

Housing Policy Can Work

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It is an honor to be back at Berkeley, and to see so many friends and colleagues. I'm delighted to be here for the Catherine Bauer Wurster lecture series because she is one of my heroes. I went back to consult her last writings, especially her chapter on housing and urban policy for President Eisenhower's commission on national goals. Many of the housing lessons of the last three decades were already known to Catherine Bauer Wurster in 1959.

I want to share with you tonight six housing policy lessons learned from the past that can be directly applied to the future. The first is that housing policy can work, and sometimes does. The second lesson is that housing equals jobs. The third lesson is that housing and community development go together. The fourth lesson is that housing and supportive services go together. The fifth lesson is that housing can bring people together—and sometimes does. And the sixth is that partnerships are the housing policy of the future. Let me elaborate on each of these points.

Housing Policy Can Work

Point number one: the successes of federal housing policy. Over the past few years we have developed a sort of neo-conservative revisionist view in this country that government screws up everything it does. Yet if you look at fifty years of U.S. housing policy, at what the stated goals and objectives were, and at what was actually achieved, you would come away with a very different perspective. And that perspective would be that government housing policy can work. For example, coming out of World War II, more than 40 percent of American households lived in substandard dwellings. Today, that proportion is around five percent. Home ownership rates during the Great Depression were around 40 percent; by the mid-1950s, they had risen to over 60 percent. This combination of dramatically increased home ownership and phenomenally improved housing quality remains one of the greatest public policy success stories in our nation's history. And it was all the result of a series of government-initiated reforms put in place during the 1930s and 1940s, including the Federal Housing Administration (FHA), the Veterans Administration, and the Federal National Mortgage Association (Fannie Mae).

In 1934, Catherine Bauer wrote *Modern Housing*, in which she decried the fact that the United States had virtually no housing policy or programs for the poor. Today, there are one and one-half million units of public housing, and three million units of private housing subsi-

dized for low- and moderate-income households. Another 1.2 million households receive rent subsidies. Although much still remains to be done, progress has clearly been made.

Our first and foremost housing policy challenge must be to meet the shelter needs of the homeless and the very poor. Even using conservative estimates, 600,000 people may be homeless on any given night; over the course of a year, several million may experience prolonged episodes of homelessness. By HUD's estimate, there are five million households in the "worst-case housing needs" category. Nearly 10 million very low-income households do not receive any form of government housing assistance. Half of them pay over 50 percent of their income for housing, and in some cases, they pay 60 percent, 70 percent, or even 80 percent. Even some of our past housing policy successes are today at risk; home ownership, which was once the rising star of American housing policy, is falling. The fall in home ownership rates is most significant for young adults—people in their twenties and thirties.

The lesson of the past is that public policy can be a positive force for improving the nation's housing, both directly and as a catalyst to the market. Thus far at least, no level of government has had either the resources or the political support to do the whole job. That's the challenge that remains for all of us.

Housing Equals Jobs

A second lesson of the past, one which is a corollary to the first, is that housing equals jobs. During President Clinton's campaign we wore buttons with this slogan. There are actually three sides to this idea. The first comes from macro-economics: it is the notion that housing investment is both a prerequisite to long-term growth and a countercyclical stimulus. Housing production puts people back to work as well as generates demand for other things produced in the economy: furniture, appliances, and all forms of public construction. One of the reasons that Freddie Mac was created in 1970 was to provide emergency mortgage financing through the secondary market to create jobs.

The flip side of this argument is that when you get economic growth, one of the ways that people invest their savings, build equity, and spend rising incomes is on better housing. This in turn creates a social benefit for all of society.

The challenge in applying this lesson today is to focus effectively on the low-income side, something that has never been done. Making investments in housing is the way to revitalize inner-city communities and minority neighborhoods. And the way to do this is through programs such as Neighborhood Housing Services, Nehemiah, and YouthBuild, which train people to invest in their own communities.

The third side of the housing equals jobs idea is political. Housing policy has been most effective when it has been identified with the needs felt by the majority of Americans. And the first and foremost of those needs has been economic. The whole package of housing programs put together during the 1930s was enacted in direct response to the economic crisis of the Depression. In 1948, one of President Truman's three big campaign issues was investment in housing for economic growth. In another period, the passage of the Housing Act of 1968—the last truly landmark housing legislation enacted in this country—was directly related to solving the economic crisis of our central cities.

Somehow, in the eyes of most Americans, the link between housing and jobs has been severed. Most Americans believe that because they personally don't have a housing problem, the country doesn't either, and that government action is therefore not the answer. Ironically, this view exists side-by-side with middle-class outrage over homelessness. Applying the lesson that housing equal jobs is at the center of President Clinton's and Secretary Cisneros' housing agenda.

Housing Linked to Community Development

A third lesson is that housing and community development go together. Housing has to do with the quality of people's lives, the opportunity to lead a fulfilling life, to improve oneself, and to enjoy prosperity. Clarence Stein, the great architect and planner, said when he and Henry Wright designed Radburn, that housing was less important in terms of style and more important for building community. Housing is the glue that holds communities together. It can strengthen people's commitment to their communities, reduce crime, encourage cultural activities, promote social stability and integration, and create demand for commercial services, recreational amenities, and transportation. The link between housing and communities cannot easily be severed, and it is for this reason that the federal government created the Department of Housing and Urban Development as one unit.

The other aspect of the observation that housing and community development go together is the wonderful trend toward community-based nonprofit housing development, something Peter Dreier highlighted in his presentation. Many Berkeley graduates work in nonprofit housing in the San Francisco Bay Area and throughout the country. Back when Catherine Bauer Wurster was still lecturing here, this focus on community-based development was just beginning. Nationally, we had a few programs to encourage nonprofit sponsors, particularly for elderly housing. Over the last thirty years, however, we have built an entire infrastructure in support of community-based development. This infrastructure is not only governmental; it also includes foundations and corporations. Because this infrastructure was in place when the federal government backed out of its support for low-income housing

during the 1980s, community development corporations (CDCs) were able to continue growing. Indeed, almost all of the low-income housing produced during the second half of the 1980s was produced by CDCs and nonprofits. Today we have non-governmental umbrella organizations, such as the Local Initiatives Support Corporation, the Enterprise Foundation, and the Neighborhood Reinvestment Corporation, whose mission is to bring financing and technical assistance to community-based development. This approach was enshrined in federal housing policy in 1990, through the National Affordable Housing Act, which set aside 15 percent of federal HOME funds specifically for nonprofit community housing development organizations.

President Clinton and Secretary Cisneros are committed to broadening and deepening federal support for community development. HUD and the Clinton Administration propose expanded direct federal support for CDCs, community development banks, and a variety of other vehicles for community-based initiatives.

Housing and Support Services Belong Together

A fourth lesson of the past twenty years is that housing and supportive services go together. I think we've learned this most directly in trying to solve the problem of homelessness. The homeless are an incredibly diverse group; they include families with economic problems, people with drug and alcohol problems, single parents with children, and people with various physical or mental disabilities. Each of these different groups needs shelter, but beyond a roof over their head, they all need different things. Meeting the diverse needs of the homeless has opened up a very important debate about the notion of housing tied to supportive services, what Secretary Cisneros calls the "continuum of care" idea, part of his concept of "economic lift."

The trend toward coordinating housing and services will expand in the future. National organizations, such as the Corporation for Supportive Housing, are setting up umbrella groups to support local nonprofits in linking housing to health care, child care, job training and placement, business expansion, recreation, counseling, and all the things that help people realize a more complete enjoyment of their homes, their neighborhoods, and their lives.

Inclusive Housing Policies

A fifth lesson is that housing brings people together. This is really an extension of the housing-community development-supportive services connection. It revolves around the theme of the fundamental value of inclusiveness and diversity. Hopefully, we've learned our lesson that segregated housing, no matter how well designed and constructed, just doesn't work. By segregated housing, I don't just mean racially segregated, or ethnically segregated. I mean segregated in terms of income, whether it be ghettoizing low-income households in public housing

projects, or encouraging upper-income households to retreat beyond the locked doors of "gated" communities.

Housing policy and housing providers are increasingly turning toward the goal of mixed income housing. Here in the Bay Area, BRIDGE Housing is an example of an organization that has been devoted to effective production of mixed-income housing. The recently developed Harbor Point apartments in Boston, an award-winning private subsidized project on the site of the former Columbia Point public housing project, is an example of how failed public housing can be transformed into successful mixed-income housing. Much of the current NIMBY (not-in-my-back-yard) syndrome stems from our past willingness to exclude people based on differences of color, background, or income. This has to change, from the federal level downward. And I think it will change. Inclusive housing, like supportive housing and community-based housing, will be at the frontier of federal housing policy during the 1990s.

New Partnerships

A sixth and final lesson concerns the value of partnerships. There were certainly many downsides to the forced collapse of federal housing programs during the 1980s. On the upside, however, maybe we learned that big-budget, one-size-fits-all, bureaucratized federal housing programs are not the answer. As we fight to expand the federal housing commitment and budget, we should not return to that old approach. Instead, we should move forward into an era of partnerships, in which we direct more and better resources to state and local agencies, to community-based nonprofits, and to qualified for-profit developers. The National Council of State Housing Agencies—an organization that barely existed twenty years ago—is now widely viewed in Washington as a key player in the formulation and implementation of federal housing policy. In terms of housing policies and programs, the people that became more sophisticated and capable during the 1980s were all at the state and local levels. Today at HUD, both the Deputy Secretary and the Assistant Secretary for Housing are people that previously headed state housing agencies. Again, that's something you wouldn't have seen 10 or 20 years ago.

State and local housing agencies are one element in a partnership approach. And I've already discussed the importance of nonprofits and community-based housing development organizations. Yet a third element is the private sector. We need to constructively involve private sector institutions much more than has been done in the past. We should start with Fannie Mae and Freddie Mac, those two big secondary mortgage market institutions who are not sure whether they are private sector or government, but have trillions of dollars of resources, and billions of dollars of profits to invest in affordable housing.

Another incentive for the creation of public-private housing partnerships is the Community Reinvestment Act (CRA). Fifteen years after the passage of CRA, many lenders are just now getting into lending for affordable housing. CRA responsibilities and partnerships need to be extended beyond commercial banks and savings and loans to include community development loan funds, community credit unions, and multi-bank CDCs. The Clinton Administration will strongly encourage housing and community development lending and investment. It will also make permanent two key tax incentives: mortgage revenue bonds and the low-income housing tax credit.

An important new resource for housing is pension funds, the sleeping giant of financial markets. Just recently, the AFL-CIO has moved to increase investment in housing trust funds from three percent of its pension fund portfolio to ten percent. This single initiative could provide hundreds of millions of dollars more in financing for affordable housing units and may become an exciting partnership with HUD.

Expanded partnerships, in some cases, will require less government regulation. During the 1980s, HUD reduced resources at the same time that it loaded on additional regulations as to how the money should be spent. This was a formula for programmatic gridlock, with the result that the billions of dollars initially appropriated by Congress for the new HOME program were never spent. Under the new leadership of Secretary Cisneros, HUD is now redrafting regulations to make it easier to use the many programs and resources that already exist. Secretary Cisneros has initiated a project called "Reinventing HUD," which is designed to change the rules and bureaucracy to support HUD's new mission: "Helping people create communities of opportunity." By reinventing HUD, the Secretary hopes to take full advantage of the capabilities and expertise of the Department's many partners who are committed to housing.

These six lessons all add up to one conclusion: *Housing policy can work*, and with new national leadership and community partnerships, it *will work effectively* in the coming years.