

## Commentary

# Reflections on the Low Income Housing Issue

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Between fiscal years 1979 and 1986, the low income housing sector has borne the brunt of the "Reagan revolution." During this time, annual funding for low income housing programs declined by more than two-thirds in current dollars (from \$32 billion a year to \$9.9 billion), and by three-quarters in inflation-adjusted dollars.

Housing advocates across the country have been numbed by these draconian cuts in low income housing programs, by repeated Administration claims that housing resources are best produced and allocated through the market mechanisms, and by government plans to privatize the FHA and get out of the housing business. Not surprisingly, much of the energies of these housing advocates have been devoted to preserving whatever programs they can rather than systematically rethinking what an appropriate federal housing role should be in the contemporary policy environment. What creative thinking is taking place among low-income housing advocates tends to be premised on the need for an even greater federal commitment to low income housing than existed either before the Reagan victory or during the 1960s, the height of liberal housing policy-making and program implementation. Rather than addressing the more practical and difficult issues of how increasingly scarce federal housing resources should be strategically allocated among a number of competing uses, housing advocates behave as if a Democratic administration in 1988 would eagerly embrace their ambitious housing agenda. Unfortunately, this is just wishful thinking.

While a successor administration (Democratic or Republican) could adopt a more activist housing posture than the Reagan "free marketeers," such a policy perspective would not necessarily lead to a return to the halcyon days of yore. As a matter of fact, had President Carter been re-elected in 1980, the federal retrenchment in low income housing (for which most people blame Reagan) would have been initiated by a Democrat. Under intense pressures from double digit inflation, interest rates, and mounting deficits, the Carter budget for fiscal 1981 would have called for a substantial reduction in new commitments to low income housing production programs.

The fact is that neither Reagan's pure market approach nor the housing advocates non-market solutions to low income housing problems are useful policy paradigms. The former case simply redefines the problem in terms of inadequate incomes, as if the most inadequately housed populations are benefitting significantly from our national economic recovery, and as if there were no supply shortages. On the other hand, by calling for even more and bigger production programs, the non-market strategy seriously underestimates the recent change in the national mood and the depth of the new national commitment to control the growth of the federal government and reduce the budget deficit.

There is, of course, a major case to be made for a continued federal low income housing presence in a form and organization quite different from that which exists today. I would argue, for example, that scarce federal housing resources should, first and foremost, be devoted to the preservation and maintenance of the stock of nearly four million assisted housing units that already exist in cities, towns and rural communities across the country. A preservation strategy makes eminent sense during a period in which there will be substantially fewer new units produced to house needy families. Saving an existing unit from drop-

ping out of the inventory, or bringing one back into active use, has the same effect as building a new unit. More importantly, federally-assisted housing units that are poorly maintained are a blight on the community and give all low income housing programs a bad reputation. In an era when local officials are going to be called upon to support their own low income housing initiatives with general revenues — perhaps for the first time ever — it is especially important that dilapidated federally assisted housing projects not be the cause of neighborhood deterioration.

Second, because affordability problems are bound to worsen before they get better, a reoriented federal low income housing program should contain an enlarged income support component which coordinates HUD's rental assistance programs with the income maintenance programs of the Department of Health and Human Services (HHS). Today, the shelter allowance component of HHS's public assistance budget is more than \$5 billion a year, or nearly half as large as HUD's total annual outlays for housing assistance. Despite these billions, up to half of all families receiving welfare payments are forced to live in substandard housing. Workable ways of coordinating housing and welfare programs were proposed during the early Carter years but were defeated by influential housing interests who feared that welfare reform would result in a "cashing out" of housing production programs. Ironically, the program the industry saved in 1977-78 has since been eliminated by the Congress as being too costly, and rental assistance payments programs have not benefitted from the cuts. Without the future of large-scale production programs hanging in the balance any more, the political difficulties inherent in reforming rental assistance and welfare programs should be much less serious than they were five years ago.

Third, there is a continuing need for low income housing production programs. Even the Reagan administration acknowledges that somewhere in the neighborhood of five million families across the country are inadequately housed while millions more are paying unaffordably high rents. Among the ill-housed, there are disproportionate numbers of blacks, Hispanics, elderly and female-headed households. In such widely different areas as New York City and Raleigh, North Carolina, for example, twice as many families are certified as being eligible for low rent public housing as there are apartments to house them. And in both cities, too, the number of homeless grows larger by the month. This is particularly surprising in a city like Raleigh, whose high-tech, robust economy has been fueling a major population and housing boom.

The need for continued production programs does not, however, mean that the federal government must continue to process and underwrite housing projects from Washington. Indeed, even if the Congress were to reverse course and fully fund production programs at their 1979 levels, HUD would be totally incapable of handling the increased appropriations. The agency's housing delivery capacities have deteriorated in direct proportion to the layoffs (Reductions-to-Force), retirements and reorganizations that have occurred since 1981.

New budget and contract authority, however, can be folded into a housing block grant and allocated to states and localities on a formula or another basis. In 1980, Congress directed HUD to evaluate the feasibility of consolidating its housing assistance programs into a block grant. While difficult technical issues proved resolvable, certain political and institutional problems posed more serious problems to the creation of a housing block grant. The political problem had to do with big city housing interests which believed they would not fare as well under housing programs administered by the state as they were faring under HUD's existing allocation system. The second issue concerned the institutional capabilities of state and local government to package housing projects. Rural interests, especially, were concerned that the states would not be able to deliver housing to very small settlements where substandard housing is more prevalent.

While similar questions remain today, states and localities are far more experienced in the housing development process than they were five years ago. The extremely high cost of low income housing assistance, however, demands that the federal government continue to supplement whatever resources states and localities are able to devote to the problem. Where state and local capacity still does not exist, the federal government can maintain a skeletal processing unit to deliver housing to localities which could not otherwise be served.

In short, the challenge facing housing advocates is helping to shape a reorganized and reoriented national housing program whose reduced levels of funding must be used to help preserve the existing subsidized housing stock, assist low income families who cannot afford the cost of decent housing and to stimulate and support state and local efforts to expand the supply of low income housing. □