Affordable Housing Evolution

Less Top-Down, More Networked

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The idea of government-subsidized housing often conjures up Department of Housing and Urban Development (HUD) high-rise "projects" marred by graffiti, broken fixtures, crime, and drugs. But that image bears little resemblance to today's subsidized housing. Over the past several decades affordable-housing efforts have been transformed from top-down federal solutions to a bottom-up networked approach resulting in well-designed, high-quality homes.[1]

In fact, HUD has been essentially out of the housing-construction business since 1978. Today, affordable housing policy is driven by a network that includes local advocacy organizations, nonprofit entities, for-profit corporations, and local, state, and federal government agencies. New housing programs have helped empower thousands of communities through institutions such as community development corporations (CDCs) and community development financial institutions (CDFIs)—and have helped revitalize places that seemed hopeless.

As Local Initiatives Support Corporation senior vice president for policy and program development puts it, "Over the past 20 years, a cluster of federal policies has supported a flexible, decentralized, and well-integrated production system. The system is distinctively market driven, locally controlled, and performance based."[2]

The new approach is also in the vanguard of government delivery of social services to people needing more than a roof to rise out of poverty. Today multiple, disparate groups form problem-solving networks and deliver high-quality housing and services. As a bonus, the networked model is even providing inspiration for policy areas as diverse as economic development, education, health, and the environment.

The Decline of Top-Down

The commonly accepted story about federally built affordable housing closely follows that of U.S. welfare generally—that it developed between the 1930s and the late 1960s and suffered a series of setbacks during the 1970s. According to this story, a political backlash enabled politicians from Richard Nixon to Ronald Reagan to harness white middle-class anger over government programs and roll back the welfare state.

At first glance, the fate of federal programs that subsidize apartments for low-income tenants jibes with that narrative: the federal government created housing programs during the New Deal, added to them significantly during the 1960s, and in the 1980s cut them back because of bad press, conservative attacks, and the policy mistakes of the late 1960s and 1970s.

The problem with that version of history is that it is wrong. More than 2.4 million federally subsidized apartments for low-income tenants were built between 1986 and 2010 by for-profit and nonprofit housing developers. Moreover, they were funded largely with tax credits and federal block grants.[3] The number of subsidized homes may have met only a fraction of the need, but by 2008 there were nearly 33 percent more built under post-1986 government low-income housing finance programs than by all the HUD-sponsored programs dating back to the 1960s.[4] In fact, the number was close to the total of existing subsidized apartments built since the beginning of federal housing programs in 1937.

A Revolution from Below

Despite the lofty rhetoric of housing programs like the Housing Act of 1949, which promised every American family a "decent home and a suitable living environment," the federal government never built many low-income apartments. In some years, it destroyed more units than it built. Before HUD's creation in 1965, the peak annual production of affordable housing through the public housing program was 71,000 units in 1954.[5] During the Great Society of President Lyndon Johnson's administration, the production numbers skyrocketed for a four-year period to nearly half a million units annually, but that pace was short-lived.

In 1973, Richard Nixon imposed a moratorium on new construction, in part because there were complaints that bad design and shoddy workmanship were creating instant slums. Then during the Carter administration, HUD had one more burst of building activity. Since then the number of units it builds has remained low.

While HUD construction programs were fizzling, funding for low-income housing was on the rise. The 1986 Low Income Housing Tax Credit (LIHTC) churned out fewer units than seen in HUD's peak production years, but it did so at a higher rate over 20-plus years than the historic average. By 2005, the program was funding more than 130,000 apartments annually.

So the 1980s actually experienced both a policy revolution and a counterrevolution. Reagan drastically reduced funding for low-income housing and cut back the role of the federal government. Simultaneously, however, a grassroots movement created a "revolution from below" to build housing for low-income tenants without direct federal help. Although often unnoticed, institution building in the 1980s went on at a tremendous pace.

One of the most impressive examples was a Boston effort started by Patrick Clancy that ultimately grew into The Community Builders.[6] And in 1988, housing advocate Paul Grogan, currently president of the Boston Foundation, testified before Congress on "a staggering array of new involvements on the part of state and local government, the nonprofit sector, the private sector, labor unions, churches, [and more]."[7]

The locally based efforts started small but soon demonstrated how a decentralized housing network might work. In time, as networks grew in sophistication, they became politically active and lobbied successfully for more federal resources. The most important new funding sources were the Community Development Block Grant (1974), the LIHTC, and the HOME Investment Partnership Program, which provided funds under the National Affordable Housing Act of 1990.[8] Although it is still a huge challenge to create *enough* affordable housing, the homes built through these programs have been high quality and politically popular.

Spreading Networks

The larger trends that have shaped housing policy options over the past 40 years sometimes leave activists and politicians few choices or lead to unintended consequences. Many blended streams have been carrying us toward the policy we now have. The current has been fed by history, ideology, and technology, and ultimately by decisions made and not made along the way. Whether decisions were made by powerful people on Capitol Hill, in corporate board rooms, or by local activists hoping to improve communities, the blended streams caused a new approach to emerge.

But the community development network is only the beginning in terms of what could be accomplished using a networked approach to problems. In essence, it is a way to harmonize multiple public- and private-sector funding for projects tailored to local needs and designed with local input. Its true potential will likely be realized as CDCs and CDFIs begin to play more prominent roles as coordinators of comprehensive community revitalization efforts—combining funding sources from transportation, education, and health programs. In this expanded role, with some priority setting from local communities, there will be an opportunity for CDCs and CDFIs to use their community connections, political savvy, partnering ability, and deal-structuring know-how to create much more effective revitalization efforts.

Many of these interventions will lead CDCs and CDFIs away from the traditional role of building and financing real estate to programs more oriented toward human capital (such as early care and charter schools for children). The deals may start looking different, but the networked approach will stay the same.

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Endnotes

1 This article is based on David J. Erickson, *The Housing Policy Revolution: Networks and Neighborhoods* (Washington: Urban Institute Press, 2009).

2 Benson F. Roberts, "Using Federal Funding to Mobilize Private Capital," http://www.nextamericanopportunity.org/ffi/private-capital/successStory.asp.

3 See http://www.ncsha.org/resource/housing-credit-fact-sheet-2010. The LIHTC is like a tax coupon available to corporate investors who put equity capital into apartment buildings rented to low-income tenants (those earning less than 50 percent or 60 percent of the local area median income as measured by a HUD annual survey). The Internal Revenue Service distributes the tax credits to state allocating agencies (typically the housing finance agency) on a per capita basis—$1.25 per person from 1986 to 2001, then $1.75 per person and indexed to inflation. In 2008, the credit was $2 per person.

4 I am comparing the two major prior building programs (public housing and HUD-assisted projects) to LIHTC only. There were other subsidized homes built in the later period without tax credits, but it has not been possible to track them all.

5 Charles J. Orlebeke, "The Evolution of Low-Income Housing Policy, 1949 to 1999," *Housing Policy Debate* 11, no. 2 (2000): 489–520.

6 The Community Builders Inc. is one of the largest nonprofit development corporations in the United States. Its mission is "to build and sustain strong communities where people of all incomes can achieve their full potential." See http://www.tcbinc.org.

7 U.S. Senate Subcommittee on Housing and Urban Affairs, *Hearings on the National Affordable Housing Act* (Washington, DC: U.S. Senate, 1988): 332.

8 CDBG funds are block grants to localities (counties and cities primarily). Local decision makers decide how to spend the money, so distribution varies considerably from locality to locality. CDBG money has been spent on affordable housing since the beginning of the program in 1975, but it has been tracked as a separate category only since 2001. See http://www.hud.gov/offices/cpd/communitydevelopment/budget/disbursementreports.