

New England Journal of Public Policy

Volume 8

Issue 1 *Special Issue on Homelessness: New England
and Beyond*

Article 11

3-23-1992

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Recommended Citation

Dreier, Peter and Appelbaum, Richard (1992) "The Housing Crisis Enters the 1990s," *New England Journal of Public Policy*: Vol. 8: Iss. 1, Article 11.

Available at: <http://scholarworks.umb.edu/nejpp/vol8/iss1/11>

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The Housing Crisis Enters the 1990s

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Homelessness in the United States is a symptom of a much deeper economic and housing crisis — a widening gap between incomes and housing prices. With the end of the Cold War, the nation has the resources to solve these problems, but to do so it must mobilize the political will. This article examines the roots of crisis, the public policies and market forces that created it, and policy recommendations to solve the problem. Key to forging a solution is building the political coalition needed to create a broad public consensus.

During the 1980s, a new ingredient was added to the landscape of America's cities — millions of people sleeping in alleyways and subways, in cars and on park benches.

The contrast of homeless Americans literally living in the shadow of luxury condos and yuppie boutiques symbolized the paradoxes of the decade: it was a period of both outrageous greed and outrageous suffering. The media gave us “lifestyles of the rich and famous,” but it also offered cover stories about homeless families. And while the 1980s were often characterized as the “me decade” — an orgy of selfishness and self-interest — more Americans were involved in social issues, as volunteers and activists, than at any time in recent memory.

These contrasts are even more striking in light of the billions of dollars invested in speculative commercial real estate during the 1980s, which has led to an unprecedented high office vacancy rate. Rampant real estate speculation also contributed to the savings and loan debacle. The S and L bailout — perhaps the biggest rip-off in American history — may cost taxpayers over \$500 billion, a regressive burden that will divert funds from much needed economic and social recovery programs. Meanwhile, housing starts — particularly of low-rent apartments — have reached a post-war low while, according to a new U.S. Conference of Mayors survey, demand for emergency shelter continues to grow.¹

What will the 1990s bring?

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Everyone, from President George Bush to the late homeless advocate Mitch Snyder, has agreed that homelessness is a national tragedy and an embarrassment to America in the court of world opinion. Most Americans acknowledge that something must be done — that no great and affluent nation should tolerate such fundamental misery. Public opinion polls show that a vast majority of Americans put solving the homeless problem at the top of the national agenda. A poll sponsored by the National Housing Institute found that Americans are even willing to pay higher taxes — *if* the funds would go to assist the homeless.² And a March 1991 CBS-*New York Times* poll found that two thirds of Americans believe that the Bush administration has “not shown enough concern” to help the homeless.³

It is clear to most Americans that volunteerism alone — “a thousand points of light” — cannot stem the rising tide of homelessness. Public policy was responsible for creating this epidemic of homelessness, and it will require changes in public policy to resolve this mounting problem. But as long as politicians, housing activists, and academic experts disagree on how many people are homeless, who they are, and why America suddenly found itself with so many people living on the streets, it will be difficult to forge a consensus on what to do. In this article, we seek to answer these questions.

Dimensions of the Housing Crisis

No other major industrial nation has such widespread homelessness. Even Canada — a country quite similar to ours in most political and economic features — has neither the slums to match the physical and social deterioration of our inner cities nor the level of homeless people sleeping in shelters, streets, and subways.⁴ This suggests that there is something unique about the way the United States deals with its most needy citizens, but it also suggests that a solution is within reach. Indeed, there is no reason that the United States cannot solve its homeless problem by the end of the twentieth century — if we can mobilize the political will to do so.

The growing epidemic of homelessness is only the tip of the iceberg. The United States faces its worst housing crisis since the Depression. The underlying problem is a widening gap between what Americans can afford to pay and what it costs to build and maintain housing. This has always been a problem for the poor; now it is a growing problem for the middle class.

The American Dream of homeownership is fading fast for a large segment of the middle class. Thanks to postwar federal housing programs, the rate of homeownership rose steadily for three decades, from 43.4 percent in the late 1940s to 65.6 percent in 1980. Since then, however, it has steadily declined, reaching 63.9 percent in 1989. The problem is particularly troubling for young families. For example, among twenty-five- to twenty-nine-year-olds, the homeownership rate dropped from 38.6 to 35.3 percent from 1982 to 1989. For those between the ages of thirty and thirty-four, homeownership declined from 57.1 to 53.2 percent. In the thirty-five- to thirty-nine-year-old category, it dropped from 67.6 to 63.4 percent.⁵

A census study, *Who Can Afford to Buy a House?* explains these trends by reviewing data on housing costs and family income. According to this report, 48 percent of American families (excluding unrelated individuals) could not afford to buy a median-price house in the region where they lived. In terms of race, 43.3 percent of whites, 76.6 percent of blacks, and 74.2 percent of Hispanics are shut out of the home-buying

market. In terms of age, 71.2 percent of families headed by a twenty-five- to thirty-four-year-old, and 47.2 percent of families in the thirty-five to forty-four age category, cannot afford to buy a home. These figures include both existing owners and renters, but when the categories are broken down, the figures are even more revealing. Over one third of existing homeowners could not afford to buy a home if they wanted to purchase one today. Perhaps the most startling finding is this: 91 percent of all current renter families cannot afford to buy a home. (The figure for both black and Hispanic renters is 98 percent).⁶

The median price of a new single-family home climbed from \$69,300 in 1982 to about \$122,700 in 1990. While in 1973 it took roughly a quarter of the median income of a young family with children to carry a new mortgage on an average-price house, today it takes over half that same family's income. In some regions of the country, housing prices have started to drop, but because of wage and employment trends as well as interest rates, this has not made a significant dent in overall housing affordability.⁷

High rents make it impossible for most young families to save money for a down payment. As a result, about the only people who can afford to purchase a home are those who already own one. Even among those who manage to buy a home, a growing number are in danger of losing theirs to foreclosure by banks.

During the 1980s, rents reached a two-decade peak, according to a Harvard University study.⁸ This has been especially a problem for the poor, who are now competing with the middle class for scarce apartments. In 1989, 85 percent of all low-income renters — 5.1 million households — paid at least 30 percent of their income for housing. More than half of all poor renters — 3.5 million households — paid at least half their income just for housing. The typical young single mother pays over 70 percent of her meager income just to keep a roof over her kids' heads. Meanwhile, the number of low-rent apartments is declining, while the number of low-income renter households is growing.⁹

Apart from those who live on the streets or in shelters, there are millions more who live doubled up or tripled up in overcrowded apartments. Millions of others pay more than they can reasonably afford for substandard housing. As a result of this situation, millions of low-income Americans are only one rent increase, one hospital stay, one layoff away, from becoming homeless.

The *New York Times* reported in September 1990 a dramatic increase in doubling up among working-class families in New York.¹⁰ In January 1991, stories in the *Times* and the *Boston Globe* found, respectively, a surge of evictions and foreclosures in the suburbs surrounding New York City and a dramatic increase in evictions in Boston.¹¹

Perhaps the most important statistic is this: fewer than one fifth of poor households receive any kind of housing subsidy — the lowest level of any industrial nation in the world.¹² The swelling waiting lists for even the most deteriorated subsidized housing projects are telling evidence of the desperation of the poor in the private housing market.

Is it any wonder that the ranks of the homeless are growing?

Origins of the Crisis

The initial stereotype of a homeless person was of an alcoholic or mentally ill middle-aged man or “bag lady” — many of them victims of deinstitutionalization resulting from the Community Mental Health Act of 1963. But when more low-rent

housing was available—including many rooming houses that have been lost to gentrification—people on the margins of society could afford a roof over their heads.

The homelessness crisis is not, as some suggest, primarily a problem of personal pathology. It is, rather, a symptom of some fundamental shifts in the nation's economy. The most important involves the deindustrialization and gentrification of our urban areas. The past fifteen years have been characterized by a tremendous flight of previously high-wage industries to low-wage countries. Since the early 1970s, the electronics revolution has hastened the development of a global economy. Footloose firms have moved their manufacturing operations to locations with more favorable business conditions—low wages, lax environmental laws, tax breaks, and other subsidies—whether these be in suburbs, rural areas, or Third World countries.

As a result of this geographic realignment, it is unlikely that American industry will soon again enjoy the once privileged postwar position that enabled our standard of living to rise steadily for almost three decades. Many American cities have still not recovered from the loss of blue-collar industry and jobs. As factories closed, tax bases declined, waterfronts were left vacant, and downtown department stores went out of business, some cities began to resemble ghost towns.

During the past decade, many observers have hailed the “services revolution” as the savior of cities. It is true that many cities have shifted from what University of North Carolina sociologist John Kasarda calls “centers of production and distribution of goods to centers of administration, finance and information exchange.”¹³ Cities sought to revitalize their downtowns with new office buildings, medical and educational complexes, hotels, urban shopping malls, convention centers, and even sports complexes. But such efforts—even when successful—do not stem the growing tide of poverty only blocks away from the glittering glass and steel.¹⁴ In the shadow of its downtown skyscrapers, Los Angeles resembles a Third World city, its streets teeming with economically precarious low-wage workers and homeless men, women, and children.

Why? The service economy is predominantly a low-wage economy, and most of its jobs offer no career ladder or upward mobility. According to one major study, the majority of jobs created since the 1970s have offered poverty-level wages.¹⁵ Working full time is no longer a guarantee of escaping poverty.¹⁶ Even relatively low levels of unemployment in some cities mask the deepening poverty and desperation.

As Robert Reich noted, the American economy has two escalators—a small one moving upward and a much larger one moving downward.¹⁷ More than 33 million Americans—one out of seven—now lives below the poverty line. The figure for children is even more alarming: one out of four (and half of all black children) live in poverty. Today's poor people are poorer and likely to be poor for longer periods of time. During the 1980s, both the minimum wage and AFDC benefit levels fell far behind the rate of inflation.¹⁸

Not surprisingly, more and more of America's homeless are families with kids and people with jobs. A survey released in December 1990 by the U.S. Conference of Mayors' task force on hunger and homelessness (chaired by Boston Mayor Ray Flynn) found that almost one quarter of the homeless work, but have wages too low to afford permanent housing.¹⁹

Things are getting worse for the middle class as well as the poor. In recent years, the average middle-class American has seen family income stagnate. In 1960, the typical thirty-year-old head of household could expect family income to increase by

50 percent during the next decade. Today, he or she can expect family income (real buying power) to decline. According to the Children's Defense Fund, young families (headed by someone under thirty) have seen their incomes erode by one-quarter over the past fifteen years; among Hispanics, the decline has been one-third; among blacks, one-half.²⁰

For a small but very visible segment of the population, however, these new economic forces have led to the up escalator. The service economy has created a stratum of highly educated, well-paid management and professional-level workers. They, along with top-level executives and owners of wealth, did well during the decade of corporate takeovers and leveraged buyouts. The share of national income now going to the wealthiest 20 percent is the highest since World War II. Meanwhile, the share going to the poorest 40 percent is the lowest in that period. By dramatically lowering tax rates of the affluent and big business, the Reagan administration exacerbated these trends and redistributed income from the working class to the wealthy.²¹ President Bush's proposal to cut capital gains taxes would continue this trend.

All this pertains directly to housing. While America was witnessing a growing disparity of incomes, the affluent began viewing housing less as a home than as an investment, equally valuable for its tax benefits as for its Victorian details. Young baby-boom generation professionals moved into urban neighborhoods, especially those close to the downtown core, where they found work in the growing service sector. Housing that had been abandoned or devalued decades earlier became more attractive to so-called yuppies. As the affluent and the poor began to compete for scarce inner-city housing, prices skyrocketed. Low-rent apartments were converted to high-price condominiums. Rooming houses, the last refuge of the poor, were torn down or turned into upscale apartments. Businesses catering to the poor and working-class families were replaced by expensive shops and restaurants.

The housing market failed to significantly expand the overall number of apartments, because it simply isn't profitable to build housing for the poor. The situation was made worse when the Reagan administration removed the two props that once served to entice some private investors into providing low-rent housing — subsidies that bring housing costs and poor people's incomes into line and tax shelters that indirectly produce the same result.

The Role of Government

The dramatic escalation of housing prices during the 1980s — and the ongoing affordability gap — stems from three basic factors. First, nearly everyone involved in housing is trying to maximize profits, including land development, materials manufacture, construction, rentals, and capital gains. For example, the average price of a residential lot has increased 813 percent in the past twenty years, from \$5,200 in 1969 to \$42,300 in 1989; more than half of that increase occurred in the last five years alone.

Second, the cost of credit — the money borrowed to build and buy housing — adds a large and permanent cost to every housing unit. For homeowners, roughly two out of every three housing dollars goes to pay off a mortgage. For renters (who pay these costs indirectly), the proportion is often higher.

Third, because housing is viewed as an investment by developers, landlords, and most homeowners, home prices and rents are often much higher than what it actu-

ally costs to build and operate housing. Both homeowners and landlords expect to sell their buildings for much more than they paid for them — a psychological and economic factor known as speculation.

Government policies can exacerbate or curb these market-driven forces in three ways: subsidies, credit allocation, and regulation.

Subsidies. One way has been for the federal government to help close the gap between incomes and housing expenses through a variety of consumer and developer subsidies. The magnitude of federal housing resources was never adequate, but the Reagan administration made the situation even worse. Housing cuts shouldered the largest burden of the Reagan budget ax. Since 1981, federal housing assistance has been slashed by more than 70 percent — from about \$33 billion to about \$9 billion a year. The number of new federally subsidized apartments built each year dwindled from over 200,000 in the 1970s to fewer than 20,000 in 1990. To put this in perspective, in 1981 the federal government was spending seven dollars for defense for every dollar it spent on housing. By 1989, it spent over forty dollars on defense for every housing dollar.²²

The increase in homelessness parallels these federal housing cuts. And although President Bush and HUD secretary Jack Kemp have promised to address the nation's homelessness scandal, the Bush administration actually proposed further housing cutbacks in its 1991 budget proposal, but that was rebuffed by Congress.

The one housing subsidy that did *not* fall to the Reagan (and now Bush) budget ax is the one that goes to the very rich. The federal tax code allows homeowners to deduct all property tax and mortgage interest from their income taxes. This cost the federal government \$47 billion in 1991 alone — more than four times the HUD budget for low-income housing. Over 80 percent of the forgone tax revenue goes to the 20 percent of taxpayers who earn over \$50,000 annually; half of this subsidy goes to the 8 percent of taxpayers with incomes over \$75,000. About a third of this subsidy goes to the wealthiest 3.8 percent of taxpayers with incomes over \$100,000, and about 12 percent goes to the wealthiest one percent of taxpayers, whose incomes are over \$200,000.

Wealthy households are most likely to own homes and to itemize deductions. Over half of all homeowners do not claim deductions at all. Tenants, of course, don't even qualify. As a result, over 80 percent of households with annual incomes above \$200,000 receive a homeowner tax deduction, while fewer than one percent of households with incomes below \$10,000 get this subsidy. Only 23.4 percent of the 28.8 million households with incomes between \$30,000 and \$50,000 receive this homeowner subsidy. In other words, our nation's housing subsidies disproportionately benefit homeowners with high incomes, many of whom have two homes.²³ The *Washington Post* revealed in 1989, for example, that Senator John D. ("Jay") Rockefeller of West Virginia would receive a tax subsidy worth about \$223,000 a year just on his \$15.3 million Washington mansion.²⁴

Credit. Another housing role for federal and state governments is to guarantee a supply of credit for builders and homeowners. The government can control interest rates, require banks to meet community credit needs, and protect savings and loans to guarantee credit for the average homeowner. The Reagan administration, however, dismantled most of the federal policies designed to regulate lenders. Reagan's policies resulted in a frenzy of speculative lending, mismanagement, and corruption by the nation's savings and loan industry during the past decade. President Bush has

proposed a taxpayer bailout of failing savings and loans that looks as if it will swell to over \$500 billion.

Regulation. Finally, state and local governments can regulate land use, through zoning laws, to promote affordable housing development. Instead, most localities, particularly suburbs, use these regulations — “snob zoning” — to keep out the poor. Only a few states (New Jersey, Massachusetts, California, and most recently New Hampshire) have made any effort to address how localities use snob zoning to keep out low-income housing. State and local governments can establish codes regulating the safety and health of new and existing buildings, but few state or local governments allocate adequate resources to enforce these laws, particularly in poor neighborhoods. They can also protect consumers by regulating rents, evictions, and condominium conversions, but only a few local politicians are willing to buck the powerful real estate industry and push for these tenants’ rights laws. For example, only a handful of big cities have adopted rent control ordinances.

The Politics of Housing

In the past, the major political force for housing programs was the real estate industry — developers, mortgage bankers, landlords, and brokers. They, of course, wanted Congress to enact policies to help build more housing for the middle class or to provide subsidies to make it lucrative to house the poor. Developers, realtors, and mortgage bankers have been the most generous contributors to congressional and presidential candidates, and their national associations have strong political action committees, deep pockets, and effective local networks. In turn, many members of Congress have ties to developers and have lobbied HUD or bank regulators on their behalf.

But even the housing industry’s clout couldn’t offset the Reagan administration’s determination to slash federal housing funds, which suffered the biggest cuts of any domestic program. Some conservative politicians and editorial writers have cynically used the corruption scandal at HUD as an excuse to further dismantle federal housing programs. House minority whip Newt Gingrich, Republican of Georgia, the *Wall Street Journal*, and the *New Republic* have called for folding up HUD’s tent entirely.²⁵

Some conservatives want to replace HUD’s housing development role with a rent subsidy program, although few of them support funding it at anything close to what’s needed. A dramatic increase in rent vouchers would be an important improvement in federal housing policy. Currently, only a fraction of eligible families can obtain rent subsidies because of Washington’s failure to allocate funds. About one million low-income households now receive such vouchers, which are intended to help them pay rent for apartments in the private market; at least another seven million families are eligible.

But rent vouchers, on their own, won’t solve the problem. In cities with low rental vacancy rates, handing out vouchers is like providing food stamps when the grocery shelves are empty. During the late 1980s in Boston, for example, about half the low-income tenants who received vouchers returned them unused because apartments were so scarce. The current slack real estate market has made it somewhat easier for these tenants to find apartments, but this is a short-term phenomenon. Clearly, we must increase the overall supply of low-income housing.

The Bush administration has not acknowledged that more affordable housing is the only workable solution to homelessness. These views have been reflected in his proposed budgets, which called for significantly reduced funding for new housing,

while providing minimal increases for emergency shelters and vouchers. Congress, however, has objected to Bush's plans. In October 1990, Congress passed a housing bill that called for a slight increase in new housing funds; the president signed it the following month.

HUD secretary Jack Kemp has been a disappointment, particularly because soon after his appointment he demonstrated a strong commitment and much energy to making housing a top domestic issue. In sharp contrast to his predecessor, Samuel Pierce, Kemp has been a high-profile Cabinet member — he visits shelters, meets with advocates and builders, testifies before Congress. But despite Kemp's enthusiasm and visibility, the housing issue has not been close to the top of the Bush administration's agenda. Moreover, Kemp's overall approach to housing problems (vouchers, selling off public housing, creating "enterprise zones" in inner cities) and his defense of Bush's woefully inadequate budget proposals have not been impressive.

The Grassroots Housing Movement and Its Allies

If there was one silver lining during the 1980s housing crisis, it was the emergence of locally based efforts to address community housing needs. A combination of community organizations, municipal governments, unions, and business groups developed a wide range of innovative local programs and strategies to cope with the impact of federal housing cutbacks and changes in local housing markets. These forces gained momentum in the 1980s, in part as a result of the growing visibility of homelessness.

The fledgling grassroots housing movement is composed of tenant groups, homeless advocacy organizations, shelters and soup kitchens, church-based institutions, community-based nonprofit developers, neighborhood associations, senior citizen groups, women's organizations, and civil rights groups.

These groups have spent much of the past decade working — primarily on the local level — to plug some of the gaps left by the federal government's withdrawal from housing programs. They fix up abandoned buildings and construct new homes for the poor. They apply pressure on local governments to protect tenants against unfair evictions. They lobby for stricter enforcement of health and safety codes for "linked deposit" and "linked development" policies. They persuade banks to open branches in minority neighborhoods and increase available mortgage loans for low-income consumers. They publish reports to dramatize the plight of the homeless, the widening gap between incomes and housing prices, and the continuing practice of bank redlining. They pressure and work with city and state housing agencies to expand available funds for affordable housing and to target more assistance to community groups.

In Massachusetts, for example, these groups played a key role in pushing the state to significantly expand its housing efforts during the boom years of the 1980s. During that period, Massachusetts was frequently seen as an innovator in housing policy. But the state's current economic downturn, its fiscal crisis, and the failure of most elected officials to address these problems have led to a sweeping attack on housing and other programs. Mirroring the Reagan-era agenda in Washington, the state's housing budget under Republican governor William Weld was slashed in 1991. In response, housing advocate groups formed the HOME Coalition to develop a common agenda and a common organizing strategy to protect state housing resources and to build a stronger grassroots movement to fight for housing reform in the future.

In general, the work of grassroots housing groups around the country has been primarily defensive — brushfire battles to keep things from getting worse. Only the federal government has the resources needed to significantly address the housing and homelessness problem. Despite the good work of groups like the National Low-Income Housing Coalition, ACORN, and the National Coalition for the Homeless — and despite periodic bursts of mobilization like the Housing Now march (which brought 200,000 Americans to Washington in October 1989) — the housing movement has been relatively weak at the national level.

For the housing issue to move to the top of Congress's agenda, advocates must broaden the constituency and organize more effectively. It must mobilize people to influence members of Congress through meetings and public accountability sessions, letter-writing campaigns, and publicly rating their performance on housing issues in Congress. (In October 1990, the National Housing Institute published its "Congressional Report Card on Housing," the first analysis of votes on key housing topics).²⁶ It must do a better job at shaping the public debate, particularly getting the attention of the mainstream media to discuss alternative policies and local success stories.²⁷

Equally important, the housing movement must address the growing housing concerns of the middle class as well as the poor. As homeownership declines, and as more young adults are forced to live at home with their parents, the potential for a broad-based agenda grows. As Cushing Dolbeare, founder of the National Low-Income Housing Coalition, has pointed out, "political demographics" work against an exclusively low-income focus.

"The majority of Congress represent areas where low-income problems are not a major issue," observed Dolbeare. "Asking members of Congress to vote for low-income housing is often asking them to vote against their own political interests."²⁸

The housing agenda has always made the most headway when the concerns of the poor and the middle class were joined. In the Progressive era, that meant improving health standards for tenements for immigrant workers in the teeming slums as well as building apartment houses for the middle class. In the Depression and the post-war years, it meant building subsidized housing for the working class and shoring up homeownership for the middle class.

But the political vehicles to fashion this coalition need to be rebuilt if the issue is to move from the margins to the mainstream of the nation's agenda.

The homeless issue has brought millions of middle-class Americans face to face with the plight of the homeless. Most, of course, pass them by as they walk through the downtown sections of our cities, occasionally handing them spare change out of compassion or guilt. But a growing number of middle-class Americans meet the homeless in different settings — as volunteers in soup kitchens and shelters. They parallel the settlement house reformers who pushed for improved tenement conditions at the turn of the century and public housing during the Depression. While some of the more militant advocates for the homeless criticize the "shelter industry" as a new form of institutional oppression, most shelter staff and volunteers would like nothing more than to eliminate the need for shelters. Their concerns and political skills have yet to be effectively mobilized.

Some mayors and governors — who, as the federal government withdrew, have felt the political heat to address the homelessness problem — have become vocal allies with antipoverty and housing advocates for a stronger federal role. Boston's Mayor Ray

Flynn, for example, as head of the U.S. Conference of Mayors' task force on homelessness and hunger, helped lobby for the McKinney Act and sponsored legislation (the Community Housing Partnership Act) to provide federal funds to Community Development Corporations and other nonprofits, which passed Congress and was signed by President Bush in 1991 as part of the broader Cranston-Gonzalez housing bill.

The labor movement — once a formidable advocate for federal housing policy — has played a less active role during the past fifteen years. More recently, it has demonstrated increasing interest in the housing problem, although that is still not near the top of its agenda. Unions have begun to recognize that a renewed federal housing agenda would provide jobs, as well as homes, for its members — and for those workers it seeks to recruit. In the midst of a recession, government efforts to expand housing can be viewed not only as a “social welfare” program but also as a job-creating, antirecessionary initiative.

According to the National Association of Home Builders, the construction of one million single-family homes and apartments generates 1.3 million jobs, \$34 billion in wages, and \$14 billion in additional federal, state, and local tax revenues — and has significant ripple effects to promote economic recovery.²⁹ An August 1989 study by the Boston Redevelopment Authority examined the potential impact if 6 percent of the military budget (\$25 billion) were shifted to housing programs. The report found that Boston would get an additional \$153 million annually in housing funds, enough to meet the city's housing needs for the years 1990–2000. The funds would allow the city to subsidize construction of 4,580 low- and moderate-income housing units a year. This construction, in turn, would create approximately \$2.4 million in new annual property tax revenues for Boston and 7,400 *additional* jobs in the Boston area.³⁰

Unions are increasingly getting involved in the housing issue. In Boston, for example, the hotel workers union negotiated a contract requiring the hotels to contribute five cents an hour to a trust fund the union will use to provide housing subsidies for members. The local union waged a successful campaign to amend the Taft-Hartley Act to allow unions to bargain for housing benefits. A number of unions, including the bricklayers, have become successful nonprofit housing developers in a few cities. At the national level, the AFL-CIO was a sponsor of the October 1989 Housing Now march. Unions are beginning to look at their pension funds as a potential source of investment capital for housing; a union-sponsored conference on that topic was held in Boston in October 1991.

Some sectors of the business community are also beginning to recognize the importance of the housing problem for their own bottom lines.³¹ Like health care and child care, high housing costs are increasingly becoming a barrier to business profits. In recent years, a growing segment of the business community has become sympathetic to some version of government-sponsored universal health care and universal child care systems. As high housing prices make it increasingly difficult for employers to attract workers — creating a labor shortage in many parts of the country — key business leaders are potential advocates for a federal housing program to subsidize housing costs for low-wage workers. Business leaders in some cities have participated in public-private-community partnerships (such as the Boston Housing Partnership) to help expand low-income housing by expanding the capacity of community-based agencies. But at the national level, mainstream business groups — the U.S. Chamber of Commerce, trade associations, and others — have not yet signed on to the housing agenda.

The Progressive Housing Agenda

In light of the HUD scandal, the public is correctly skeptical of programs that offer big profits to politically connected developers and consultants in the name of housing the poor. However, the solution is not to scrap federal housing programs, but to build on the cost-effective successes that have emerged in communities across the country.

The key to a successful housing policy is to increasingly remove housing from the speculative market and transform it into limited equity, resident-controlled housing, funded through direct capital grants rather than long-term debt. That is how a significant segment of the housing industry in Canada, Sweden, and other social democratic countries is organized. In the United States, the nonprofit (or "social") sector is relatively small, but it has grown significantly during the past decade.

Congressman Ron Dellums of California already has sponsored legislation tailored to this goal. The National Comprehensive Housing Act, drafted by an Institute for Policy Studies task force, calls for an annual expenditure of \$50 billion. The federal government would make direct capital grants to nonprofit groups to build and rehabilitate affordable housing, as well as to purchase existing privately owned housing for transfer to nonprofit organizations. These homes would remain in the social sector, never again to be burdened with debt. Occupants would pay only the operating costs, which would dramatically lower the amount that poor and working-class families are currently paying for housing.

The Dellums bill is clearly a visionary program — a standard for judging progress on long-term housing goals — but not yet a winnable bill in the current political climate.

In fact, the major housing bill passed in Congress in October 1990, signed by President Bush the following month (the Cranston-Gonzalez National Affordable Housing Act), with funds appropriated the following year, provided a mix of good and bad news. After a decade of housing cutbacks, Congress finally increased the federal commitment to housing. But, after months of political wrangling, the House and Senate agreed on legislation to add only about \$3 billion to the nation's housing budget. The bill, a compromise of versions sponsored by Democratic Senator Alan Cranston of California and Democratic Congressman Henry Gonzalez of Texas, provided some funding to assist first-time homebuyers, to expand housing vouchers for the poor, to expand the capacity of nonprofit builders, to preserve the existing inventory of public and subsidized housing, and to assist residents of subsidized developments to purchase their complexes. But Congress failed to restore the federal government to the level of housing assistance of the pre-Reagan years, much less move us forward. The bill incorporated a progressive initiative, the Community Housing Partnership Act, sponsored by Democratic Congressman Joseph Kennedy of Massachusetts at the urging of Mayor Ray Flynn of Boston. It targets federal funds specifically to the nonprofit social housing sector.

In broad terms, there are five key areas in national housing policy that need to be addressed:

1. Expanding the supply of low- and moderate-income housing, particularly through the vehicle of nonprofit housing builders. We need to build at least 5 million new units (500,000 a year) this decade.

2. Preserving the existing inventory of public housing (1.3 million units) and subsidized private housing (2 million units), which are at risk from expiring subsidies and long-term neglect — and giving residents a greater role in management.

3. Providing adequate income subsidies to the 7 to 8 million low-income families who currently receive no housing assistance and cannot afford market rents.

4. Providing working-class and lower-middle-class young families opportunities for homeownership, by providing a progressive tax credit for buyers (including putting a cap on the homeownership tax subsidy for the affluent), and eliminating the existing regressive homeowner deduction.³²

5. Strengthening the government's regulation of banks and other financial institutions, particularly in terms of allocating credit for home buyers, eliminating discrimination in lending, making the wealthy pay for the S and L bailout, and putting consumer representatives on the Federal Reserve board and regional Federal Reserve banks.³³

Changes in world geopolitics — the end of the Cold War, the collapse of communism — make possible the shifting of national spending priorities that can address our domestic social and economic problems. But there is no guarantee that we'll see a "peace dividend" to invest in housing, child care, health care, education, rebuilding the infrastructure, and other much-needed domestic programs. Whether the nation's leaders seize this historic moment is a question of political will, not resources. ❧

This article is a revised, updated, and expanded version of an article that appeared in Challenge, March/April 1991.

Notes

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