of public assistance. More fundamentally, physical deficiency and cost burden are disproportionately problems of the less advantaged (HUD 1991; Joint Center for Housing Studies 1993). The focus is on renters because across all income groups, the physical and affordability problems just described are more pronounced among those who rent than among those who own (HUD 1991). Finally, of the two characteristics that make a housing situation unacceptable—physical inadequacy and cost (rent) burden—cost burden is by far the more prevalent problem (Joint Center for Housing Studies 1993).

All studies of housing problems in the United States as described above show millions of instances of need that are unaided. In a 1991 analysis of data from the 1989 AHS, HUD found that about 5 million very low income (earning less than 50 percent of area median) renters had “priority problems”; that is, they paid more than 50 percent of their income for housing or lived in severely inadequate units and received no housing assistance (HUD 1991). In a more recent analysis of the 1991 AHS by the Joint Center for Housing Studies (1993), a higher number—about 6 million renters—were found to have priority problems and, again, were not receiving housing assistance. Even these figures do not show the full gap between the housing problem and the

housing assistance tendered, because they exclude the roughly 1 million low-income renters (earning 50 to 80 percent of area median) that are cost-burdened or live in severely deficient units (Joint Center for Housing Studies 1993). Nor do these figures even begin to include the more than 1 million lower income owner-occupied units that HUD found to have priority problems (HUD 1991).

To sum up the gap between housing assistance and those in need, the tally of all assisted housing in the United States (including HUD and other programs) is roughly 5 million to 6 million housing units. The number of households in need but not aided is at least equal to, and likely considerably exceeds, the total number of subsidized housing units.

Conclusions

Demographics

The demography of the United States shows that most basic changes in households that took place in the 1970s and 1980s will remain with us as a society through 2010. The changes that have leveled off are the decrease in marriage rates and increase in divorce rates, as well as the increased participation of women in the labor force. Other factors that will continue to affect the demand for housing are trends in specific categories of growth (table 8).

Table 8. Changes in Number of U.S. Households, 1990 to 2010 (Millions)

Category	Change
Family and nonfamily households	+24.5
Family households	+14.0
Childless married couples (especially empty-nesters)	+9.5
Married couples with children under 18	-1.0
Married couples with all children at least 18	+0.5
Single fathers	+0.5
Single mothers	+1.0
Other	+3.5
Nonfamily households	+10.5
Men living alone	+3.5
Women living alone	+5.0
Other	+2.0

Source: "The Future of Households" (1993).

On the positive side, childless married couples represent 39 percent of household growth for the next two decades. These are, for the most part, households with resources of their own that allow them to access suitable housing, although homeownership may not be within immediate reach.

Fewer resources are available to those households represented by men and women living alone; these groups constitute another 35 percent of household growth. About two-thirds of these households have some reasonable capacity to pay for housing, even though homeownership may also have to wait.

More disturbing is the growth of 1.5 million single-parent households with children. This represents about 6 percent of all growth. These households usually have diminished resources and so have difficulty paying for housing, let alone homeownership. Only about one-third will not require some type of housing assistance.

The other categories of households are a mixed bag economically. Other family households usually have more resources than other nonfamily households. Taken together, these two categories represent about 23 percent of projected household growth, of which 60 percent may not require any type of public or housing assistance. Thus, overall, counting some share of men and women living alone, single-parent households, and other family and nonfamily households, about one-quarter of the new households, or about 6 million, will require some housing assistance.

Economics and income

Americans as a whole are wealthier than they have been, but they have to work longer and harder for that wealth. Reflecting the aging of the baby boom, delayed child rearing, and increased participation by women in the labor force, Americans of the future will have more income to spend. A large share of this income will be used to upgrade housing.

However, recessions are longer, and we can expect at least one significant recession per decade. Americans are more interested in paying off the national debt than in contributing to social programs. There is no national will for a renewed or reinvented public housing program, but as a nation we remain at least warm to, and seem unaware of the increase in, housing certificates and vouchers. The United States has been blessed with low general inflation and low interest rates for almost a decade. This

situation may not continue past the year 2000 and should not be relied on in developing private market solutions for affordable housing.

The future housing needs of all poor households, including both those that cannot pay for housing and those that live in deteriorated housing, are financially within our means to address. This combined need for those below 80 percent of median income (and meeting HUD Section 8 income criteria) is probably not more than 8 million units over a 20-year period. Dealing with existing cost-burdened need for just those renters below 80 percent of median income who are currently paying more than 30 percent of their income for housing could require three times as many units. In other words, dealing with future problems (particularly affordability) is a lot easier than dealing with current problems.

On the other hand, income inequality will continue into the future, and there is much truth to the adage that the rich get richer and the poor poorer. For those at the lower end of the economic spectrum, securing sound affordable housing will continue to be a challenge.

Discrimination

If the 1980s are a guide, the future will witness a lessening of segregation in at least some Sunbelt locations. The bad news is that even in these areas vestiges of segregation will prevail, while in other locations segregation will deserve the label of "American apartheid." The American housing problem is intertwined with that of racial division and discriminatory barriers, and until this issue is addressed, no permanent housing solution is possible. The tools for fighting at least the most blatant barriers are there in laws and the courts; what is needed is the resolve to apply them. Government must also better apply its housing subsidies to further integration. It has started to do so through portable housing certificates and vouchers and must do more in this regard.

Private and assisted housing

By any standard, the housing of the United States is of good quality. But behind this statistical good news, there are still those who live in deteriorated housing and those who have no home at all. For the most part, this is a problem for only the poorest of Americans. With regard to cost, for those households

below median income and for most renters, housing is expensive relative to income.

For owners, housing costs as a percentage of income usually fall only after age 45, when the house is nearly paid off and the owner is in the prime income-producing years. For renters, housing is expensive for most of the life cycle both because of the steady increase in the cost of rental housing and because of the relatively depressed incomes of most renters.

The poor are disproportionately found in rental housing and in poor neighborhoods. Lacking adequate education and employment opportunities, they cannot participate in the economic bootstrapping that is available to other groups in society. Since improved housing usually provides access to better education and better economic opportunity, the fact that equal housing is not available to all denies generations of people the ability to improve their lot. Perhaps the cycle can be broken with affordable housing provided in better locations and with improved housing and demonstration educational experiments in the older locations.

The barriers of the suburbs are being diminished by fair housing legislation at the federal and state levels. Class action lawsuits are beginning to break down local exclusionary zoning ordinances. With these actions and portable housing subsidies, the poor are beginning to penetrate the better suburbs. But these are only the first steps down a long road to fully open the real suburbs of opportunity.

On the urban front, we have just begun to look at quality of life in public housing projects, as well as the ability to accomplish integration with housing certificates and vouchers. We need more, better, and safer housing in urban areas, regardless of how it is delivered. New forms of security and new forms of housing developers and managers must be introduced into urban areas.

Much of the housing problem is manageable in America—we need only a willingness and resolve to get on with solutions.

Authors

Robert W. Burchell and David Listokin are Distinguished Professors at the Center for Urban Policy Research, Rutgers University.

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