Housing Policy and Family Self-Sufficiency

The Policy Institute for Family Impact Seminars

Family
Impact
Seminar

Housing Policy and Family Self-Sufficiency

Background Briefing Report by Rachel Bratt

and highlights of the Seminar held on September 29, 1995, at 216 Hart Senate Office Building, Washington, DC

Panelists:	**Rachel Bratt**	Chair, Department of Urban and Environmental Policy, Tufts University, Boston
	Sandy Newman	Associate Director for Research, Institute for Policy Studies, Johns Hopkins University, Baltimore
	Ophelia Basgal	Director, Housing Authority of Alameda County, California
	Ken Temkin	TInstructor and Evaluator, Department of City and Regional Planning, University of North Carolina, Chapel Hill
Moderator:	**Theodora Ooms**	Executive Director, Family Impact Seminar

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and
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Highlights of the Seminar

Held Friday, September 29,1995 216 Hart Senate Office Building, Washington, D.C.

Introduction

Family Impact Seminar (FIS) Executive Director Theodora Ooms welcomed the seminar attendees and noted that the child and family policy field and the housing policy community have been too long estranged, although they serve the same families. This seminar is the first of a series of three funded by the Annie E. Casey Foundation, which will bridge this communication gap between the two policy domains. Today's seminar is important, Ooms noted, because, unlike child care and health care, housing is never mentioned as a barrier to family self-sufficiency in the current welfare reform debate.

Rachel Bratt

Rachel Bratt, Chair of the Department of Urban and Environmental Policy at Tufts University in Boston and author of the *Background Briefing Report* prepared for the seminar, described the current state of federal housing policy, the program developments in self-sufficiency, and some of the implications that current policy proposals have for self-sufficiency.

Housing policy and child and family policy need to be linked more consciously and carefully, began Bratt. "What is good for children and families is also necessarily good for the general population." Housing policies and programs aimed at low-income people are inextricably connected to family well-being. Accounts of homeless families living in shelters have shown that grossly inadequate housing conditions contribute to family dysfunction, noted Bratt. Beyond the effects of housing itself, the neighborhoods in which people live determines their access to jobs and educational opportunities and social networks, all of which have a great deal to do with family well-being.

The U.S. has many serious housing problems despite a national goal first articulated by the U.S. Congress in 1949: A decent home and a suitable living environment for every American family. Federal housing policy is complex because it has always sought to fulfill a series of multiple objectives. The goal of providing decent, affordable housing for everybody, is, in fact, only one of the many needs that housing policy has addressed through the housing programs over the last 60 years (see pp. 10-28 for Bratt's detailed survey of Federal housing programs).

Many families who meet eligibility requirements for subsidy programs receive no housing assistance, according to Bratt. In 1993, only 37 percent of renter households with incomes below the poverty line were receiving some form of housing subsidy, but nearly two-thirds were receiving none at all. However, at the same time, federal expenditures for housing through the tax system are substantial, and their cost has skyrocketed—$70 billion a year through the homeowner's home mortgage interest deduction alone. Therefore, the lion's share of the federal housing subsidy goes to the non-poor. In 1994, $4 out of every $5 of government housing subsidies, including the homeowner's deduction, went to upper-income households; households earning more than $60,000 received more than 60 percent of all federal housing subsidies. Bratt contended that "there is something profoundly wrong with this situation."

Families with children face some of the most severe housing problems. According to a report by the Center on Budget and Policy Priorities, some 8.8 million families with children—one family in eight—paid more than 30 percent of their incomes for housing, often leaving insufficient funds for other necessities. Estimates are that between 275,000 and 500,000 children were homeless for some period of time in 1989. In 1991, an estimated 3.1 million families with children, equally divided between renters and owners, lived in housing with severe or moderate physical problems. Overcrowding—defined as more than one person per room—is primarily a children's problem. Ninety-five percent of the 2.5 million overcrowded units in the United States were occupied by families with children.

Bratt noted that there is a great discrepancy between the supply of and the demand for affordable housing. The Center on Budget and Policy Priorities estimates that the U.S. is short some 4.7 million affordable housing units, meaning there are nearly two low-income renters for every available low-income housing unit. High housing costs affect poor white, black, Hispanic, elderly, non-elderly, working, and not working households alike, with more than four out of five poor renters in each group spending at least 30 percent of income on housing.

Adequate housing is intimately related to the ability of families to achieve self-sufficiency. One lesson that the federal self-sufficiency programs teach us, according to Bratt, is that housing subsidies are the first subsidy required and the last subsidy relinquished before self-sufficiency is achieved—and therefore is a powerful incentive to getting families involved in self-sufficiency programs. The need for a sustained housing subsidy remains even if a family is working and is moving towards self-sufficiency. Unfortunately, housing subsidies are not plentiful right now, she concluded.

Bratt expressed concern about the HUD proposed reinvention "blueprint," which relies on a policy of providing low- and moderate-income households residing in HUD-assisted housing, including public housing, with Section 8 vouchers and certificates, allowing them to use the rental subsidy either in their existing unit or to move to another non-HUD-assisted unit. She does not believe it will either provide the necessary housing for the families who leave public housing, nor will it allow the units left behind in the subsidized stock to be adequately maintained for the other tenants. She recommends a recent report from the Low Income Housing Information Service (listed in the BBR's references, p. 67), that offers a compelling argument against vouchers for public housing.

Although the HUD blueprint supports the concept of self-sufficiency, HUD does not advocate that any funds be earmarked specifically for self-sufficiency programs, according to Bratt. In fact, its efforts to consolidate existing programs could work at cross purposes with the goal of promoting self-sufficiency. Although giving communities greater latitude to design their own economic development initiatives is a good idea, the outcome of providing Federal dollars through block grants is generally a net reduction in funding, which, in her view, can only hurt local efforts at promoting self-sufficiency.

Besides rescissions in HUD's FY 1995 budget and cuts in its FY 1996 budget, assisted housing residents may be required to increase the percentage of income they pay toward rent (from 30 percent to 32 percent) or lose income cap protections altogether. The net result of these and other proposed changes would seriously hurt the ability of low-income households to afford decent housing, she concluded. Current welfare reform legislation could also undermine self-sufficiency efforts, particularly if states enforce a two-year cap on public assistance. "We can't talk about self-sufficiency in only two-year time frames,' said Bratt. "It simply runs counter to what we know about what it takes to promote self-sufficiency."

In a climate of budget cutting in both housing and welfare programs, enhanced cooperation and coordination between the two systems may be hard to achieve. "One of the first critical steps in merging the two agendas, housing and welfare, involves stabilizing a family's housing situation, and the recent initiatives of the 104th Congress are taking us in the absolutely wrong direction," Bratt concluded.

Sandra Newman

Sandra Newman, Associate Director for Research at the Institute for Policy Studies at Johns Hopkins, presented her and Ann Schnare's research on housing and economic independence. Newman began by asking: What has happened to shift our standards so that we are now evaluating the effectiveness of housing assistance programs for the poor on the basis of whether they improve the economic prospects and the life chances of adults and children? This transformation in housing assistance policy for the poor mirrors the change that is happening throughout the social welfare system. Housing policy is now serving an extremely impoverished group of households, whereas 20 or 30 years ago, housing policy consciously distinguished itself from the rest of the social welfare safety net. Therefore, housing assistance programs are likely to be judged by the same standards and norms and values that are driving the debate about welfare reform. Americans and their elected representatives increasingly want to see some sort of return on their social investments, said Newman, meaning that economic independence and self-sufficiency are the ultimate goals. Second, there is a philosophy of reciprocal obligation—that is, that if the government is willing to provide assistance, the recipient do his or her part to get off assistance. Third, through a combination of time limits and sanctions, the message is given that assistance is not open-ended and that recipients must cooperate—whether engaging in a work, education, or training program—in order to receive the full assistance. Therefore, the traditional goal of housing—to provide decent and affordable housing—is no longer sufficient justification for a public sector role unless it moves impoverished tenants into the economic mainstream.

Decent housing can be a conduit that allows families to achieve economic independence in two ways: (1) decent housing confers direct benefits on recipients—like improved health or better access to the job market—which help them become more productive, and (2) decent housing indirectly increases the effectiveness of other interventions that are aimed at moving poor people into the economic mainstream. Unfortunately, according to Newman, very little hard research has been done on direct or indirect effects of decent housing, so we are left to examine softer descriptive, and anecdotal evidence. But even here, we are stymied. The greatest amount of work has been done on what are called neighborhood effects - that is, what is the impact of the quality of the neighborhood, the existence of drug and crime activity, the unemployment rate, the teen pregnancy rate, and other factors such as that. What are the impacts of neighborhood quality on outcomes for families and children? But even these results are inconsistent. This lack of data is one of the main motivations behind HUD's Moving to Opportunity program, a demonstration program to provide housing vouchers to public housing residents to allow them to move to housing in affluent, suburban areas, that includes a rigorous evaluation component. By replicating this demonstration in a number of different locales, the problem of isolated local effects will be overcome.

Neither of HUD's two self-sufficiency demonstration programs—Project Self-Sufficiency (PSS) and Operation Bootstrap—were subject to rigorous evaluation, although research on Bootstrap was far superior to PSS. However, this accumulated evidence is not enough to justify building new programs. But before determining whether housing policy moves families to self-sufficiency, we have to find out if it actually provides participants with affordable housing in decent neighborhoods, according to Newman. Otherwise, the issue of whether to take the next step may be moot. Here, research has something to say. Looking at the three main types of housing assistance programs—traditional public housing, certificates and vouchers, and subsidized private developments where the developer has received a subsidy to construct or rehabilitate the property and then is able to charge a lower rent to the tenant—the research shows that the receipt of housing assistance is, in fact, associated with dramatic improvements of the physical conditions, reduced crowding, and improved affordability. Unfortunately, the results for neighborhood quality are quite different—for households with children, in particular, living in public housing is associated with a significant decline in neighborhood quality and a rise in crime. This is particularly troubling, said Newman, because the most disadvantaged families are the most likely to end up in public housing.

In the past decade, there have been dramatic increases in the number of female-headed families, families below the poverty line, families receiving welfare, and families attached to the workforce living in assisted housing. How do we explain the demographic changes? Regulatory changes governing HUD programs are part of the answer, and the overall weakening of the economy is also a factor. But Newman believes there is another potential explanation: something about housing assistance itself may discourage economic independence. It is dear, for example, that families enjoy monetary savings by participating in a housing program; if a family is paying 30 percent of their income and the government is paying the rest, that's a pretty good deal, particularly if the family lives in a nice development. There's not much incentive to move into the non-subsidized housing market. On the other hand, she noted, if impoverished families are living in public housing where there are serious neighborhood problems, which are associated with poor child outcomes, then perhaps public housing settings are reinforcing failure rather than success.

Ophelia Basgal

The third speaker, Ophelia Basgal, Director of the Housing Authority of Alameda County, described her experience with administering housing self-sufficiency programs in California.

Project Self-Sufficiency, the first demonstration project, was targeted to single-parent families to see if providing access to social services and housing assistance help people get off of government assistance. Participants were not required to sign a contract and the only sanction for noncompliance was termination of support services but not housing assistance. In the second HUD self-sufficiency effort, Operation Bootstrap, which had many of the same components as Project Self-Sufficiency, housing authorities applied directly for the funds. The target population were families on the housing authority's Section 8 wait list or other people who were recruited to be in the program. Basgal and others used Operation Bootstrap to reward people who were in JOBS programs by giving them priority for receiving Section 8 assistance.

By 1992, to receive any new additional allocations of Section 8 housing assistance, housing authorities had to have a Family Self-Sufficiency program unless they were able to secure a waiver. At this time, the supportive services expanded to include JOBS and JTPA programs, and the program added the incentive of escrow savings accounts for participants. In the Section 8 program, participants pay 30 percent of their income towards rent. Therefore, as their income increases, the amount of rent that they pay increases. In the new savings program, as a participant's income and rent increased, the housing authority put the amount of that increase in an escrow savings account, to be given to the family when it successfully complete its goals—perhaps for a down payment on a house. Participants must sign a five-year contract specifying their employment goals toward achieving self-sufficiency. Training programs and school are allowed but they must be job-related and accompanied by a diligent job search Failure to meet program requirements can mean termination from the FSS program and loss of any money in the escrow savings account. The program does also allow termination of housing assistance at the discretion of the housing authority, although Basgal knows of no housing authority that has exercised that option. In fact, her legal counsel believes that the Alameda housing authority would not be able to defend depriving a family of housing assistance in this way. Basgal identified the notion of reciprocal obligations as the biggest change in the new self-sufficiency program. It also introduces the concept of time limits on housing assistance and support services.

Basgal described her housing authority as suburban because it serves county residents not living in the cities of Oakland, Berkeley, and Alameda. The families she serves are below 50 percent of the median income, which is around $24,000 for a family of four. Although they

have a small public housing program, their biggest program is Section 8—approximately 5,000 units. Their housing authority is unusual because of the amount of Section 8 portability activity in their program. Portability describes the program participant's movement from one housing authority's jurisdiction into another's. The participants, in effect, "travel" with their housing assistance. Over 1,300 families have moved into Alameda County's suburban jurisdiction from surrounding communities. Sixty-five percent of those portable families come from the city of Oakland.

Their self-sufficiency program began in 1991 with Operation Bootstrap, with an allocation of 94 certificates. "We hated the name of Bootstrap so we always called it Self-Sufficiency," she said. A year later, many participants transferred from Operation Bootstrap into Family Self-Sufficiency even though they had to sign a contract and the program was more rigorous, because they liked the escrow accounts. Today, they have 212 participants enrolled in the program toward a goal of 426. About 60 percent of the participants joined in the last year. Half have escrow accounts of less than $1,000, although one has over $7,000 in her account. A few have between $2,000 and $3,000.

The program is staffed by one coordinator who's funded by an outside grant, two housing specialists, and occasional MSW interns from local universities. They have a 20-person project coordinating committee that acts as an advisory board to the housing authority. The success of the program is really dependent on good case management, Basgal believes. Staff must act as strong advocates for participants with schools, service providers, and within the housing authority itself, because not all staff is attuned to what is involved for FSS participants.

Ongoing provision of basic skills training and crisis intervention are key elements in this program, she added. They conduct workshops on financial, career, parenting, and personal skills, concentrating on skills as basic as managing a checking account and using an ATM card. They've started a "clothes closet" because many of these women don't have appropriate clothes to go to job interviews.

The Housing Authority Board of Commissioners, which is very supportive of this program, has started a scholarship program for FSS participants to attend trade or academic schools; six $1,000 scholarships were awarded this year. They've also set up a revolving loan program to assist participants meet emergency financial needs. Basgal described the case of a woman who got sick for whom a loan of only $150 made the difference between being able to stay in school and dropping out. Recently, the Alameda Housing Authority bought nine condominiums that they intend to make available to FSS participants with escrow accounts for lease option purchase. And, each year they host a picnic where successes are acknowledged and participants get an opportunity to network, according to Basgal.

Recruiting participants into the FSS program has become more difficult since the Housing Authority is no longer allowed to offer it as an incentive for being enrolled in a job training program, said Basgal. Response to a mass recruitment mailing to all 4,000 Section 8 participants was "dismal." However, the program's new coordinator, who has a marketing background, has turned the staff into sales people by offering a day off each quarter to the staffer with the most FSS contracts. Basgal noted that they consciously decided not to use fear of welfare reform as a marketing strategy, although she acknowledged that its threat is implicit.

Basgal also said that many potential participants fear the loss of welfare and Medicaid benefits as they move to self-sufficiency, because it is not uncommon for families to actually suffer a net loss in wages and benefits for a time as they transition to higher wages.

Another barrier for FSS participation is the high housing costs in the Bay Area. Participants know that even in five years they are not likely to be making enough wages to get off of housing assistance. A recent GAO study shows that to get off of all forms of government assistance a family of three would have to have an hourly wage of over $17 an hour—or an annual income of over $31,000. "The likelihood of finding a job like that is pretty slim," she added.

Conflicting rules among various aid programs makes coordination difficult. The GAIN program in California, for instance, is targeted to short-term training and rapid entry into the job market, while FSS is targeted towards long-term self-sufficiency. Affordable child care remains the biggest hurdle for participants. Infant care costs $500 a month if it is not subsidized, and there is a long waiting list for subsidized child care. "We are less than five or six years into what I think could be a very successful program," she said. "But the sad thing is the Family Self-Sufficiency program is targeted in the current housing bills to be terminated."

Ken Temkin The final speaker was Ken Temkin, an instructor and doctoral student in the Department of City and Regional Planning at the University of North Carolina, where he is evaluating the Gateway program in Charlotte, NC, which is one of the earliest housing self-sufficiency programs.

According to Temkin, the Gateway program addresses three problems that hinder the movement of public housing residents towards self-sufficiency: first, the lack of coordination of benefits available to residents; second, the high effective marginal tax rate that occurs as benefits are reduced as a resident's income increases; and, third, the lack of a supportive social milieu that public housing residents face when they attempt to move up the economic ladder.

Local officials in Charlotte designed the program to enhance the labor market skills of participants so that they could earn a target wage of $7/hour and move out of public housing into their own homes. The Gateway program emphasizes home ownership. Its target population is families with household incomes of less than $12,500 a year.

Gateway participants begin in what is called the remedial stage, in which they receive diagnostic testing of their vocational and educational abilities. They are placed in a two-year, full-time associate's degree program at a local community college—which Temkin noted can be a particular challenge for a single mom with family responsibilities and a full load of classes. During their participation in this part of the program, their rent is capped, meaning that their rent won't go up if their income does (although it can go down if their income decreases). In addition, their non-HUD-based public assistance—AFDC, food stamps, Medicaid—are kept at the highest level, as long as their income remains less than 50 percent of the local median.

Once they complete the associate's degree, they enter the transition stage, which can last up to five years, where the emphasis is on providing skills workshops like those Basgal described while the participants look for work in their field of training. At this point, the rent and assistance freezes are lifted, and an escrow account is set up. Any rent that the housing authority receives above $274 a month—the amount that it costs the housing authority to maintain the units - goes into the participant's escrow account. For instance, if their income-based rent is $324 a month, $50 will go into their escrow account. At the end of this five-year transition period, the housing authority will help participants access the North Carolina Home Finance Agency and other agencies so they can purchase their own homes.

The Ford Foundation is funding Temkin's evaluation of the Gateway program because no evaluation money was built into the program funding. The evaluation is longitudinal and follows the participants through the program. In addition, the evaluators are conducting focus groups with the program participants, dropouts, and people who looked at the program and chose not to participate.

Temkin offered some preliminary data on Gateway participants. Ninety-nine percent of the participants are black women, and over 85 percent of them have at least a high school diploma needed to enroll in the associate degree programs. To a certain degree, Temkin noted, the program is "creaming." Fifty-six percent of the participants entering the program had a household income of less than $7,200. Fifty-two percent of the people who entered the program were on a public housing waiting list; jumping the queue and getting into public housing was a great incentive for them to join the program. According to surveys, participants listed the following factors in order of importance: the chance to own a home, job training or education, the freeze in benefits—the removal of the high marginal tax rate, the immediate availability of a public housing authority unit, and the availability of day care, provided for every participant family through a local non-profit.

Of the 187 people who have been in the program at any point in time, 38.5 percent have dropped out, either because they withdrew or because they broke the terms of the contract. However, no one has been kicked out of public housing as a result of withdrawing from the program. Only 16 percent of program participants have graduated to date.

Temkin identified the following major lessons from the Gateway experience.

- Like Alameda County, Gateway has had trouble attracting qualified applicants. To get 187 participants, 663 applicants were screened and processed. The high educational requirements of the program were a barrier.
- A number of applicants didn't show up on the follow-up. The drop out rate was higher than they expected, and the research doesn't completely account for it. At least some of the participants may not have entered the program in good faith—using it to jump the queue into public housing.
- The focus groups with participants found that education provided by the program did not fit participants' needs, and it was difficult to complete a full-time associate's degree while at the same time maintaining a household as a single parent.
- Perhaps most sobering, according to Temkin, people didn't trust the program being run by the housing authority. In focus groups, they heard people say, "I'm not letting these people in my lives. I don't want these people checking up on me, having a say as to where I go to school."
- The program had only one position doing both case management and program management, and quite often that role conflicts.
- At first, participants were encouraged to enroll in training programs for welding, automotive repair, and other traditionally male-dominated professions. After the women complained in the focus groups, the emphasis was placed on more women-oriented or gender neutral professions, like medical records technology. (Temkin applauded the Gateway program for being responsive to making mid-course corrections).

However, despite these challenges, 96 percent of the participants who have stayed in the program say that Gateway made either a minor or major positive impact on their lives. Temkin's evaluation doesn't yet have data on income earnings.

He then offered recommendations for program design and management, based on his experience with the Gateway program:

- Home ownership goal should not be the overriding goal of the program—even though it is an attractive incentive—because, once participants get their associate's degrees, they don't want to wait until their escrow accounts build up to get out of public housing.

- Have a wide variety of remedial and job training activities to fit a wide variety of skills. Not everyone wants to be a welder.
- Place a greater emphasis on serving people already in public housing in order to avoid having people use the program to avoid housing waiting lists.
- Assign no more than 40 participants per case manager. Fortunately, Temkin noted, the City of Charlotte has provided additional funding for increased staffing this year.

Temkin reminded the audience that a program like Gateway, which offers subsidized full-time training and education, will have high costs for both services and administration. And it will not work for all public housing residents because participants must have at least a high school education. However, Charlotte is using the FSS program as a bridge to the Gateway program, so there is some hope for a continuum of intervention.

Gateway raises several equity issues, according to Temkin. Are we putting too much money to serve too few public housing residents? What about the people who will not be served by a high-cost intervention policy?

Discussion

An audience member from the Department of Health and Human Services asked about the best methodology for evaluating these types of programs. Newman responded that the continuously evolving nature of Project Self-Sufficiency or Operation Bootstrap make rigorous evaluation difficult—in some senses they are “moving targets.” Social programs are complicated and inherently difficult to evaluate—programs that operate over time can be contaminated by extraneous factors that researchers have no control over.

Another participant asked about the issue of neighborhood decline around public housing. Newman said her analysis of the 1989 American Housing Survey compared welfare households with children living in public housing to families with children on welfare only, not receiving housing assistance. She found that the neighborhoods of families with children in public housing are worse. The same questioner wanted to know why the Gateway program had a two-year rent-freeze contingency for rises in income for participants if they were in two-year, full-time education programs. Temkin responded that, for those women who could complete the training in less than two years, it provided a window where benefits would not be taken away as any potential income increase occurred.

A representative from a foundation asked, “To what extent were residents themselves involved in the design and implementation of both of the Alameda and Gateway initiatives?” Basgal said that resident involvement in designing their Family Self-Sufficiency program was minimal. Two participants served on the project coordinating committee, but their involvement was really around identifying services. Gateway was designed by the Charlotte Housing Authority with some local input from business leaders, according to Temkin Bratt added that, in her review of self-sufficiency programs, there was little mention of citizen/participant involvement in program design. Bratt believes that the programs would be improved if the residents felt more ownership and were given greater opportunities to participate in the development of programs.

A representative from a Fairfax County, Virginia, Family Self-Sufficiency program asked Basgal where the money comes from for the loan program and whether she found that participants are paying back the loans. Basgal said the Housing Authority conducts the loan program itself with local funds. They use a simple loan form and do not charge interest. Most of the loans are being paid back within 12 to 18 months, and nobody has defaulted.

A participant from the Maryland Department of Housing and Community Development commented that it is very important to get all family members—including the children and father—cooperating to work toward self-sufficiency. Basgal noted that her program encourages parents to bring their children to the seminars conducted in the evening. Case managers try to meet the entire family at intake. Newman described a demonstration program at public housing developments in Baltimore called Family Development Center at Lafayette Courts, which was designed to involve the entire family—the adolescent child, the young child, the mother, whoever was in the family. Although evaluations showed mixed results, the Federal Government later offered funding for a similar program called Family Investment Centers, although she believes it will be killed by current legislation.

An audience member from HUD asked Basgal to describe the Section 8 portability feature that brought many families from Oakland into her jurisdiction. Basgal stated that she believes that there are several reasons for the high amount of portability into Alameda County's jurisdiction. These include a good vacancy rate, reasonable rents, strong and fair housing laws and enforcement, educated landlords who understand the Section 8 program and benefits, and the Housing Authority's willingness to make the portability process easy for Section 8 participants. She noted that initially they did not admit "portables" into their self-sufficiency program because they wanted to offer it to their residents first. To increase program participation, however, they did open it to portable clients and found a high percentage of Oakland portables interested.

An audience member from the Center for Law and Social Policy asked about the future for self-sufficiency programs linked to housing in the context of decreasing social services, subsidized health care, and income assistance available to low-income families under pending legislation.

Temkin noted that in Charlotte participants are getting "top-shelf services," which are expensive with payoff well down the road. Under current welfare reform and welfare-to-work program proposals, such programs are likely to be replaced by work and job search requirements. Basgal is concerned that, in the present climate, the Section 8 program might as well become just an income transfer administered by the welfare department. And that would mean the end of self-sufficiency efforts, she believes.

Bratt concluded that the only positive aspect of the devolution revolution might be if the private sector comes forward to offer solutions and funding for what the Federal Government is taking away. "But," she added, "this is a very big if."

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A Background Briefing Report
by Rachel Bratt

Introduction

The ongoing debate about welfare reform assumes, in part, that there is a better way to provide public assistance to enable poor households to move out of poverty. Much of the criticism lodged against welfare has revolved around the perception of a permanent welfare population and the seeming inability of these households to move up the economic ladder.[1] Indeed, it has often been argued that various rules of the welfare system undermine the ability of residents to become independent.[2]

Many practitioners and policy makers involved with housing have articulated the goal of promoting resident self-sufficiency as an essential ingredient of their overall mission. Initiatives promoting self-sufficiency assume that housing is more than an end in itself; it also can be viewed as a means to an end—contributing to the elimination of poverty by promoting a family's ability to live without public assistance. Conceptually, subsidized housing appears to be a good vehicle for launching self-sufficiency programs. The concentration of a low income population residing in the developments presents an ideal opportunity to easily reach a large number of potential participants.

This paper explores the relationship between housing and family well-being and self-sufficiency in three major sections. The first provides background information on the relationship between housing and the physical and social well-being of individuals and families and describes the major federal housing initiatives that have been implemented since the 1930s. This section also examines the characteristics of residents in living in subsidized housing, describes the nature of current housing needs and points out where the major gaps lie between the supply of subsidized, affordable housing and demand.

[1]A report by the United States General Accounting Office summarized a series of studies concerned with the length of time that recipients stay on welfare and concluded that "relatively few families are long-term welfare recipients" (1993a, p. 41).

[2]For example, the United States General Accounting Office reports that: "As earnings rise, families who receive AFDC, food stamps, and housing subsidies may initially have reduced total incomes, making them financially worse off than if they had not worked ...When heads of families earned at the rate of $10 an hour and worked as many as 80 hours a month, there was still only a small gain in income from employment compared with not working and receiving AFDC, food stamps, and housing subsidies" (1993 a, p. 31).

The second section delves into the specific connections between housing and self-sufficiency programs. This includes a discussion on the logic of linking the two, an examination of the ways in which there have been a lack of coordination betwee the housing and social welfare systems (the traditional route through which recipients are supposed to achieve self-sufficiency) and an overview of the housing/self-sufficiency programs that have been implemented.

The final section of the paper discusses the present and future challenges for housing-based self-sufficiency programs, including the major lessons that have been learned from the various early and contemporary initiatives.

By better understanding the ways in which housing programs are able to assist low income people become self-sufficient, we may be in a stronger position to help inform the ongoing debates on how best to provide welfare benefits. In addition, to the extent that self-sufficiency can be enhanced, or even achieved, through housing-based programs, current moves to reduce expenditures for housing may be challenged. Further, if providing services aimed at self-sufficiency through subsidized housing developments is found to be an efficient and effective approach, we may see a resurgence of support for project-based housing subsidies.

I. Importance of Housing; Major Federal Housing Policy Initiatives; Current Needs vs. Available Subsidies

Importance of Housing in Peoples' Lives

Housing has always been viewed as one of the necessities of life—a critical element of the "food, clothing and shelter" triumvirate. When we read of stories of homeless people freezing to death in the cold streets of our cities, we are brutally reminded that housing is a fundamental need In addition to protecting people from the elements, housing fulfills a variety of critical functions in contemporary society. [3]

The 1988 Report of the National Housing Task Force forcefully summarized the critical role that housing plays in peoples' lives .

> ... a decent place for a family to live becomes a platform for dignity and self-respect and a base for hope and improvement. A decent home allows people to take advantage of opportunities in education, health and employment—the means to get ahead in our society. A decent home is the important beginning point for growth into the mainstream of American life (p. 3).

Health, Safety and Family Well-Being

The great Chicago fire of 1871 and the cholera epidemics that swept densely populated urban areas in the early and mid-nineteenth century, dramatically made the link between poor housing conditions and health and safety. Although it was originally assumed that disease was limited to drunks and paupers, by 1866 it was clear that the more affluent were not immune to contracting illness (Friedman, 1968, p. 5). The public response was the enactment of tenement house laws, first in New York City and followed by other large cities. The explicit goal was to regulate the "health, safety and morals of tenants" (Wood, 1934), although these laws were clearly also intended to protect the non-poor living in adjacent neighborhoods.

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[3]According to psychologist Abraham H. Maslows hierarchy of human needs, the basic, "lowest," needs that housing provides is shelter or protection. "Higher" level needs provided by housing include safety or security, a sense of belonging, self-esteem, and self-fulfillment. "Lower needs" must be met before "higher needs" (discussed in Meeks, 1980, pp. 46-49).

Although, as discussed below, housing conditions have improved dramatically since the nineteenth century, poor quality is still a problem facing millions of people. Fires due to poor wiring or faulty furnaces, infestations of vermin and inadequate heating systems are still far more common than they should be. A particularly troubling aspect of inadequate housing has become apparent over the past twenty years, as the hazards of lead-based paint on children's' health has become understood.

According to the Centers for Disease Control, "lead poisoning is the most common and devastating environmental disease of young children" (United States General Accounting Office, 1993b, p. 2). A *New York Times* article further reported that: "12 million children under the age of 7 are exposed to high lead levels from paint in their homes" (1991). In addition, some three to six million children have lead levels in their blood that are high enough to cause serious permanent damage (See *The New York Times,* 1991 and the *Boston Globe,* 1991). As one might expect, hazards due to lead paint are most serious among poor, non-white households (Leonard et al., 1993, p. 8).

A landmark study prepared in 1966 for the U. S. Department of Health, Education, and Welfare, investigated what was known about the relationship between housing and the feelings and behavior of individuals and families. It concluded that: "The evidence makes it clear that housing affects perception of one's self, contributes to or relieves stress, and affects health" (Schorr, 1966, p. 3).

Dolores Hayden has summed up the importance of housing by noting: "Whoever speaks of housing must also speak of home; the word means both the physical space and the nurturing that takes place there" (Hayden, 1984, p. 63). If housing is overcrowded, dilapidated or otherwise inadequate, it is difficult, if not impossible, for family life to function smoothly.

The intimate connection between housing and emotional well-being was powerfully captured in a 1977 survey of middle-income people. The researcher noted:

> First, the house was defined as a place where child rearing occurs; ...Second, the house was seen as an indicator of personal status and success, both one's own and others'... people spoke of the self-judging they went through, seeking evidence of their own success or failure in life in the quality or spaciousness of their houses, in the ability or inability to "move up" to better houses periodically, or even in the mere fact of owning some property or a house .
>
> ... [A] third aspect of the house's meaning revolved around the sense of permanence and security one could experience in his or her own house. In this regard, people spoke of "sinking roots," "nesting," and generally settling down. The house...seemed

> to be a powerful symbol of order, continuity, physical safety, and a sense of place or physical belonging ...Closely connected...was a fourth aspect of the house's meaning —the common notion that the house was a refuge from the outside world or even a bastion against that world...: a desire to escape from other people and from social involvement, the establishment of a place from which others could be excluded, and where, consequently, one could truly be oneself, in control, "more of an individual," capable of loving, and fully human (study by Rakoff, quoted in Stone, 1993, p. 15).

Jonathan Kozol's poignant account of homeless families in New York City shelters underscores the extent to which grossly inadequate housing conditions contribute to family dysfunction[4]: a lack of privacy creates stress for all family members; the inability to have guests or to receive phone calls vastly constricts normal social access, as well as the ability to communicate with potential employers; children are unable to do homework; and adults live in constant fear that their children will be endangered by the harsh social and physical environments (Kozol, 1988). Although it may be difficult to prove that these, and other types of problems are *caused* by poor housing, it is undeniable that, at the very least, inadequate housing can exacerbate an already problematic situation.[5] And, further, a key aspect of family well-being necessarily involves the provision of decent, affordable housing.

Housing and Access to Opportunities

Beyond the effects of housing itself, where people live, in terms of neighborhood setting and locational advantage has a great deal to do with access to both educational opportunities and employment and social networks. For example, William Julius Wilson's *The Truly Disadvantaged* (1987) argues persuasively that isolation of poor and non-white populations creates its own set of problems, placing barriers in the path of those struggling to move out of poverty.

Downs has succinctly summarized the extent of income and race segregation: "Poor black and Hispanics remain far more concentrated in inner-city and other high-poverty neighborhoods than do poor non-Hispanic whites" (1994, p. 73). Moreover, the trend is not encouraging, as the "concentration of poor blacks in high poverty and distressed neighborhoods is increasing" (Kasarda, 1993, p. 283).

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[4]Of course, it hardly needs mentioning that even worse than "grossly inadequate housing" is no housing or shelter at all—the most dire form of a housing problem

[5]Even in the case of lead poisoning, where lead-based paint can be traced to peoples' homes, other sources of lead in the environment can pose health risks (e.g. lead in the soil; gasoline; old school buildings and water contaminated by old lead pipes). Thus, one can never be certain which contaminated source is producing any elevated lead levels that may be observed.

As much as many of us love what the city has to offer—in terms of jobs, recreational and cultural facilities and educational opportunities—demographic data reveal that, during the decades following World War II, millions of households with the financial means to leave their urban homes exercised their options to do so. Those with few or no choices, remained in the cities (Goldsmith and Blakely, 1992; Downs, 1994).

There are a number of reasons why low-income people and people of color have been unable to follow the more affluent and non-minority populations to the suburbs: large-lot zoning requirements in many suburban communities effectively bar the production of small affordable homes; in many suburban towns zoning ordinances completely prohibit the development of multi-family housing and mobile homes, which, again, serve to prohibit access to these locales by lower income groups; and discrimination on the part of the private real estate and banking sectors has limited the ability of non-white households to move to suburban locales.

Furthermore, most subsidized housing developments are located in the cities, as opposed to the suburbs. This is primarily due to the structure of the public housing program that gives local bodies of government discretion concerning whether or not to create a local public housing authority (the entity responsible for the production of public housing), as well as to community opposition to building subsidized housing in suburban locations.

The outcome has been an increasing trend toward two societies, divided along racial and class lines that are, for the most part, separate and unequal. Michael Harnngton's, *The Other America,* written in 1962, was one of the first, and certainly among the most powerful portrayals of our bifurcated society—a trend that has persisted and worsened throughout the second half of the twentieth century.

Educational opportunities—There is a widespread perception that education in inner city schools is inferior to what is provided in other locales. For example, a report prepared by the Center for Community Change noted that "tremendous disparities still exist between wealthy and poor schools" (1990, p. 10). Whether it is the quality of the schools, or the concentration of an impoverished population in those schools, may be difficult to untangle. But it is certain that the educational performance of poor, predominantly nonwhite students in inner city schools is far from adequate.

According to Gary Orfield, in metropolitan Chicago high schools:

> ...there was an .81 correlation between the percentage of a school's students who were poor and the percentage whose math scores were below the national norm. Those schools that ranked in the top tenth academically had an average of 4 percent low-income students, while those in the bottom tenth academically averaged 89 percent low-income students.
>
> There is, in other words, an overwhelming problem of isolation of black and Hispanic students in schools of concentrated poverty and low achievement (quoted in Downs, 1994, p. 82).

And, further, Downs points out that:

> This combination of segregation and poverty concentration produces abysmal performances by the products of many public schools ...Although Chicago's public schools were among the worst in the nation, the combination of segregation and concentrated poverty was typical of public school systems in the nation's largest cities. The percentages of minority students in the elementary and secondary public school systems of the fifty-five [out of sixty-three] U.S. cities in 1990 with minority populations of 100,000 or more [reveals that]...minorities made up 73.4 percent of public school students. This racial concentration is accompanied by poverty concentration in many schools, especially in inner-city areas (1994, pp. 82-83).

In view of the highly segregated nature of our public schools, and the apparent implications of this pattern on educational achievement, it can be argued that "if blacks were able to obtain housing throughout the metropolitan area on the same basis as whites, the problem of racial segregation in schools would largely disappear" (Kain, 1992, p. 452). Thus, the segregated nature of our neighborhoods and the continued discrimination in housing, are important factors contributing to our educational problems.

A number of recent initiatives have been aimed at assisting low-income, predominantly non-white households, move out of inner-city locations and into suburban neighborhoods. The first such demonstration, known as the Gautreaux program, was carried out in the metropolitan Chicago area. The most recent results reveal that:

> The suburban move ...improved youth's education and employment prospects. Compared with city movers, the children who moved to the suburbs are more likely to be (1) in school, (2) in college-track classes, (3) in four-year colleges, (4) in jobs, and (5) in jobs with benefits and better pay (Rosenbaum, 1995, pp. 263-264).

Although the author of the study acknowledges that the gains were neither immediate nor easy (e.g. significant additional housing and counseling services were required), he concludes that "the early experiences of low-income blacks do not prevent them from benefiting from suburban moves" (Rosenbaum, 1995, p. 266).

Nevertheless, since all such dispersal programs are likely to remain quite small in the years ahead, and the likelihood that anything approaching a majority of the inner-city poor could participate in such an initiative is virtually nonexistent, the problem still remains how to provide improved educational opportunities for city dwellers. Wholesale moves to the suburbs, even assuming the best results, do not present a viable approach for most people.

Employment and social networks—Where affordable housing is located, and where poor people live, would seem to have a great deal to do with the ease or difficulty that many potential workers have in locating employment. Since at least 1968, with the publication of the report by the National Advisory Commission on Civil Disorders (the Kerner Commission), the physical separation between jobs and where workers has been widely acknowledged. The "spatial-mismatch hypothesis"[6] has been summarized by Goldsmith and Blakely (1992, p. 132):

- jobs with low educational requirements are disappearing with the decline of traditional manufacturing industries, especially in the city;
- central-city minority residents have been particularly dependent on these (declining) industries for work;
- city residents lack access to suburban jobs, since they often do not have access to private or public transportation; and
- since minority workers are often unskilled, they are poorly matched with the high skill jobs in the service and high-tech industries, which are generally closer to their homes, often in the central business district.

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[6]For a detailed account of the "spatial mismatch hypothesis," including the author's account of his contributions in first framing the issue, see Kain (1992).

Although Kain (1992) and other researchers still find the basic tenets of the hypothesis to be sound, there is considerable controversy about the extent to which a lack of physical access to jobs is the cause of high unemployment among poor inner city, particularly nonwhite, residents. According to William Julius Wilson:

> Unlike poor urban whites or even inner-city blacks of earlier years, the residents of highly concentrated poverty neighborhoods in the inner city today not only infrequently interact with those individuals or families who have had a stable work history and have had little involvements with welfare or public assistance, they also seldom have sustained contact with friends or relatives in the more stable areas of the city or in the suburbs.
>
> The net result is that the degree of social isolation—defined in this context as the lack of contact or of sustained interaction with individuals and institutions that represent mainstream society—in these highly concentrated poverty areas has become far greater than we had previously assumed...inner-city social isolation makes it mush more difficult for those who are looking for jobs to be tied into the job network (1987, p. 60).

Goldsmith and Blakely argue that racism and discrimination are "essential components of restriction from jobs" (1992, p.135). And, following Wilson's analysis, they describe how ghetto residents are deprived of a host of social contacts which, for many other job seekers, often result in finding employment:

> ...access to jobs depends strongly on personal contacts: plumbers' sons get into the union, others (including their daughters) do not. Word of mouth serves to fill many factory jobs, basic low-skilled jobs, and clerical jobs. The issue is not simply making contact, but knowing the language of the job, observing conventional work practices, and so forth...
>
> In the ghetto not only are employee networks thin, but social support and role models are missing. The ghetto and barrio provide only a hollowed-out social structure for informal job contact, conditioning and training. Young men and women are, in effect, socialized under conditions of deprivation, where job-related associations are not primary—and sometimes are hardly evident ...By broadening the definition of accessibility beyond distance from jobs (from city to suburb) to include density of job-information networks in the city, researchers find that ghetto residence is, indeed, an inhibitor to job access (Goldsmith and Blakely, 1992, pp. 135-136).

The Gautreaux program, mentioned above, also investigated the extent to which low income movers to the suburbs were better able to locate jobs than their counterparts who made moves within the city. The results, once again, revealed that suburban moves appear to provide tangible benefits:

> The employment rates of suburban movers surpassed those of city movers, particularly for those who had never before had jobs. Whatever prevented some people from being employed in the past—lack of skills or lack of motivation—was not irreversible, and many took jobs after moving to the suburbs (Rosenbaum, 1995, p. 239).

Whether one believes that employment opportunities are constrained due to a lack of available jobs in inner-city areas, or because of poor social networks and role models, unemployment among inner-city poor populations is unacceptably high. While moves to the suburbs may assist some households in their job-search efforts, these programs cannot, in the foreseeable future, accommodate the number of people who might be eligible. As with the case of educational achievement, such programs benefit what may be termed the "lucky few." In the meantime, there is still a pressing need to focus energies and resources on providing opportunities to people where they live—and, to a large extent, that means providing services and programs in the cities.

Federal Housing Policy and the U.S. Department of Housing and Urban Development[7]

The housing system is extremely complex. This section makes an effort to capture that complexity by describing the various types of federal interventions in housing. It is certain that many of the housing goals could have been achieved through more straightforward mechanisms. However, it is critical to keep in mind that housing has always fulfilled a multiplicity of objectives, thereby necessitating more complex solutions. What, on the surface, one might expect the overriding goal of federal housing policy to be—the provision of decent, affordable housing—is, in fact, only one of many needs that has been addressed by these initiatives. Further, competing interests have often overwhelmed the housing goal, making it even more invisible and difficult to achieve. In critiquing federal housing efforts, one must always be careful to understand this multi-faceted agenda and to acknowledge that if the housing goals had ever been given top priority, many of the observed problems with the programs likely would not have occurred.

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[7]This section (pp. 10-30, top) is drawn almost entirely from a previous monograph by the author of this paper, Bratt (1994). Material is used verbatim, but not designated either with quotation marks or single spaced indentations.

This study of federal housing programs—in all its complexity—also underscores how big a task it is to coordinate the housing and welfare systems, with the ultimate goal of promoting self-sufficiency for program participants. Self-sufficiency programs being launched in conjunction with housing programs are a relatively recent development, and are discussed in a subsequent section of this paper.

The U. S. Department of Housing and Urban Development (HUD) is the cabinet-level department, created in 1965, which was set up to implement a wide array of housing and community development programs. However, all relevant programs were not placed under HUD's jurisdiction. Most prominent among those that pertain to housing and community development, or are actually housing programs, but which are administered by other agencies, include: transportation; economic development programs; Veterans' Administration housing programs; Farmer's Home Administration housing programs; finance programs (Federal Home Loan Bank System, Fannie Mae and Freddie Mac); oversight of financial institutions, which are essential to mortgage markets; social services (e.g. drug rehabilitation, health care, employment training, education, and crime prevention); and tax policies. The latter, in particular, have had major impacts on housing, especially the homeowners' deduction for mortgage interest and property taxes and the various laws that govern the tax treatment of rental property, to be discussed below.

HUD's lack of control over these key areas and programs has severely undermined its ability to act as the lead agency coordinating all of the nation's housing and community development programs. Further adding to the complexity of HUD's task is that several programs administered by different agencies have worked at cross-purposes or there have been conflicting goals embedded in legislative initiatives.

With the creation of the Resolution Trust Corporation (RTC) in 1989, another major housing program was placed outside the domain of HUD. The RTC is mandated to dispose of housing owned by distressed savings and loan associations. The Financial Institutions Reform, Recovery and Enforcement Act (known as FIRREA, the S & L bailout legislation), requires that certain of the S&Ls' real assets be offered on a preferential basis to nonprofits or public agencies and that they may be made available at lowered prices or at below-market interest rates, in order to achieve affordability for low and very low income households.

Also under FIRREA, each Federal Home Loan Bank was required to set up an Affordable Housing Program, which involves the making of cash advances at subsidized interest rates to member banks who, in turn, make subsidized loans to individuals for long-term affordable low and moderate income housing.

Similar to the RTC, the Federal Deposit Insurance Corporation has been placed in charge of disposing of properties owned by distressed commercial banks, as authorized by the Comprehensive Deposit Insurance Reform Act of 1991 (known as the FDIC bailout legislation).

The provisions under FIRREA and the FDIC bill clearly include important affordable housing goals that are closely linked to HUD's mission, but HUD does not have any specific role in these major initiatives.

Summarizing the types of federal support for housing and community development efforts that utilize public, as well as private resources, a 1989 report prepared by the United States General Accounting Office identified 46 federal programs that support public-private partnerships. Although HUD administers more of these programs than any other agency (19), its share is just under 40 percent. Fifteen additional federal agencies or departments administer the remaining programs; no other single entity is in charge of more than four programs. This presents a clear picture of our highly fragmented system of federal support for housing and community development.

M. Carter McFarland, assistant FHA commissioner under Presidents Kennedy, Johnson, and Nixon, pointed out the inadequacy of HUD's limited jurisdiction. His comments are as pertinent today as when he wrote them in 1978:

> If HUD is viewed as the federal department with primary responsibility for the physical, economic and social aspects of the urban condition ...then the incompleteness of its equipment becomes even more striking. Thus, HUD's capacity to deal comprehensively with the plentiful and diverse problems of urban America was far more limited than its proponents had hoped (p. 21).

In addition to HUD being given inadequate authority, complexity has been compounded because, as noted above, most federal housing initiatives have had multiple goals, such as stimulating the economy, rather than an explicit focus on the housing needs of the poor. HUD's constituents include: realtors, mortgage bankers, developers, and low and moderate income renters and homebuyers. Housing programs have reflected the needs of these groups: vigorous lobbying by powerful interest groups representing the constituents has resulted in programs with multiple objectives.

The needs of low income consumers rarely have been a top priority. Consumer advocacy groups are not nearly as powerful as interest groups representing private for-profit groups, notably the National Association of Realtors, the National Association of Home Builders and various trade groups representing mortgage bankers and financial institutions. For example, between 1981 and 1990 the National Association of Realtors political action committee was the largest contributor to the campaigns of Members of the House of Representatives, with over $8 million contributed This was even larger than the contributions made by the American Medical Association, at just under $6 million. The National Association of Home Builders political action committee was the eighth largest contributor to House Members' campaigns, providing $3.7 million (Common Cause, 1991).

Consumer groups, best represented by the National Low Income Housing Coalition, have only become well organized within the past two decades; other private lobbying groups have played important roles since the Depression.

The major organization representing public housing and redevelopment authorities, the National Association of Housing and Redevelopment Officials, has, in recent years, been joined by several other public sector organizations, including the Council of Large Public Housing Authorities and the National Council of State Housing Agencies. Together, these groups have been playing an important role in shaping federal housing policy.

In addition to being influenced by significant private sector forces, key HUD personnel have frequently been drawn from private interest groups.

Overview of Federal Housing Initiatives

In view of the powerful interest groups that have stood to benefit from federal housing programs, it is not surprising that the major federal initiatives in housing have operated through the private housing market. There is one major exception to this overall strategy: the public housing program, which will be discussed in a subsequent section.

Public Support/Private Sector Participation

There are seven key ways in which the public sector has provided incentives and supports to the private housing sector. These strategies include:

* Supports to financial institutions
* Direct subsidies for rental housing
* Direct assistance and subsidies for homeowners
* Supports or direct assistance to nonprofit organizations
* Regulations
* Tax incentives
* Land acquisition, clearance and sales

Supports to financial, institutions—There have been numerous federal supports to the banking industry. By creating a sound and regulated banking system the economy has been stimulated to grow; risk for depositors has been reduced; financial institutions have been provided with access to credit and liquidity; risk associated with mortgage lending has been reduced; mortgage lending has become less cyclical; and a system for liquidating failed financial institutions has been created.

The specific federal supports have included the creation of: the Federal Reserve System in 1913, which provided federal support for the commercial banking industry; the Federal Home Loan Bank System in 1932, which regulated savings and loan associations and provided credit advances to member institutions; (the FHLBS was dissolved in 1989 and was replaced by the Federal Housing Finance Board, which currently oversees and regulates banks that are members of the Federal Home Loan Bank System); the Home Owner's Loan Corporation in 1933, which refinanced mortgages that were in default, thereby enabling homeowners to avoid foreclosure and assisting banks to achieve liquidity; the Federal Deposit Insurance Corporation and the Federal Savings and Loan Insurance Corporation in 1934, which insured depositors' savings if the financial institution becomes insolvent; the Federal Housing Administration in 1934, and the Veterans Administration mortgage guarantee in 1944, which provided mortgage insurance to lending institutions, thereby giving lenders renewed confidence in lending and providing borrowers with a source of mortgage credit; the Federal National Mortgage Association in 1938, which provided liquidity to financial institutions by purchasing mortgages and allowing funds to be re-loaned; the Government National Mortgage Association in 1968, which provided a source of liquidity to lenders originating mortgages under several subsidy programs; and the Federal Home Loan Mortgage Corporation in 1970, which provided a market for mortgages originated by savings and loan associations.

Additional support to financial institutions came in the form of the Garn-St Germain Act of 1982, which provided emergency assistance to thrift institutions and expanded their lending powers, thereby allowing greater opportunities to invest in commercial ventures, as opposed to home mortgages. It also further deregulated the rates that all depository institutions could charge on deposits. Garn-St Germain followed a host of other regulatory measures in the 1970s, through 1980, that greatly expanded the types of products banks could offer and deregulated various aspects of banking procedures. In addition, the Financial Institutions Reform, Recovery and Enforcement Act of 1989 provided assistance to distressed Savings and Loans, created a new Resolution Trust Corporation to dispose of the assets owned by failed thrifts, and created the Federal Housing Finance Board, noted above. The Comprehensive Deposit Insurance Reform Act of 1991 created a set of procedures for dealing with failed commercial banks.

Direct subsidies for rental housing—The major rental housing programs that have worked through the private market include: Wherry and Capehart Housing Programs, created in 1949 and 1955, respectively, which provided government assistance to private developers of military housing; the Section 202 program, enacted in 1959, which provided direct below-market interest rate loans to nonprofit sponsors of elderly housing; and the Section 221(d)(3) program, enacted in 1961, which provided direct below-market interest rate loans to private for-profit or nonprofit sponsors of low to moderate income housing.

Rental housing programs targeting rural areas were enacted in 1962 and 1968 and are administered through the Farmers' Home Administration. Section 515 provides mortgages with interest rates as low as one percent; Section 514 provides loans and Section 516 provides grants for the construction of farm worker housing.

Further, the Rent Supplement program was created in 1965 and provided additional rental subsidies to make units more affordable to households living in federally assisted rental housing. Also in 1965 two variations of the public housing were created that provided an expanded role for the private sector—the leased housing program, which allowed local public housing authorities to enter into long-term leases with private landlords, with the units being rented at low costs to low income households at levels based on a percentage of income; and the turnkey program, which enabled local housing authorities to contract with private developers and management companies to construct public housing or to manage public housing units, thereby replacing two of the functions of the housing authority.

The Section 236 program was created in 1968 and provided nonprofit and for-profit developers with subsidy commitments that brought the interest rate on their mortgages, which were provided by financial institutions, down to as low as 1%. The Section 8 program, enacted in 1974, provided government subsidies on behalf of low income households to allow them to pay 25% (later changed to 30%) of income for rent in existing, rehabilitated or new housing owned or developed by private for-profit and nonprofit entities. A rental voucher program was instituted in the 1980s, that is similar to the Section 8 Existing program. Both the Section 8 Existing and rental voucher programs are still operational and represent the major federal low income housing assistance program.

Title VI of the Cranston-Gonzalez National Affordable Housing Act of 1990 provided federal subsidies to private for-profit owners of subsidized developments (Sections 221(d)(3) and 236) to encourage them to maintain the units as affordable housing, if they chose to pre-pay their mortgage, under the terms of the original regulatory agreement. However, this program has been only marginally implemented and is slated to be drastically reduced or phased out by the 104th Congress.

In addition to the many targeted programs that provide rental housing assistance through the private housing market, there also have been several block grant programs that have provided support to housing to a greater or lesser extent, such as the Community Development Block Grant program, the Housing Development Action Grant and the HOME program, created in 1990 as Title II of the Cranston-Gonzalez National Affordable Housing Act.

Direct assistance and subsidies for homeowners—The array of supports for financial institutions were created with the goal of also assisting homeowners. In addition, the government has promoted a series of programs directly aimed at helping households achieve homeownership. In fact, some of the federal government's first explicit housing programs were targeted to homeowners. Homeowners in default were helped through the Home Owner's Loan Corporation and the Federal Housing Administration provided insured mortgages to homebuyers, thereby making homeownership more accessible to thousands of households. Both of these initiatives were also a major boon to financial institutions, and were noted in that section, above.

The first major federal subsidy for homeownership was enacted in 1949. The Section 502 program, administered by the Farmers Home Administration, provided direct government loans at interest rates as low as 1% to rural households. The first non-rural homeownership subsidy program was created in 1968. The Section 235 program subsidized the interest rate on loans to as low as 1%, with financial institutions providing the mortgage funds. The Nehemiah program was authorized in 1987 and provides no-interest loans to low income households. Finally, two initiatives were authorized by the Cranston-Gonzalez National Affordable Housing Act of 1990. The HOPE program, which is contained in Title IV, promotes the sale of public housing units or other subsidized units in HUD's possession to low income households. Title III establishes a National Homeownership Trust to help moderate income families purchase their first home. Funds lower the interest rate to no more than 6% and assistance is provided for down payments and closing costs.

Supports or direct assistance to nonprofit organizations—Nonprofit organizations have played a role in housing for over one hundred years. Starting in 1959 nonprofits became the sponsors of Section 202 housing for the elderly and, later, were permitted to serve as sponsors in the subsidized rental housing production programs created in 1961 and 1968, the Section 221(d)(3) and 236 programs, respectively. However, as mentioned earlier, nonprofits were not nearly as dominant as for-profit developers.

Several dozen community groups that focused on a broad economic agenda were supported with federal funds authorized by the 1966 Special Impact Amendment to the Economic Opportunity Act and by Title VII of the Community Services Act of 1974. Between 1966 and 1980, these two programs allocated over $500 million to community development corporations (Abt Associates, Inc., 1973 and National Center for Economic Alternatives, 1974).

However, these initiatives were relatively short-lived Under the Model Cities program, which also was enacted in 1966, federal grants were made by HUD to local agencies, under the control of the local chief executive, which, in turn, provided grants or contracts to local nonprofits. The development of these various initiatives, with the Model Cities program under HUD's control and the Special Impact and Title VII programs not, at exactly the same time, is, in itself, revealing. Diverse programs were being developed to deal with identical problems, but there was no coordination between them and HUD was only one of the agencies in charge of the federal government's revitalization efforts.

Under the Community Development Block Grant program (CDBG), created in 1974 and administered by HUD, nonprofits[8] have been an eligible recipient for housing and community development funds. CDBG constituted the first major program, since Model Cities, that provided indirect federal funding for community-based groups. For FY 1989 a total of $538 million was expended by grantees (state or local governments) for activities that were carried out by "subrecipients," generally nonprofit organizations. This amounted to more than 25 percent of all CDBG funds allocated during that year (HUD, 1992).

[8]Community-based groups that are engaged in some form of development have been referred to as neighborhood development organizations (NDOs); community development organizations (CDOs); community-based organizations (CBOs); and community housing development organizations (CHDOs). Although there are currently a variety of types of community-based development entities, community development corporations (CDCs) are by far the most prevalent and the phrase often encompasses the other organizational forms. A CDC is a nonprofit organization committed to improving economic conditions, providing affordable housing, delivering social services to a defined geographic area, or all these things. In addition to addressing concrete needs, CDCs attempt to enhance the political position of a local community and to provide opportunities for individual social and economic empowerment. CDCs are generally under the control of the community, with a majority or significant percentage of the

During the Carter administration there was an explicit interest in the neighborhood development agenda. The Neighborhood Self-Help Development program, enacted in 1978, provided direct federal grants to nonprofit groups engaged in community development. A total of $15 million was provided through the NSHD program during 1979 and 1980 and, despite the positive findings of the major evaluation performed by The Urban Institute, the program was promptly terminated after President Reagan took office (Bratt, 1989). However, it was followed by a smaller program, in 1983, the Neighborhood Development Program, which is still in operation and described below.

Another program, also enacted in 1978, the Neighborhood Reinvestment Corporation Act, managed to survive the retrenchment of the 1980s. Through annual appropriations, the federal government has continued to provide funding and technical assistance to several particular kinds of community development organizations, through the efforts of the Neighborhood Reinvestment Corporation, a federally funded entity that provides financial and technical assistance to nonprofit organizations.

Perhaps ironically, it was during the period of cutbacks in housing programs during the early 1980s that the Neighborhood Development Program (NDP) was created. Since the NSHD had come to an end just a few years earlier, it may have seemed surprising that a new program, also aimed at assisting neighborhood groups, should have been launched so soon.

In some respects, NDP was quite similar to NSHD: both provided direct federal grants to nonprofit, neighborhood-based groups. However, there were some key differences: Appropriations under NSHD were relatively large—a total of $15 million was expended during 1979 and 1980—whereas NDP has received $2-5 million in each round of funding (National Neighborhood Coalition, 1994). The NSHD provided grants of over $100,000 and did not require that the federal funds be matched by the community groups. In contrast, NDP

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board consisting of local residents. In addition to CDCs, other nonprofit community-based groups include: limited equity cooperatives, community land trusts, mutual housing association and neighborhood housing services. The National Congress for Community Economic Development (1995) has estimated that there are some 2,000 to 2,200 nonprofit community development corporations in the U.S., including the different forms of development groups, as noted above. The vast majority (90%) of these organizations are involved in creating affordable housing. About 30,000 to 40,000 units were produced in 1994, with total production standing at approximately 400,000 units. It is generally acknowledged that one of the main reasons for the growth in the number of community development corporations during the 1970s and 1980s was due to the enormous need for housing in the face of federal cutbacks. HUD did not play a significant role in nurturing the development of these organizations.

provides grants of up to $75,000 per organization, and each recipient must raise matching funds from individuals, businesses, and other private organizations before the federal funds will be provided (The Urban Institute, 1992). NDP-sponsored projects can also cover a broader range of activities than NSHD, with the former's permitted activities including service delivery and neighborhood improvement projects. Finally, the emphasis of the two programs differed: NSHD was primarily concerned with improving the capacity of organizations to undertake neighborhood revitalization projects. NDP's focus is on increasing the capacity of organizations to raise funds from local private donors and to their becoming more self-sufficient.

By reducing federal funding, including a matching fund requirement, and focusing on fund-raising capacity, it becomes clearer why NDP was able to emerge during an otherwise unsupportive period, on the part of the federal government, toward nonprofit neighborhood-based groups. While these modifications had a decidedly Republican flavor when they were built into NDP, it is important to note that one of the key concepts, the matching fund requirement, was incorporated into the HOME program, enacted by a Democratic Congress in 1990.

The most recent federal effort to support community-based organizations is embedded in the Empowerment Zones and Enterprise Communities programs with a number of CDCs being designated by HUD to receive federal tax credits upon demonstrating the receipt of private contributions to the CDC (Office of the Press Secretary, 1994).

In 1989, as part of the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA), nonprofits were given the right of first refusal to purchase properties in the portfolios of distressed S & L's from the Resolution Trust Corporation. A similar provision, aimed at properties owned by failed commercial banks, was included in the Comprehensive Deposit Insurance Reform Act of 1991. Also significant is the provision under Title VI of the Cranston-Gonzalez National Affordable Housing Act of 1990 that gives nonprofit organizations and other "priority purchasers" the first right to make a bona fide offer to purchase a federally subsidized development whose owner has announced an interest in pre-paying the mortgage.

In Title II of the 1990 housing act Congress also mandated that at least 15 percent of each participating jurisdiction's funds under the HOME program, be earmarked for use by nonprofit producers of affordable housing. Known as the Community Housing Partnership set-aside, the program was strengthened in the Housing and Community Development Act of 1992, when 5 percent of each jurisdiction's overall HOME allocation was permitted to be spent on nonprofits' operating expenses.

Another federal stipulation favoring nonprofits is contained in the Internal Revenue Code. The code requires that at least ten percent of each state's annual tax credit allocation be earmarked for projects that are at least partially owned by a qualified nonprofit organization.

Finally, the Housing and Community Development Act of 1992 names nonprofits as one of the eligible entities to whom public housing residents may choose to transfer management of their developments, instead of management being done by troubled public housing authorities. Called the Choice in Public Housing Management Program, it is one of the few recent initiatives that involves HUD, since the latter must give permission to resident councils for the transfer of management.

The HOME and CDBG programs are currently the major initiatives in which HUD plays a significant role in providing funding for housing and community development activities, funneled through nonprofit organizations. Since HUD allocates these funds to local governments, the nonprofits themselves have had virtually no contact with HUD. There are also a number of important federal programs that provide resources, or access to resources, to nonprofits in which HUD plays no role.

In summary, from HUD's creation in 1965 to the present, community development organizations have received minimal or no support by the department. Some of the earliest federal initiatives aimed at assisting CDCs were administered by other federal agencies, not HUD. Subsequent programs that have been under HUD's jurisdiction have been small scale and/or short-lived.

Regulations—The federal government has promulgated many regulations aimed at enhancing the operation of the private housing market. As discussed in the section on "Supports to financial institutions," there have been numerous federal laws that have regulated financial institutions, as well as providing them significant assistance. In addition to those mentioned in the earlier section, financial institutions' lending practices have been regulated, particularly since the 1970s, through a series of consumer-oriented laws, including, for example: Truth in Lending, the Equal Credit Opportunity Act and the Real Estate Settlement and Procedures Act. Also, in 1975 and 1977, respectively, the Home Mortgage Disclosure Act and the Community Reinvestment Act were enacted The first required financial institutions to disclose where they were making loans, and the second mandated them to meet the credit needs of their local communities, with particular attention to low and moderate income borrowers.

In addition, the following provides a sampling of several other types of federal regulations, aimed at one or more participants in the private housing market. FHA has devised Minimum Property Standards for units being covered by FHA insurance; the 1992 Americans with

Disabilities Act specifies a series of new requirements to ensure that physical structures are accessible for people with physical impairments; several Civil Rights and Fair Housing Acts mandate equal access to housing without regard to race, ethnic background, sex, family characteristics etc.; and the Davis-Bacon Act of 1931

Requires that "prevailing" wage rates be paid on all construction projects receiving federal assistance. Another set of regulations, environmental laws, although not directed at housing, have created significant impediments for new construction projects.

Tax incentives—Since the original codification of the Internal Revenue Code in 1913, the interest portion of mortgage payments and property tax payments have been deductible from income in calculating federal income tax liability. According to Cushing Dolbeare, this provision was not originally aimed at promoting homeownership. Instead, it arises from "a definition of income excluding interest and state and local tax payments ...The definition has been carried over from an emergency income tax enacted during the Civil War. Until the broadening of the tax base and the rise in homeownership following World War II, it had little impact" (1986, p. 268).

In recent years, however, federal expenditures through the tax system have become substantial. The Office of Management and Budget has estimated that federal tax expenditures for housing will exceed $100 billion in 1995, about four times the total amount spent on the HUD budget (Low Income Housing Information Service, 1994; National Low Income Housing Coalition, 1995).

The major tax expenditure for housing is the homeowners' deduction which, in the aggregate, amounts to over $70 billion (Low Income Housing Information Service, 1994). HUD has no role whatsoever in this, the major federal housing subsidy. It is administered through the Internal Revenue Service. According to the Low Income Housing Information Service:

> In 1994, $4 out of every $5 of government housing subsidies went to upper income households. Households making more than $60,000 received more than 60% of all subsidies (1995, p. 5).

During the 1970s and 1980s, until passage of The Tax Reform Act of 1986, the federal tax system encouraged the production and ownership of rental housing through a complex series of tax incentive programs. With the passage of the Tax Reform Act of 1986, however, investment in residential property was made much less attractive.

The 1986 tax act also created a new vehicle for stimulating the production of low-rent housing, The Low Income Housing Tax Credit (LIHTC). A tax credit is subtracted from the amount of taxes due after the income tax liability has been calculated Each dollar of tax credit is generally worth a dollar in the taxpayer's pocket; a deduction is worth a fraction of a dollar, depending on the taxpayer's marginal tax rate. Similar to the sale of depreciation benefits to wealthy investors, these tax credits are sold by owners of low income developments to limited partners in exchange for equity contributions. The total amount of tax credit associated with a building is based on a fixed percentage of certain costs of development or acquisition. Depending on the housing (e.g. new construction, rehab or acquisition of an existing building, and whether or not the development has received any other federal subsidies) the tax credit for each year of a ten-year period varies from 4 to 9 percent. Unlike the depreciation benefits of the pre-1986 tax code that were attractive to individual investors, the structure of the LIHTC has been more attractive to corporate, as opposed to individual, investors.

The LIHTC was originally scheduled to expire after a 3-year period. After several extensions, Congress made it permanent as part of the Omnibus Budget Reconciliation Act of 1993, and also changed several aspects of the program that had previously made it difficult to use. But even in the first two years of the program, about 128,000 tax credit units were completed (ICP Incorporated, 1991, p. 2).

HUD's role in the LIHTC, the first major federal subsidy that had been made available for rental housing in some twelve years, is virtually non-existent. The law only requires tax credit recipients to provide HUD with project information, as requested by the secretary. Instead, the Internal Revenue Service is in charge of the program, in terms of overall responsibility, promulgation of regulations and requesting the filing of various forms. Further, state housing credit agencies were given the authority to administer the program.

Another set of programs that operate through the tax system and that by-pass HUD involve the use of Mortgage Revenue Bonds and Industrial Development Bonds. These tax-exempt housing bonds were authorized in 1968 to stimulate the production of affordable single family and rental housing, respectively. State housing finance agencies issue the bonds with the proceeds earmarked for housing development or financing. In the case of multifamily rental housing, occupancy is targeted to at least twenty-five percent low and moderate income households; for single family units, all participating households must meet income eligibility requirements. As with the LIHTC, the Omnibus Budget Reconciliation Act of 1993 permanently extended Mortgage Revenue Bonds.

In summary, the specific types of tax incentives that have been created, and the evolution of the affordable housing production system over the past decade, have significantly reduced HUD's role.

Land acquisition, clearance and sales—The final way in which the public sector has provided financial incentives to the private housing market has been through a program that made the taking, clearing and final sale of land a lucrative process for private developers. Although much of the redeveloped land was ultimately used for non-housing purposes, the legislation authorizing the Urban Renewal program of 1949 referred to the need to decrease slums and redevelop blighted areas, thereby appearing to be a program aimed at enhancing the operation of the private housing market.

Under the Urban Renewal program, federal subsidies were provided to assist localities to acquire land, clear and prepare sites for redevelopment and to subsidize the final cost of the land to private developers. This process, while fulfilling a "public purpose" was also a major benefit to private entrepreneurs, who were able to make significant profits from the publicly financed developments.

Public Housing

Public housing was created in 1937 as a post-Depression recovery measure, and was aimed primarily at providing employment opportunities, eliminating slums and blight and providing housing for the "submerged middle class." Public housing is implemented at the local level through public housing authorities (PHAs), which are responsible for all aspects of the development process, as well as the long-term management of the property.

There are about 1.4 million public housing units in the United States. The public housing stock includes about 10,000 public housing developments administered by some 3,200 PHAs. The majority of PHAs are small, managing less than 200 units, but most public housing units are located in large housing authorities. Sixty-six percent of all public housing units are administered by 134 PHAs—about 4 percent of the total number of housing authorities. Despite the image of the public housing high-rise, this housing is not, in fact, the dominant type. Only 28 percent of public housing developments have four or more stories; 38 percent of developments have two or three story buildings and about 34 percent contain single story and single family detached structures (NAHRO, 1990, p. 19).

Financing for the development of public housing comes from the federal government and, although the original funding formula did not include subsidies for operations or modernization, the federal government has been providing additional resources to meet these expenses since 1969.

Even at its inception, public housing was a controversial idea and President Franklin Roosevelt himself had to be coaxed. There was strong opposition from several key private interest organizations, such as those representing the private homebuilders and savings and loan associations, who launched vigorous attacks on public housing, accusing it of being socialistic and representing unfair government competition with private enterprise. In addition to opposing the 1937 legislation and the eventual reactivation of public housing (as part of the Housing Act of 1949), they played major roles in organizing local communities to oppose the building of public housing. As a result, many public housing developments were built in poor locations, where abutters were scarce.

Opposition by the private interest groups and a long period during which there were operating fund shortfalls and delayed maintenance, plagued the public housing program. As early as the 1950s some of public housing's most ardent supporters began to lose heart. Catherine Bauer Wurster, one of the key proponents from the 1930s, bemoaned the "The Dreary Deadlock of Public Housing" and commented: "After more than two decades, [public housing] still drags along in a kind of a limbo, continuously controversial, not dead but never more than half alive" (Wurster, 1957, p. 246).

Following enactment of the Housing and Urban Development Act of 1968, in which Congress set a private and public production goal of 26 million new or substantially rehabilitated units over the following decade, including 6 million for low and moderate income households, public housing completions reached an all-time high: Over 91,000 units were completed in 1971 (Bratt, 1989). However, rather than signal a renewed commitment to public housing, the high levels of construction were short-lived. In 1973 President Nixon called a halt to all federally subsidized housing programs, initiating an overall declining trend in public housing production. During President Reagan's second term, an average of only 8,500 public housing units were being added to the inventory each year (Low Income Housing Information Service, 1991). By FY 1994, about 6,700 new units of public housing were added (Low Income Housing Information Service, 1994) and, it seems clear that the FY 1996 budget will include no new funding for adding units to the public housing stock.

Since 1969, when Congress began providing additional public housing subsidies to support operating costs, funding has generally been increasing. Between 1971 and 1982 operating subsidies jumped more than tenfold, to $1.3 billion (U.S. Congressional Budget Office, 1983). By FY 1995 this figure had risen to $3.2 billion, although the proposed FY 1996 budget would reduce this appropriation by more than $700 million, bringing the total to about $2.5 billion (National Low Income Housing Coalition, 1995).

In addition to public housing requiring operating subsidies, it also needs substantial modernization and upgrading. Funding for these purposes has been available since the early 1980s. In 1988 AN Associates, a private research and consulting firm, calculated that $22.2 billion would be needed, including $9.3 billion to repair or replace existing architectural, mechanical and electrical systems. The remaining $12.9 billion would be used to upgrade and modernize the public housing stock (Bain et al. 1988). Despite the significant need, funding for public housing modernization is also being reduced significantly in the current wave of rescissions and budget reductions.

Under President Bush's HUD Secretary, Jack Kemp, a major policy direction involved the sale of public housing units to tenants. However, this program was never supported by Congress to the extent requested by the administration and the public housing stock was not substantially reduced.

HUD is the federal agency with the responsibility for promulgating regulations governing the public housing program and for providing oversight to the local housing authorities. As the longest standing and single largest federal housing subsidy program aimed at low income households, this program could have been a major asset to HUD's overall reputation. Instead, public housing has not enjoyed a positive image, with the media sometimes labeling projects as "vertical ghettos" and "government supported slum housing." Although some housing analysts have attempted to "set the record straight" by documenting that stereotypical bad public housing is the exception, not the rule, negative images persist. And, with these perceptions, HUD's reputation has been further tarnished.

Acknowledging the seriousness of the problems facing the public housing program, as part of the Housing and Community Development Act of 1992 Congress authorized a new part of the HOPE program, the Urban Revitalization Demonstration. However, after a short burst of excitement and modest funding, this program is also slated to lose its funding by the 104th Congress.

The current proposals regarding public housing, as well as the rest of the stock of multifamily affordable housing, is for tenants to be given Section 8 certificates and vouchers, with the freedom to shop around for the best housing that they can find. This is a controversial proposal. On the one hand, it would give tenants more options and the housing situation for some families could be improved. On the other hand, the greater freedom may be illusory: there is a dearth of decent, low-rent housing that is affordable to very low income people, even with rental assistance. In addition, since it is likely that only a small percentage of tenants would actually be able to locate alternative housing, the PHAs, (in the case of public housing), and private for-profit and nonprofit landlords (in the case of privately owned, publicly subsidized housing), would be left trying to operate their buildings with decreasing rental income. This is certain to further undermine the existing stock of affordable housing and to make the living environments for those left behind even more problematic.

Fair Housing

Racism in America always has been a dominant characteristic of our culture. In the 1930s, when the FHA was first created and given the mandate to promote homeownership opportunities, it adopted the standard operating procedures of private real estate brokers and appraisers. FHA's 1938 Underwriting Manual cautioned against providing mortgage insurance on properties where:

> incompatible racial and social groups are present, for the purpose of making a prediction regarding the probability of the location being invaded by such groups. If a neighborhood is to retain stability, it is necessary that properties shall continue to be occupied by the *same* social and racial classes.

Although by 1949 the FHA had deleted the most blatantly discriminatory language from its manuals, the practices persisted at least through the late 1960s. Similarly, the public housing program further institutionalized segregation, with separate developments being built explicitly for whites and non-whites.

The major shift in federal policy around fair housing can be traced back to President Kennedy's Executive Order 11063, which prohibited discrimination in federally assisted housing. Title VI of the Civil Rights Act of 1964 gave this order the weight of law by barring discrimination in all federally funded activities, including housing. And, most importantly, Title VIII of the Civil Rights Act of 1968 prohibited discrimination in private and public housing.

However, implementation of the new law was slow. According to the Citizens Commission on Civil Rights:

> Government inaction on fair housing was evident in the time it took HUD to issue any regulations to implement Title VIII. While the complex regulations governing the new subsidized housing programs were published within two months of passage of the act, four years elapsed before a few, limited fair housing regulations were adopted in 1972 (1986, p. 309).

Until 1988, a key weakness of the federal fair housing effort was that HUD was not granted enforcement powers. Instead, HUD's role was to investigate complaints and refer significant cases of discrimination to the Justice Department. However, the process did not work to aggressively deal with discriminatory practices. One decade after enactment of the fair housing law, the Citizens Commission on Civil Rights concluded:

> Those responsible for administering the law had not fully utilized their authority to eliminate discrimination; and.. the law itself had serious deficiencies that needed correction through legislative amendment (1986, p. 318).

Through most of the 1980s enforcement of fair housing laws remained sluggish. In 1988 a Fair Housing Amendments Act was passed that attempted to address many of the defects of the prior laws. Specifically, discrimination is now barred on the basis of handicap or because of the presence of children in a family. Further, HUD was, for the first time, given the power to enforce complaints, rather than only investigating them and referring them to the Justice Department.

There are at least three additional important issues pertaining to HUD's involvement with fair housing: where new subsidized developments should be located; how to desegregate the existing stock of subsidized housing, particularly public housing; and whether households living in segregated minority urban areas should be specifically assisted to leave those areas and re-locate in racially more diverse communities.

Location of subsidized housing—The Civil Rights Act of 1968 directed HUD to promote fair housing in the administration of its programs. However, the law was not explicit about how to interpret this directive concerning the building of new developments. During the early 1970s HUD attempted to locate subsidized housing in suburban areas and it encouraged the development of fair housing plans, which encouraged the dispersal of subsidized housing throughout a region. Despite these efforts, little impact was felt.

In 1972 HUD issued "project selection criteria," which attempted to direct the location of new projects outside areas of minority concentration (Vernarelli, 1986, p. 219). However, many ambiguities in the directive have made it difficult to implement and, while subsequent legislative and administrative initiatives have attempted to provide greater clarity, the issue of how site selection decisions should be made is not at all clear cut. They are further complicated by political questions about whether it is appropriate to limit housing subsidies in minority areas, while those areas have significant needs. Also questionable is whether non-white households have access to developments built in predominantly white areas, the existence of Affirmative Fair Housing Marketing Plans, notwithstanding.

Desegregation of subsidized housing—The legacy of assigning households to specific developments, based on race, which was a part of the early public housing program, persists today. In 1985 HUD officially acknowledged the segregated nature of the public housing stock by instructing the regional offices to begin the process of reversing segregation that resulted from "official actions" of the agency (Goering, 1986, p. 198).

Nevertheless, the current problem is particularly troublesome, since the great majority of family public housing developments are currently occupied by non-white households. Further, even if it were possible to reduce segregation by moving households from one development to another, one is faced with the difficult issue of disrupting peoples' lives in the name of integration.

Moving to opportunity—Recent initiatives to assist inner city households move to outer areas were prompted by the now-famous *Gautreaux* decision. The plaintiffs in the case were a group of tenants in public housing in Chicago who charged that the housing authority had been discriminatory in locating developments and in selecting tenants for specific projects. The evidence spoke for itself: Projects in predominantly minority areas had almost exclusively minority tenants and projects in predominantly non-minority areas had virtually no African American tenants.

One of the most important outcomes of the Supreme Court decision, which was decided in favor of the plaintiffs, was the Gautreaux Demonstration. This pilot program allowed for the use of Section 8 Existing certificates on a metropolitan-wide basis, and was accompanied by significant tenant counseling and outreach services. Based on encouraging results (Rosenbaum, 1991), Congress enacted a new program, Moving to Opportunity for Fair Housing, as part of the Housing and Community and Development Act of 1992. Following the broad outlines of the Gautreaux Demonstration, this initiative is using Section 8 certificates to assist very low-income families with children who are living in public housing to move out of areas of high concentrations of poverty level households to areas with low concentrations of poverty.

Despite several decades of concern about fair housing, discriminatory practices still persist. The most recent national fair housing audit, completed in 1989 under contract to HUD, revealed that African American and Hispanic renters and home seekers were still confronting discriminatory practices more frequently than white counterparts:

> The most serious unfavorable treatment is complete denial of information about the availability of sale or rental units. For 8 percent of the sales audits for both blacks and Hispanics and for 12 percent (Hispanic) and 15 percent (black) of the rental audits, minorities inquiring about advertised units were denied the opportunity to meet sales agents or were told that nothing was available, even though units were made available to comparable white Anglos (Turner et al., 1991, p. 13).

Thus, while HUD continues to grapple with the issue of how to promote fair housing in the subsidized stock of housing, and while it attempts to enforce the fair housing laws, it is clear that "business as usual" in the private real estate market promotes racially segregated neighborhoods.

State and Local Support for Housing

There are many reasons why state and local governments become involved in housing: many functions—such as zoning, the adoption and enforcement of housing codes, and other mechanisms to regulate local housing markets—are beyond the domain of the federal government; to access federal funding when state or local participation is mandated; to supplement federal programs with additional revenues; to create programs that are specifically designed to meet local needs; and to meet a variety of political, social and economic needs, which are uniquely amenable to a housing strategy. In addition, in recent years, as the federal government has withdrawn from many of its traditional housing programs, and with funding levels considerably reduced, state and local governments have become actively engaged in creating and finding new programs.

State and local governments have become involved with housing in a variety of ways. These initiatives include: state housing finance agencies, community development banks, technical assistance agencies, housing trust funds, real estate transfer taxes, direct subsidies for housing, housing code promulgation and enforcement and various market control mechanisms (e.g. rent control, condominium conversion ordinances, and linkage and inclusionary zoning programs).

As noted above, cities often become involved with housing and community development in order to access federal funds through specific programs. This relationship has prevailed at least since the creation of the public housing program in 1937, when funding was channeled through local public housing authorities, with key personnel generally being appointed by the local chief executive. Similarly, the Urban Renewal program in 1949 authorized federal funds to flow to cities through locally created redevelopment authorities.

Since 1974 cities have been a key participant in the Community Development Block Grant program, serving as the conduit for most of the federal fiends that flow to localities. A survey of 133 municipal governments revealed that a majority provide some type of financial assistance to CDCs; 90% of those governments that provide such assistance use CDBG funds. Other much less prevalent sources of financing include: funds from generated by the redevelopment authority, typically through tax increment financing and funds from the municipalities' general operating funds (Goetz, 1992).

A noteworthy set of state initiatives are known as Neighborhood Assistance Programs, state laws that link the private and nonprofit sectors through tax credits to businesses that make contributions to projects run by state-approved nonprofit organizations. The first such program was enacted in Pennsylvania in 1967; since then eight additional states have passed similar legislation.

As mentioned earlier, a key way in which states have been active in housing has been through the provision in the Internal Revenue Code that authorizes the use of tax-exempt housing bonds to stimulate the production of affordable single family and rental housing. State housing finance agencies are generally responsible for issuing these bonds and screening developers and projects, as well as individual prospective homeowners. Over the past twenty-five years state housing finance agencies have grown in numbers and importance. In many states, the housing finance agency is significantly more prominent than HUD in both funding projects and in spear-heading innovative programs.

The successes of state and local governments should not, however, be construed as a signal that federal assistance is unnecessary. In contrast, HUD and other federal agencies are desperately needed to play proactive roles, forming meaningful partnerships and providing the necessary funding to stimulate the local initiatives.

Characteristics of Residents Living in Subsidized Housing

Fortunately, out of all this complexity housing has been produced and subsidized. There are currently some 5.6 million units of housing subsidized through a federal housing program.[9] This includes approximately:

- 1.4 million units of public housing;
- 1.5 million of other types of project-based subsidized units, which are privately owned and publicly subsidized (primarily the Section 202 program, the Section 221(d)(3) program, the Section 236 program and the Section 8 New Construction/Substantial Rehabilitation program);
- 1.6 million units subsidized through a Section 8 rental certificate or voucher; and
- 1.1 million units, primarily owner-occupied, subsidized through the Farmers Home Administration.

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[9]Data on the number of each type of subsidized housing units are compiled from: Bratt, 1989, pp. 86-103; National Association of Housing and Redevelopment Officials, 1990, p. 20; Casey, 1992; Stone, 1993, pp. 158-160).

According to a HUD analysis, 41 percent of all renter households in 1989 had incomes low enough to be considered eligible for housing assistance under a HUD subsidy program. However, only about 29 percent of these income eligible renters were living in a HUD-subsidized unit; 71 percent received no assistance from HUD (Casey, 1992, p. 4). Another analysis, which also included state and local housing assistance programs, as well as the federal programs, found that, as of 1993, 37 percent of renter households with incomes below the poverty line were receiving some form of housing subsidy, but nearly two-thirds were receiving no housing assistance at all (Lazere, 1995, p. 4). Finally, according to the Joint Center for Housing Studies, "some 1.9 million low-income renters receive both housing assistance and income assistance; 7.4 million low-income renters receive neither (1995, p. 19).

The following provides an overview of the basic characteristics of the people living in HUD-subsidized housing. It is clear that these programs provide housing to people who are among the poorest and most vulnerable members of our population. This summary does not include the approximately one million households living in housing assisted by the Farmers Home Administration. Unless otherwise noted, the data are all taken from a recent HUD report (Casey, 1992, pp. 4-20).

— Sixty-one percent of certificate/voucher households include one or more children, with 64 percent of these households headed by a single parent/guardian. Forty-two percent of public housing units and 37 percent of other project-based units include children, with 55 percent and 46 percent of these units, respectively, headed by a single parent/guardian.[10]

— The elderly accounted for about three-quarters of all assisted, one person, female-headed households. About 30 percent of private, project-based, subsidized units and 25 percent of public housing units were occupied by single elderly women.

— Nine percent of public housing units are occupied by physically disabled, emotionally disabled or mentally retarded people, living along (National Association of Housing and Redevelopment Officials, 1990, p. 5).

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[10]However, according to a study conducted by the National Association of Housing and Redevelopment Officials, which was based on a sample of 202 housing authorities, covering 45 percent of the public housing stock including 13 of the 14 largest authorities, a higher percentage of public housing units are occupied by children—more than 60 percent. In addition, this study reported that more than three-quarters of these families are headed by single parents, compared to 8.3 percent for the overall population (1990, p.2). This is close to the estimate by Newman and Schnare of 72 percent of assisted housing units headed by females (1993, p. 418).

— The median household income for residents living in HUD-assisted housing is somewhat lower than for the overall group of income-eligible renters. Median household income was lowest for public housing tenants, at $6,571. For certificate/voucher tenants median income was $8,074 and $8,145 for residents in private, project-based subsidized housing. Median income for eligible, unassisted renters was $8,145.

— Thirty-five percent of public housing tenants had income from wages and salaries, compared to 43 percent for both certificate/voucher households and tenants in private, project-based subsidized units. This compares to 59 percent of income-eligible unassisted tenants and 77 percent of the total renter population who receive income from wages and salaries. The lower proportions of assisted tenants receiving income from jobs is partially due to the high proportions of elderly, disabled and female-headed, one parent households with children. Forty-five percent of public housing residents, 51 percent of certificate/voucher households and 24 percent of residents in private, project-based units receive welfare.

— Only 16 percent of the female-headed households living in assisted housing are employed full time (Newman and Schnare, 1993, p. 418).

— The poverty rate of households with children younger than 18 in assisted housing stands at 77 percent (Newman and Schnare, 1993, p. 418).

— About 53 percent of public housing tenants, 40 percent of voucher/certificate tenants and 30 percent of private project-based tenants are black. Overall, HUD's assisted housing programs serve black households at a higher rate than their representation among the total income-eligible renter population. This is particularly true for the public housing and certificate/voucher programs.

Newman and Schnare have pointed out that, among the various types of assisted housing programs, households with children are receiving the least desirable assisted housing, in comparison to households without children.

Households with the highest incomes, lowest welfare dependency rates, highest educational achievement, fewest children, and smallest concentration of female heads are most likely to end up in privately owned assisted housing stock Households applying for assistance to PHAs are likewise sorted into groups, and the most disadvantaged end up in public housing (1993, p. 435).

The major drawback of this assortment process is that the neighborhoods in which public housing tends to be located are often worse than the locations of other types of assisted housing, with children suffering the consequences (see note 7, below).

Despite the negative public perceptions of HUD-assisted housing, these residents are more satisfied with their units than the overall population of income-eligible unassisted renters. When asked to rate their housing unit on a scale from 1 (worst) to 10 (best), a much higher proportion of residents in all three types of assisted housing (36-42 percent) rated their units a “10” than did income-eligible, unassisted renters (26 percent).

More specifically, when tenants were asked about physical problems with their units, such conditions were reported less frequently among residents in all HUD housing than among income-eligible, unassisted renters.[11]

Tenants in HUD-assisted housing fared better than income-eligible unassisted renters in terms of the proportion of their income required for rent. As mandated by federal guidelines, the median rent/income ratio for tenants in all HUD-assisted housing was about 30 percent.[12] In contrast, income-eligible unassisted renters had a median rent/income ratio of 46 percent.

Among tenants in HUD-assisted housing who had moved into their units within the past year, the new units were rated as better than their previous ones to a greater extent (73 percent for public housing; 52 percent for certificate/voucher tenants; and 49 percent for tenants in private, project-based assisted units), than renters in unassisted units (44 percent).

One of the clearest indicators of the extent to which public housing and other HUD assisted housing programs are viewed as more desirable than the alternatives facing the overall income-eligible population comes from data on the number of households on waiting lists for subsidized housing. According to the survey conducted by the National Association of Housing and Redevelopment Officials (NAHRO), at the end of 1988 over 357,000 households were waiting for a unit of public housing in the 202 communities included in the sample. NAHRO estimated that, nationwide, more than one million households were waiting for a public housing unit (1990, p. 6). More recently, Lazere notes that the wait-list for public housing includes 900,000 households (1995, p. 4).

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[11]Interestingly, in an area over which HUD has little or no control, the neighborhood surrounding the housing, about the same proportion of assisted and unassisted renters rated their neighborhoods a “10”; however, higher proportions of public housing tenants and tenants in private, project-based units gave their neighborhoods a “1” than did certificate/voucher tenants or eligible, unassisted renters. Newman and Schnare sound a cautionary note about the extent to which “the most disadvantaged households with children are being channeled into the worst neighborhoods” (1993, p. 435).

[12]However, Casey (1992, pp. 11-13) points out that there was actually much more variation in the rent/income ratios than what would be expected based on program requirements. Several possible explanations were provided, although the author concluded that “much of the enigma remains, leading to the conclusion that the basic problem appears to be response error in the survey.”

The NAHRO report continues:

> There is enormous variation in the demand for public housing across the country. For a family that joins the New York City Housing Authority waiting list in 1989, the opportunity to obtain a public housing unit may never arrive. A qualified family who joins the waiting list this year could wait up to 24 years for a unit, assuming that the Authority would keep lists beyond its current 36 month limit.
>
> In other East Coast cities, such as Baltimore and Washington, D.C., a family who applies for a unit in 1989 can expect to wait eight or more years for a unit to become available. Other large cities report a more modest demand for public housing in their jurisdictions (1990, p. 6).

It has also been estimated that approximately 1.4 million households were on waiting lists for housing subsidies for privately owned housing[13] (Lazere, 1995, p. 4).

A 1977 study summarized the extent to which public housing emerged more favorably than would be expected by conventional wisdom, in the eyes of the people who live there.

> ...even as the image of public housing steadily deteriorates and its few remaining supporters speak in softer tones, tenants keep clamoring to get in.
>
> Is it not ironical that people should want to move into this housing of last resort? And that people in public housing don't want to leave? Even some tenants who can afford better alternatives in the private housing market don't want to go... We have, in short, a paradox: Nobody likes public housing except the people who live there and those who want to get in (study by Rabushka and Weissert, 1977 as quoted in Bratt, 1986, p. 343).

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[13]Based on a note in Lazere et al. (1991, p. 28) we can assume that the total number of households on waiting lists is somewhat less than 2.3 to 2.4 million because some households are on waiting lists for several types of subsidized housing. In addition, some households are on the lists of more than one public housing authority.

Nature of the Current Housing Problem

Although it is generally acknowledged that certain aspects of our housing problems have improved over the past several decades, serious challenges persist. Despite over sixty years of active federal involvement in housing, housing still presents formidable problems for a large segment of our population, particularly low-income" and non-white households.

At least since 1982, with the publication of "The Report of the President's Commission on Housing" it has been widely acknowledged that the longstanding problem of poor quality housing has been abating:

> Traditionally, the quality of the housing stock has been measured along two dimensions: available space and physical conditions. On both of these dimensions the quality of America's housing has vastly improved since World War II (p. 4).

Despite the overall improvements in quality:

> inadequate housing is far more common among renters than owners, and such housing is concentrated among very low-income families...
>
> Inadequate housing also is found more frequently among certain types of households Minority households—particularly black households—occupy such housing much more often than do nonminority households. Female-headed households and the elderly also have above-average incidence of housing inadequacy (pp. 7, 9).

These trends have continued. The Joint Center for Housing Studies recently reported that there are still some 2.4 million structurally inadequate housing units in center city locations and some 1.5 million such units located in non-metropolitan areas (1995, p. 13).

In recent years another form of housing problem has captured increasing attention: lack of affordability. An affordability problem exists when a household is required to pay more than

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[14]In this discussion, unless otherwise specified, the definition of low-income is the same as that of the Joint Center for Housing Studies: households with incomes less than 50 percent of area median (1995, p. 8). It should be noted, however, that in HUD's terminology, this group is referred to as "very low-income;" to HUD, low-income refers to households earning between 50 and 80 percent of area median income.

30 percent of income for housing.[15] Again, according to the Joint Center for Housing Studies:

> Persistently high rents and lagging income growth have made gross rent burdens (gross rent as a percent of household income) the most pressing housing problem for renters.[16] From 1970 to 1994, the median income of renter households fell by 16% to $15,814, while gross rents increased more than 11% to $403. While a modest 2% rise in median renter income in 1994 did reduce the gross rent burden slightly to 30.5%, this is still the third highest burden recorded in over two decades.
>
> The rent burdens of low-income households are even more severe ...some 43% (5.4 million) of all low-income renters in 1990 paid more than half of their incomes for rent (1995, p. 18).

According to an earlier report by the Joint Center, these problems are primarily due to two broad trends: "the persistence of poverty and the ongoing loss of the low-cost housing stock" (1995, p. 18). Concerning the latter, between 1985 and 1991 there was a net loss in the low-cost stock of an average of 130,000 units per year (1994, p.16).

A final aspect of the housing problem that has been receiving considerable attention in recent years is the increasing difficulty of lower income households to affordhomeownership and the disparities between racial groups in achieving homeownership. Among the native-born population of homeowners with heads of household between 25 and 34 years old, homeownership rates in 1990 were 72.1 percent for whites, 43.5 percent for blacks and 51.7 percent for Hispanics (Joint Center for Housing Studies, 1995, p. 33).

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[15]The federal standard of affordability, now set at 30 percent of income, was raised from 25 percent by Congress in 1981. Depending on the outcome of current Congressional debates, tenant contributions could rise, first to 32 percent and, ultimately, to 35 percent of income. Further, Congress is presently considering allowing PHAs to charge as much as necessary for rent, thereby ending the protection for tenants of not being required to pay above a certain set percentage of their income for rent. According to Michael Stone (1993) any set percentage of income is likely too high for many low-income households. The concept of "'shelter poverty' challenges the conventional standard that says every household can afford up to a certain fixed percentage of income for housing. It offers instead a sliding scale of affordability that takes into account differences in household composition and income" (p. 32). As a result, some families can afford nothing for housing, assuming they first pay for other basic necessities of life. Of course, he would also argue that no set ceiling, as is currently being proposed, would only make matters worse. Stone also details the extent to which the affordability problem is not new and, in fact, has deep roots in our nation's history, dating back to the 1830s.

[16]Stone (1993, p. 153) points out that the reasons behind the affordability problem as it has manifested itself since the mid-seventies, is "due more to housing costs [rising] faster than the overall cost of living than to incomes that lagged behind general price increases."

Housing problems facing the rural population were quite similar to those of urban residents. According to a report by The Housing Assistance Council:

> Housing quality in the rural United States has improved significantly in the last 20 years. Fewer than one million occupied housing units in rural areas were substandard in 1990, a decrease of 66 percent since 1970... The improvement in overall rural housing quality between 1970 and 1990 is most directly attributable to an increase in federal housing program targeting rural areas [particularly a 500 percent increase, from 1970 to 1980, in loans for rural housing provided by the Farmers Home Administration...
>
> Despite improvements, serious housing quality problems remain for many rural Americans. Almost one million people in rural areas live in housing that lacks complete plumbing facilities, and 1.8 million live in overcrowded housing units. All together, more than 2.7 million rural Americans lived in substandard housing in 1990 (1994, pp. 29-31).

And, concerning the affordability problem, the Housing Assistance Council report notes:

> Seventy-three percent of rural renter households earning less than $10,000 a year paid more than 35 percent of their income for housing in 1989. Three of every five rural renter households earning less than $20,000 a year were cost burdened...
>
> Rural homeowners with low incomes also have high housing cost burdens. More than half paid over 20 percent of their income for housing-related costs ...More than one in five rural households lives in housing that is not affordable to them (1994, p. 28).

The Housing Assistance Council report summarizes the housing situation for rural households as follows:

> Dramatic improvements in rural housing quality during the 1980s were overshadowed by the growing inability of rural people to afford decent housing. This, too, signals the end of a long-standing trend. Until the 1980s, rural housing quality problems were extremely severe, but housing was generally affordable, even to moderate-income people. As wages have fallen in the face of nationwide economic decline, and housing costs have risen, this is no longer true: in 1989, one in five rural households paid more than 30 percent of its income for housing costs .... there are about three million units whose occupants are cost-burdened or which are physically substandard (1994, p. 1).

...rural renters were more than twice as likely to live in substandard housing as people who owned their own homes. With lower median incomes and higher poverty rates than homeowners, many renters are unable to find adequate housing that is still affordable to them ...many [rural renters, especially those who are low-income]... cannot afford even the substandard units in which they currently reside. The general lack of housing affordable to low-income people in the rural United States exacerbates this problem, and keeps the rural poor locked in inadequate housing (1994, p. 31).

The Housing Problems Facing Children

Families with children are facing some of the most severe housing problems. According to a report by the Center on Budget and Policy Priorities, in 1991 there were about 34.6 million families with children, accounting for 37 percent of the 93.2 million families living in this country (Leonard, et al, 1993, p. v).

...some 8.8 million families with children—one family in eight—paid more than 30 percent of their incomes for housing ...More than two of every five of these families had incomes below the federal poverty line

Some three million families with children paid *more than half* their incomes for housing costs in 1989. This included 2.1 million renter families and 900,000 owner families.

Poor families with children accounted for the vast proportion of families bearing severe housing cost burdens. Seven of every eight of these renters families with children were poor, as were some 554 percent of these owner households .

...In 1978, seventy percent of all families with children were owners. By 1991, the homeownership rate had dropped to 61 percent...

A large number of children experience prolonged or recurrent homelessness... Estimates of the number affected vary widely. On the lower end, the U. S. Department of Education has estimated the number of homeless children at 275,000. A 1989 survey by the National Coalition for the Homeless estimated the total number of homeless children in 1989 at 500,000 (p. vi).

And, in addition to the lead paint problem discussed earlier, the report continues with the following summation of housing conditions facing the nation's children:

In 1991, an estimated 3.1 million families with children—equally divided between renters and owners—lived in housing with severe or moderate physical problems. Families with low incomes had the most acute problems. Among families with moderate or severe problems, 49 percent of renters and 21 percent of owners had incomes below the poverty line.

Overcrowding is primarily a children's problem. Housing is considered overcrowded if it houses more than one person per room. Measured by this standard, 95 percent of the 2.5 million overcrowded housing units in the United States were occupied by families with children (pp. vi-vii).

The Gap in Affordable Housing

The current housing problem—essentially an increasingly serious gap in the supply and demand for affordable housing—has been summarized in a recent report by the Center on Budget and Policy Priorities:

In 1970, the first year for which comparable data are available, there were 7.4 million low-cost rental units. That was roughly 900,000 *greater* than the number of low-income renters, which stood at 6.5 million.[17]

By 1993 this situation had reversed. The number of low-rent units fell to 6.5 million while the number of low-income renters rose to 11.2 million—resulting in a shortage of 4.7 million affordable units. This is the largest shortage on record. There are nearly two low-income renters for every low-rent unit.

The shortage of affordable housing is one million or more rental units in every Census region—Northeast, Midwest, South, and West [with the worst problems in the West and Northeast].

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[17]In this context low-income renters are defined as those with incomes of $12,000 or less in 1993 dollars, or roughly equal to the poverty line for a family of three. Low-cost units are those with rent and utility costs totaling less than 30 percent of a $12,000 annual income, or less than $300 a month.

> Some 83 percent of poor renter households in central cities spent at least 30 percent of income on housing in 1993, as did 87 percent of poor renters in suburban areas and 74 percent of poor renters in nonmetro areas.
>
> The problems of high housing cost burdens affect poor white, black, and Hispanic households alike, with more than four of five poor renters in each group spending at least 30 percent of income on housing. Similar proportions of both elderly and non-elderly poor renters had housing cost burdens this high, as did both working poor families with children and poor families without a worker (Lazere, 1995, pp. 1-3).

Clearly, the housing problems facing low-income households in the United States are serious and getting worse.

II. Housing and Self-Sufficiency

Logic of Linking Housing and Self-Sufficiency and Definitions

Self-sufficiency programs are aimed at reducing or eliminating the need for recipients to stay on public welfare programs. A family is self-sufficient or economically independent when it is earning adequate income to provide for basic needs. However, beyond this relatively simple definition, there are layers of complexity.

Anne B. Shlay has argued that any definition of economic self-sufficiency which suggests a complete substitution of employment income for government subsidies (e.g. housing, welfare and food stamps), is unrealistic. Employment could actually result in no increase, or even a decrease in income or in economic well-being. Instead, she offers that a more reasonable definition of self sufficiency "does not insist that families are entirely free of public subsidies but rather are moving in the *direction* of achieving greater economic mobility and financial stability" (Shlay, 1993, p. 459).

Further, even without employment, a family may be moving toward self-sufficiency if one or more members are actively engaged in an educational or job-training program, which, it can be assumed, will ultimately result in increased income. According to a report by the United States General Accounting Office (1993 a):

> ...increased income is the major means for low-income families to achieve economic independence. Education and training programs are frequently the means used to enhance the individual's ability to achieve those increased earnings. Families may also need supportive services to maintain the stability required to prevent a return to dependency (p. 4).

A 1991 report by the Council of State Community Development Agencies and the American Public Welfare Association provided the following concise definition of self-sufficiency:

> A point at which a person who has received some form of housing and/or human services assistance: (1) no longer needs to rely on that housing or human services assistance, and (2) has gained new skills and abilities so that the person will not in the foreseeable future need such assistance (1991, p. 33).

The following is offered as a "continuum of self-sufficiency," with (1) being the most self-sufficient level that a household can reach and with levels (2) and (3) indicating that the household requires varying degrees of public assistance, but, presumably, is moving in the direction of economic independence.

1. Full economic self-sufficiency over the long-term—households earn sufficient income and have enough financial stability enabling them to be permanently independent of public assistance aimed at low-income households.[18]

2. Additional income derived from employment, but it is not sufficient to enable the household to become completely economically independent, either over the short or long-term. The household may still need to rely on one or more forms of public assistance, such as subsidized housing, or there may be periods of unemployment in which additional subsidies are needed but, overall, the movement is toward greater economic independence.

3. Enrollment in an education or job-training program that is not, at the present, providing any income, but that should, in the foreseeable future, better equip the family member to join the workforce and move toward self-sufficiency.

According to Rohe and Stegman (1991) self-sufficiency programs generally incorporate the following coherent set of attributes:

> [Self-sufficiency programs] provide poor, unemployed and under-employed households with a coordinated package of services designed to enable them to become self-sufficient. Individuals in poor families often need remedial education and job training to become self-sufficient. They may also need other support services. For example, they may need counseling to help develop a set of personal goals or child care that allows them to participate in training and employment activities. They may also need transportation assistance and decent housing.
>
> Coordination of services is typically facilitated by boards or advisory committees composed of representatives from the area of social service agencies, including the department of social services, the housing authority, employment and training department, and other public and nonprofit service providers. These boards facilitate the delivery of a coordinated package of services and oversee the progress of the programs.

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[18]Most middle and upper income households who are homeowners are the beneficiaries of "public assistance" in the form of the homeowners' deduction which, in the aggregate, is costing the federal government over $70 billion per year (Low Income Housing Information Service, 1994). However, for our purposes, this subsidy, which is predominantly enjoyed by upper income households, is being discounted and a household would be viewed as fully self-sufficient if this were the only form of assistance it were receiving.

> Self-sufficiency programs typically rely on case managers to assess the full range of services that participants need Case managers help participants apply for services and act as advocates for them as they deal with various service agencies. Case managers also provide counseling and general encouragement throughout the training period and may follow-up after they have obtained a job. In some instances, the assessment of client needs result in the realization that new services are needed in a community, or that existing services must be expanded (p. 47).

As noted at the outset of this paper, the large number of low income households living in public and other types of subsidized housing makes these developments attractive locales for providing this population with services.[19] Offering services on-site eliminates the need for costly and, possibly, unavailable transportation and the population being targeted is easily defined. Also, providing some services, such as child care, as close to home as possible is advantageous both to the child and to the parent.[20] Since the need to travel is eliminated, parents do not have to bring children back and forth to their day care providers, resulting in more time for other meaningful activities. In addition, for the children, there are likely advantages to having a single life centered around home, since both physical surroundings and friends are able to remain constant.

Even when services are not provided through the housing developments and are, instead, targeted directly to households who may become involved in the program because of a promise of receiving housing assistance, the connection between the two—housing and social services—is obviously closely intertwined.

Despite the logic of combining housing and self-sufficiency programs, there is a general consensus that coordinating the two systems—housing and welfare—is a complex undertaking with many years of non-cooperation, overlap, and, in some cases, contradictory efforts.

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[19]Newman and Schnare note, however, that "the negative effects of continuing to reside in a high poverty concentration area may stymie a household's progress toward independence, or at least slow it down" (1992, p. 94).

[20]Although not focused on where the child care services were provided, on-site or in another location, a recent report underscored the essential role of child care in self-sufficiency programs (Phillips and Bridgman, 1995).

Lack of Coordination Between Housing and Welfare Systems

Both the housing and welfare systems are large and complex. The housing system includes an array of public programs funded by HUD, totaling over 60 in number. Also, as described in an earlier section, there are a host of other public and private initiatives that have a direct bearing on affordable housing. One of the main thrusts of HUD's recent "Reinvention Blueprint" is the consolidation of the 60 programs into three performance based funds, which are essentially block grants.

The welfare system is probably as complex. According to a recent government report Congress has created about 80 separate programs providing cash and noncash assistance to low-income individuals and families. "These myriad welfare programs—each with its own rules and requirements—are difficult for families in need to access and cumbersome for program administrators to operate" (United States General Accounting Office, 1995, p. 2).

There is a critical mismatch between the array of welfare programs offered and the nature of the problems facing families in need. Marion Pines has astutely observed that:

> Although there is ample documentation of the interlocking nature of the problems of poor families ...the disparate systems operating service programs often exacerbate the problems by dealing with each "symptom" as an unrelated part of the whole. Rather than working to build a strong viable family unit, this fragmented approach seems to pull fragile families farther apart.
>
> Families do not care whether help comes with a label marked "JTPA" or "JOBS," "WIC" or "Section 8." They do care if they are funneled from one intake office to another, and if they have to undergo multiple eligibility determinations ....
>
> The nation can no longer afford "stand alone" social service systems. They are inefficient and far from user friendly. We must pursue a more rational, coherent family investment system characterized by integrated service delivery at the local level (1991, p. 112).

In view of the difficulties involved in coordinating and rationalizing each of the discrete systems on their own, it is hardly surprising that coordination between the two has been problematic.[21] Sandra J. Newman and Ann B. Schnare have been in the vanguard of articulat-

[21]Nevertheless, Newman and Schnare point out that "the principle that housing assistance should be a vehicle for independence is not new to either the welfare system or the housing system As early as the 1920s, the welfare system recognized that adequate housing was one of the most important needs for mothers and their children. And one of the tenets guiding the first national housing act in 1937 was that "subsidized housing should be a vehicle for human development" (1992, p. 8).

ing the importance of viewing the two systems as part of a whole, rather than as two discrete bundles of services. They argue that: "If providing adequate housing to all in need is the goal, the combined system is unfair, ineffective, and inefficient. If fostering economic independence is the goal, the system is even more deeply flawed" (1992, p.7). More specifically:

> The welfare system provides shelter grants to welfare recipients that add up to roughly $10 billion a year, and reached five million households in 1987. But there is no requirement that housing meet quality standards, welfare shelter grants typically fall far short of the cost of decent housing, and nearly one-third of welfare recipients live in substandard conditions. HUD housing assistance to the poor also costs about $10 billion a year. But HUD serves only about half as many households as the welfare shelter grants, bases its subsidies on the actual cost of decent housing, and requires that the housing meet quality standards. As a result, housing assistance recipients are typically adequately housed, but represent only a minority of those in need (Newman and Schnare, 1992, pp. 6-7).

Recipients of HUD housing assistance and welfare assistance are not a completely overlapping group.

> During 1990, approximately 7.1 million families had incomes below the poverty threshold, 4.0 million families received public assistance through AFDC, and 4.5 million families received rental assistance under various HUD subsidy programs... Many families received benefits from more than one program, and the working poor were eligible for some programs but not others. Among AFDC families, for example, 24 percent received some type of rental housing assistance and 86 percent received food stamps. Among the long-term recipients of housing assistance (that is, those receiving assistance for more than 1 year), almost half received assistance from at least one other social welfare program (United States General Accounting Office, 1993a, pp. 3-4).

One of the problems in coordinating the two systems is that each has a somewhat different mission. In the case of housing, the overall concern is that the developments function smoothly and that they provide an optimum living environment for residents. Welfare officials may be less involved with the housing per se, and more concerned with the individual well-being of clients.

According to the report by the Council of State Community Development Agencies and the American Public Welfare Association:

> The human service system always has focused on the well-being of individuals and families, attempting to ensure they are adequately housed and clothed, and that they have at least a minimal level of food and health care ...In the housing system, people tend to move into and out of shelter, and the shelter—its existence, maintenance, and management—becomes the focal point of concern for the housing system. There is a stark contrast: The housing system makes long-term investments in fixed assets,[22] while the human service system continually invests resources to help ensure a family's well-being in a more immediate timeframe ....Housing policies directed to socioeconomic integration may be incompatible with the human service targeting to low-income people. Human service assistance provided to individuals may be insufficient or too short-term to accommodate the long-term financial needs associated with housing developments (1991, pp. 6-7).

The conflict between the housing and welfare systems first surfaced in the 1930s when the financing formula for public housing required tenants to pay a given rental, and therefore minimum income levels were needed. As a result, Newman and Schnare note:

> many of the poorest households, including those on welfare, were excluded from public housing ...It is unfortunate that this first formal connection between the housing and welfare systems was contentious. It is also disturbing that the earliest frustrations that each system voiced with the other are essentially the same today as they were then (1992, pp. 14-15).[23]

During the 1950s the federal government went so far as to explicitly prohibit PHAs from hiring staff to provide social or community services. In something of a turn-around, during the 1960s official administrative guidelines and legislative initiatives encouraged managers of public housing to include social and economic goals for tenants, although funds were not appropriated for such activities (Newman and Schnare, pp. 15-16).

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[22]However, with the shift in federal housing policy toward housing certificates and vouchers, this statement is less true in the present, than in the past. Nevertheless, it is acknowledged that there are still some 2.9 million units of federal public and subsidized housing, which are certainly "fixed assets."

[23]More recently, there have been numerous instances of housing advocates arguing that a household must be evicted for cause, while welfare case workers note that if the family is forced to leave their subsidized unit, it would have no place else to go.

Newman and Schnare point out that the history of welfare initiatives includes a:

> strong endorsement of the importance of housing, particularly for families with young children. During the first two decades of the century attention was focused on providing assistance to enable widowed mothers to care for their dependent children *in their own homes...* [Further] many of the recent "innovative" ideas for improving the housing conditions of welfare recipients were actually first tried in the 1930s... In 1969...HEW (the Department of Health, Education and Welfare) declared in no uncertain terms that it viewed decent housing as a route to independence: "...(HEW is) committed to the premise that improved housing for welfare recipients is essential to the success of the entire social and rehabilitation program designed to move this group of poor people toward self-support, self-care, and a better quality of life" (1992, pp. 18-20).

More recently, the Council of State Community Development Agencies and the American Public Welfare Association underscored the ways in which the housing and welfare systems provide opportunities for enhanced coordination:

> There are some similarities between the housing and human service systems that may facilitate linkage. First, both are becoming more aware of the need and their ability to leverage scarce public dollars. Second, states have become more important actors in both systems' programs, increasing discussion of how the two sectors can be coordinated at the state level. Third, both systems have become involved in the issue of homelessness which focuses their attention on an issue that requires mutual cooperation. In many cases there are shared goals with regard to interests in economic development and ensuring that individuals and families achieve long-term self-sufficiency (1991, p. 9).

Despite the rhetoric suggesting logical links between the housing and welfare systems, the two continue to function virtually autonomously. We will return to a discussion of the challenges involved in coordinating the two systems in the final section of the paper, following a review of the specific initiatives that have been undertaken which have attempted to merge the dual agendas.

Overview of Major Housing Initiatives Incorporating Self-Sufficiency Programs

The following presents summary information on the array of self-sufficiency programs that combine social services with housing. Mirroring the complexity of the housing and welfare systems, as well as the difficulty of coordinating efforts between them, this history is replete with its own complexity. Indeed, even the names of several of the programs are so similar that there is much room for confusion.

The focus of this section is on federal initiatives explicitly aimed at combining housing and self-sufficiency. There are also a number of apparently successful programs that merge a series of public and private financial resources, to create a public housing-based self-sufficiency initiative. These programs are discussed by Lassen (1995) but are not included in the following section.

This section omits discussion of self-sufficiency programs that were not explicitly coordinated with a housing initiative. As a result, the Family Support Act of 1988, which directs each state to establish and operate a JOBS program, and has been called "the federal government's most ambitious self-sufficiency program" (Bryson and Youmans, 1991, p. 7), is not included in this discussion. Newman and Schnare note that:

> the Act shifts the goal of the AFDC program ...from income transfers to reduce poverty, to education and employment programs to develop self-support. It also establishes a contract between recipient and society: in exchange for society's assistance with income, services and training assistance, recipients are to make the effort to become economically independent (1992, p. 27).

But, they also point out that, despite the inclusiveness of the supportive services to be provided—all of which go well "beyond the basic necessities—the traditional domain of welfare programs ...housing, which is a basic necessity, is especially conspicuous by its absence" (1992, p. 27).

Also omitted in this section are programs that provide a single component of a self-sufficiency program, such as child care, but that are not aimed at developing a comprehensive housing/social services approach to economic independence. As a result, the Public Housing Early Childhood Development Program, which was enacted in 1983 as an aid to public housing residents, is not discussed.

Finally, this section also does not include programs that are aimed at special needs populations, such as the elderly, the handicapped and people with AIDS. Although there is a rich history of efforts to merge housing with services in this area, it is beyond the scope of this paper.

The major efforts to combine housing with self-sufficiency programs began a little over a decade ago, in the mid-1980s. Accompanying the basic ingredients of self-sufficiency programs outlined by Rohe and Stegman, above, as a group these initiatives are generally aimed at providing incentives to become self-sufficient, creating a sense of responsibility among participants in terms of expectations placed on them, and counteracting traditional criticisms of welfare programs, particularly the disincentive to work, due to a loss of income and benefits.

In addition to the recent self-sufficiency initiatives, several early programs or proposals dating from the 1960s are noteworthy although, according to Newman and Schnare (1992), they are seldom mentioned.[24] The following section on the early demonstration programs is summarized from their work

The Early Demonstration Programs

Two early initiatives are presented here to show the extent to which the idea of joining housing and self-sufficiency programs has made good sense to both housing and welfare providers and how the merger of the two agendas was articulated in the 1960s. Despite the fact that these efforts never yielded much in the way of benefits, the ideas behind them were sound and they paved the way for more expansive programs in subsequent years.

The **Concerted Services Demonstration** was created in 1962 through a joint effort by the Housing and Home Finance Agency (HUD's predecessor) and the Department of Health, Education and Welfare. It demonstrated how a coordinated set of primarily federally funded social service programs could be targeted to residents in public housing in 20 cities to promote economic self-sufficiency and emotional well-being. With only three locales actually participating, a report on the program concluded that without strong local leadership, it was unable to overcome the tendency for the local agencies to carry on "business as usual."

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[24]Among the early programs discussed by Newman and Schnare (1992), the ambitious, but ultimately disappointing, Model Cities program is not included here, since it was not specifically aimed at providing services to residents in subsidized housing. It did, however, involve a call for locales to provide a coordinated set of social and public services to residents living in some of the poorest sections of our cities. Nevertheless, Newman and Schnare argue that "the experience is instructive, because [it reveals]...the problem[s] that better coordination of housing and services would have to confront" (1992, p. 25).

The **St. Louis Public Housing Authority proposal,** also articulated in the early 1960s, advocated that federal contributions to public housing be increased by $6 per unit per year. This money would have provided social services for residents, contracted through local social service providers. This simple proposal, certainly prescient in view of more recent initiatives, never came to fruition.

The following provides an overview o£

* Project Self-Sufficiency
* Operation Bootstrap
* Family Self-Sufficiency Program
* Family Investment Centers
* Mixed-Income New Community Strategy Demonstration
* Family Support Centers
* The Gateway Program

Project Self-Sufficiency

Launched during President Reagan's second term, 1984-1988, Project Self-Sufficiency involved some 10,000 families in 155 communities in 37 states. Targeted to low-income single parents, HUD provided a special allocation of Section 8 Existing Housing certificates for participating families. This was the first initiative aimed at linking housing programs to self-sufficiency, by providing the incentive of housing assistance to participants. This "incentive" approach can be distinguished from a second key strategy, which targets services to households already living in subsidized housing (Newman and Schnare, 1992, p. 92).

Under Project Self-Sufficiency communities were encouraged to coordinate resources that would assist clients move into the economic mainstream. According to one account, the promise of a Section 8 certificate served as an important incentive with this being "a key reason for the success of [the] programs" (Bryson and Youmans, 1991, p. 10). In addition, according to Bryson and Youmans, Project Self-Sufficiency:

- helped families financially, leaving more income to pay for other necessities and permitting family members to accept lower paying jobs with more long-term potential;
- provided stability when the families made the transition to employment, while AFDC, Medicaid and food stamps were being phased out; and

- encouraged landlords to rent to participants because they were perceived as better tenants (1991, p. 10).

Other outcomes of Project Self-Sufficiency included a high number of moves among participants, with 25 percent solving a crowding problem, 33 percent solving a physical adequacy problem, 25 percent moving to a neighborhood with lower crime rates and 25 percent moving closer to their jobs. And, perhaps most significantly, there was nearly a doubling in the proportion of participants employed either full time or part time (from 25 percent to 48 percent) (Newman and Schnare, 1992, p. 112).

Bryson and Youmans sum up the Project Self-Sufficiency experience as follows:

> Some participants signed up primarily to get the Section 8 certificates, were hard to keep motivated and dropped out. More careful screening and the inclusion of hurdles that only a motivated applicant would get over produced lower drop-out rates... There also was a great need for intervention when crises occurred that would make it hard for a participant to continue ...When some needed services were unavailable [local) task forces were to create them through newly raised funds and by tapping businesses and nonprofits. Childcare and transportation were found to be the hardest to secure, because those services were already scarce. Many programs underestimated efforts needed to succeed at job placement ...More than half the communities were continuing self-sufficiency programs on their own in May 1988 when the demonstration ended, and some communities intended to expand their programs to serve public housing residents, homeless people, and two-parent families ...Participants reported that local service coordination improved, more information was shared among service providers, agreements were reached between agencies to cooperate on providing services to families, and the agencies made their eligibility rules uniform ...One participating community estimated that it takes from three to six years for a single parent to gain self-sufficiency (1991, pp. 10-11).

Overall, the results were considered "encouraging" (Rohe and Stegman, 1991, p. 48). A 1988 HUD report noted that of the 9,928 single parents who entered the program, 42 percent completed it and either obtained full-time jobs or enrolled in a two or four year college degree program (United States General Accounting Office, 1993c, p. 16).

Operation Bootstrap

In June of 1989, shortly after Jack Kemp became Secretary of HUD, under President Bush, HUD initiated Operation Bootstrap, which was aimed at encouraging communities "to coordinate services that would enable low-income families to become economically self-sufficient" (Bryson and Youmans, 1991, p. 11). Similar to its predecessor, Project Self-

Sufficiency, HUD made available to 61 participating public housing authorities a special supply of 2,842 Section 8 certificates to be provided to families enrolled in the program. In 1990 an additional 1053 certificates were awarded to 39 of the original communities. Program participants included Section 8 applicants. No specific funding was earmarked under this program either for services or for any additional costs involved in coordinating their delivery. Operation Bootstrap evolved into the currently operating Family Self-Sufficiency Program (Frees et al. 1993).

Family Self-Sufficiency Program

The Family Self-Sufficiency Program was authorized as part of the massive Cranston-Gonzalez National Affordable Housing Act of 1990. Section 504 of that legislation is aimed at promoting the development of local strategies to coordinate federal housing assistance with public and private resources in order to enable low-income families to work toward economic independence and self-sufficiency. Supportive services, as in the preceding pilot programs, may include: childcare; transportation necessary to access services; remedial education; education to enable participants to complete high school; job training and preparation; substance abuse treatment and counseling; training in homemaking and parenting skills; training in money management and household management; and other appropriate services.

In contrast to the two major earlier programs, in which the availability of housing assistance was used as an incentive to solicit participation, in the Family Self-Sufficiency Program (FSS), participants include current Section 8 certificate and voucher holders, as well as public housing residents. Participants are expected to carry out their self-sufficiency programs within five years, but, at the very least, heads of households are required to seek employment. If participants do not fulfill this, as well as the other components of their commitment, they run the risk of losing their certificates or vouchers, although assistance is not revoked for public housing residents.

In addition, a complicated formula enables participants to pay less for rent when income rises above normal eligibility levels for HUD assisted housing. The difference between what residents actually pay and what they would normally have been required to pay under standard rules is saved in an escrow account, on behalf of the tenant, and given to them upon their successful completion of the program and departure from assisted housing (Bryson and Youmans, 1991, p. 12).

Unlike preceding programs that were voluntary, FSS has been required since fiscal year 1993. Local programs must accommodate a number of households equal in number to that locale's number of new assisted housing units provided by HUD. Each year, as a new group of households is assisted, the total number of households in FSS increases accordingly.

The program is set up as an exchange—housing assistance from HUD in return for self-sufficiency activities provided at the local level. But FSS substantially alters the rules under which a locality receives housing assistance—prior to FSS there were "no strings attached" to a locality receiving housing subsidies (at least of this type).[25] With FSS, localities must be involved with a constantly expanding program of service delivery and coordination. However, the program does not provide any funding for services, with the expectation that localities will secure other public and private support.

According to Shlay:

> Originally, families were determined to have completed the program and to have become economically independent when they were no longer receiving any public assistance. But the definition of economic independence was altered to include families that no longer receive welfare assistance but continue to receive housing assistance. This definition of economic independence explicitly recognizes that families may be gainfully employed and remain unable to afford market-rate rent levels (1993, p. 484).

Shlay cautions that the results of FSS may be more modest than the earlier Project Self-Sufficiency:

> First, Project Self-Sufficiency recruited participants from housing subsidy waiting lists; successful applicants were awarded a Section 8 certificate as part of the terms for participation... [this] was a powerful incentive ...Family Self-Sufficiency is explicitly prohibited from using subsidies to encourage participation and must recruit from the existing pool of subsidy holders.

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[25]In order to receive housing assistance from HUD, localities must complete and file with HUD a Comprehensive Housing Affordability Strategy, as authorized by the 1990 housing act. This replaced other long-term planning tools for housing, in the form of the Housing Assistance Plan, which had been a prerequisite for receiving CDBG fiends and the Comprehensive Homeless Assistance Plan, required for McKinney Act fiends.

> But most important, Project Self-Sufficiency encouraged PHAs to carefully screen applicants, and many used employment experience and educational attainment as a way of determining "wage earning potential." As a result, they obtained participants with substantially more human capital than typically found in public housing ...Family Self-Sufficiency programs are explicitly prohibited from using educational attainment and employment experience as screening criteria ...In addition, other contextual factors may temper expectations for what Family Self-Sufficiency may deliver ...These factors include a weak labor market, a tight housing market, the limited availability and high cost of child care, the lack of employer-related health insurance, and state and local fiscal crises...
>
> Moreover, Family Self-Sufficiency can succeed in leveraging the provision of services only if there is sufficient funding from other sources to support those services ...Finally, Family Self-Sufficiency calls on local PHAs to take on a new set of responsibilities in service delivery ...It requires an unprecedented coordination of housing and social services (1993, p. 486).

Family Investment Centers

Adding to the complexity of coordinating housing and self-sufficiency programs, the 1990 housing legislation included another such program, in addition to FSS. Section 515 of that act creates the Family Public Housing Family Investment Center Program, aimed at providing public housing residents with enhanced educational and employment opportunities, with the goal of promoting self-sufficiency. Unlike FSS, however, this program is limited to public housing residents and emphasizes the creation of special facilities for service providers in or near public housing developments (Bryson and Youmans, 1991, p. 13). An important incentive to localities is a 15 percent match of the cost of the services provided at the center. Funding was not made available until May of 1993 and, as a result, no centers could be created prior to that time. As of then, HUD had not indicated any plans to evaluate the program (Shlay, 1993, pp. 467-468).

Lafayette Courts, a public housing development in Baltimore is, perhaps, the best known such initiative and served as the prototype for the federal program that was created by the 1990 housing act. According to Marion Pines, before the creation of the Family Development Center, the residents of Lafayette Courts were saddled with problems common to a large proportion of very low income households:

> With 816 units and 2,400 residents, Lafayette Court Homes ...housed some 1,300 children under age 18...By age five, many youngsters showed the effects of ..inadequate prenatal care, lack of basic skills among young mothers, lack

> of early childhood stimulation, abuse, neglect, and poor nutrition had stunted their development ...By adolescence, many of these children were lost to drugs, alcoholism, out-of-wedlock pregnancy, and crime (1991, p. 113).

The following description and assessment of the program is excerpted from the work of Shlay and Holupka (1992).

> Funded and administered by the City of Baltimore, the FDC [Family Development Center] is best seen as an umbrella organization, offering a variety of programs coordinated by a core administrative staff located at Lafayette Courts. Activities have included education and job training programs for adults, health care and child care services for children, and support services for troubled teenagers as well as for teenagers doing well.
>
> When residents enroll in the FDC, they become members of the center, not simply participants of particular programs. A member is linked to FDC programs through a case manager who determines the needs of each resident and then meets those needs by assigning the resident to an appropriate FDC program. Furthermore, residents enroll as families, not as individuals. Case managers determine if other family members also require FDC services and arrange for them to participate in programs as well if they are willing to do so... (p. 511).
>
> FDC appears to be a promising experiment that may, some time in the future, lead families to acquire the skills and resources needed to achieve higher levels of economic independence...this approach has the potential to realize longer-term economic gains for families.
>
> The FDC was successful in attracting a large number of families to join and participate in FDC programs. It was also successful in making good on the goal of providing comprehensive service delivery to families. JTPA [Job Training Partnership Act] participation dramatically increased as a result of the FDC initiative, and the FDC brought with it a greater intensity of participation and breadth in JTPA participation. To be sure, there was substantial variation in individual and family involvement in the FDC, but the considerable involvement of many people indicates that they were taking the requisite first step toward self-sufficiency; the FDC was intervening in residents' lives.
>
> Participation in the FDC was accompanied by increased educational aspirations, higher self-esteem, and a greater sense of control over one's life. It was also accompanied by people spending more time in other neighborhoods and spending less time with nothing to do. These findings suggest that FDC participation appears to be beginning a process of altering some attitudes and behaviors.

> ...the overall FDC experience—coordinated, comprehensive, and accessible service delivery—may be more critical in determining whether the FDC experiment succeeds than might any individual program that is part of the FDC ...
>
> ...Families' economic circumstances were not altered by participating in the FDC in its very early years. The number of families receiving public assistance did not decline and household income levels did not increase with FDC participation. On the contrary, employment among non-FDC participants increased, whereas that of FDC participants declined... higher levels of participation in education programs explained lower rates of labor market participation by FDC participants. This suggests that human capital investment strategies like the FDC, may not lead to economic gains over the short term. But if investment in human capital brings with it increased economic returns, the accompanying absence from the labor market may indicate a longer-term payoff somewhere in the future (p. 530).

Mixed-Income New Community Strategy Demonstration

A third program authorized by the 1990 housing act was prompted by the suggestion of the Chicago Housing Authority. The Mixed-Income New Community Strategy Demonstration (MINCS), which was earmarked for Chicago and no more than three other sites, has a number of components. First, PHAs use operating subsidies to lease privately owned, newly constructed or substantially rehabilitated units in the neighborhood of an existing public housing development. These units are then rented to selected public housing tenants. At the same time, an equal number of apartments in the public housing development are rented to moderate income families, with incomes between 50 and 80 percent of area median income.

The second key aspect of MINCS is that families selected to move out of the public housing development must agree to participate in a comprehensive program including services, education and job training, aimed at enabling the family to gain enough economic independence to afford private rental housing or a homeownership unit. The program's goals are to be achieved within seven years, with various protections provided to participants concerning the amount that rent can be increased when incomes rise. In addition, similar to FSS, an escrow account is established on behalf of the family, in which "excess" rental payments are deposited for the family's future use, upon successful completion of the program (Bryson and Youmans, 1991, pp.14-15).

Family Support Centers

Still another program authorized in 1990, but this time as part of the Stewart B. McKinney Homeless Assistance Amendments Act, provides funding for family support centers located in the vicinity of public or other subsidized housing or in urban or rural poverty areas. Adding to the complexity and, indeed lack of coordination between the various housing and self-sufficiency programs, is that this initiative is administered by the Department of Health and Human Services, not HUD. Although the goal is identical to that of the FSS program, participants neither have to enter into a contract for specific services, nor do they run the risk of losing housing assistance if they are unable to comply with the terms of the program (Bryson and Youmans, 1991, p. 14).

In addition to Family Support Centers, there have been a number of programs aimed at assisting homeless families to secure permanent housing and to become economically independent. The Robert Wood Johnson-HUD Homeless Families Program is aimed at encouraging localities to improve the coordination of services provided to homeless families, with the goal of assisting them to secure permanent housing and to become economically independent. Operating in nine cities, localities are being provided additional housing vouchers as an incentive to improve the coordination of service delivery (Shlay, 1993, p. 481).

The Gateway Program

As part of the Housing and Community Development Act of 1987 Congress authorized the **Charlotte, North Carolina Transitional Families Program,** which was aimed at assisting very low income public housing residents to become socially and economically self-sufficient. This is to be achieved by helping participants to develop skills, to gain full-time employment and to earn enough money to purchase a home.[26]

During the remedial stage of the program, each participant's educational and skill levels are assessed and a plan is developed to overcome deficiencies. Only those people whose educational level is such that they stand a good chance of locating decent paying jobs within two years may enroll. Households were guaranteed that their rent would not be increased during this period.

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[26]Shlay (1993) includes several other homeownership programs in her typology of self-sufficiency programs. However, the Nehemiah program and the Public Housing Homeownership Demonstration are not included here, since they are not explicitly self-sufficiency programs. Shlay admits that "The link between programs that focus on homeownership and community development and self-sufficiency is indirect" (p. 477). Also, the problem of finding qualified applicants for all the homeownership programs suggests that, unless self-sufficiency is an integral part of a homeownership program, homeownership for very low income households may be an elusive goal.

Participants could then continue to live in public housing for up to five years while also receiving counseling and other support services. During this next phase of the program, the transition phase, escrow accounts are established for each participant to help them save for a down payment, closing costs or moving expenses. During this phase, participants are, once again, required to pay 30% of their incomes for rent. According to William Rohe:

> ...many of the participants have taken considerably longer than [two years] to complete their educations and enter the job market. In some instances this slower than anticipated progress has been a result of family responsibilities.

The early results of the program have been mixed:

> ...the housing authority had great difficulty recruiting program participants and there was a higher than anticipated dropout rate. The progress of participants through the program was also slower than expected. Continuing participants, however, are generally satisfied with the program and its impact on their lives (Rohe, 1995).

Perhaps the most sobering conclusion offered by the evaluators is that:

> The assumption behind self-sufficiency programs is that residents of public and subsidized housing are motivated to achieve self-sufficiency. The experience with the Gateway Housing Program suggests that this may not be the case for a large proportion of residents. The housing authority has found it very difficult to find 100 residents that are both interested in and qualified for the program. The program staff members suggest that many residents of public housing have given up on themselves. They lack the self-confidence and self-esteem to undertake education and job training programs (Rohe and Stegman, 1991, p. 50).

After more than a decade of experience with programs that self-consciously combine housing with initiatives aimed at promoting self-sufficiency, it is clear that we have a rich array of experiences to assess. The following section attempts to delineate the most important lessons emerging from this history.

III. Present and Future Challenges for Self-Sufficiency Programs

Lessons of Housing and Self-Sufficiency Programs

The experiences of programs that combine housing with self-sufficiency are still very limited and the results of evaluations are far from conclusive. The logic of combining the two argues in favor of continued experimentation and evaluation. Also, the urgency is acute. With both housing and welfare agendas undergoing intense scrutiny and revisions, it is essential that public monies go as far as possible toward investing in peoples' abilities and in promoting self-sufficiency.

The preceding review of programs that have combined housing and self-sufficiency reveals a number of important lessons.

1. Housing subsidies—first in, last out:

Several of the programs underscored the extent to which housing subsidies are the first critical ingredient in self-sufficiency programs. The lure of receiving a housing subsidy was, for many people, the key incentive in becoming involved with self-sufficiency initiatives. At the same time, several analysts have pointed out that a housing subsidy is needed even after a household has begun to make progress toward self-sufficiency. The high cost of housing, particularly in relation to what people earning minimum wages, or slightly above, can afford, makes the continued availability of housing subsidies an absolute necessity.

Unfortunately, as discussed in the next section, current proposals before Congress would eliminate funding for new housing subsidies, thereby removing a major tangible incentive for households to enroll in self-sufficiency programs. Also, requiring both public housing residents, as well as tenants in other HUD-assisted housing to pay a larger percentage of their incomes for rent, as is currently being proposed, will further reduce the ability of these households to become self-sufficient.

2. Economic self-sufficiency is dependent on the economy producing jobs:

Even if an individual prepares him or herself for the job market, through participation in job training and educational programs, there are no guarantees that the economy will be able to produce the jobs that will promote self-sufficiency. A minimum wage, full-time worker may be moving toward self-sufficiency, but even with a significant output of time and energy, he or she may find it discouraging that a job doesn't allow for "getting ahead."

Further, the nature of the low end of the job market is such that acquiring a job doesn't mean that the job will last. Job instability for low wage workers is a serious problem, as layoffs and plant closings can thwart a move up a career ladder. Also, another attribute of low wage jobs in the service sector, is that jobs are often "dead-end," without opportunities for advancement and higher pay.

3. Myths of subsidized housing and of welfare programs must be tackled if we are to join housing and welfare agendas into creative self-sufficiency programs:

There are many myths about the "bad projects" and of the "lazy, long-term welfare mothers" that create negative images in the public's mind and that may preclude a vigorous effort to promote housing-based self-sufficiency programs. Although, there are many housing developments that are in poor condition and that fulfill the negative stereotype, most public and subsidized housing is in good physical repair and provides decent homes to millions of poor people. Further, as discussed earlier, most welfare mothers stay on welfare for relatively short periods, although there are, of course, some people who, for various reasons (only one of which may be laziness), are long-term recipients. In order for there to be broad-based support for housing/self-sufficiency programs, it likely will be important to counter these images with facts, as well as with compelling rationales for why such initiatives make sense.

4. As always, there is the issue of money:

Self-sufficiency programs may appropriately be thought of as investments in human capital. However, in order for there to be a return on an investment, it is essential to make the initial outlay. Financial resources are needed to pay for at least three distinct components of a self-sufficiency program: the services themselves; coordinating the services; and paying personnel to do case management and referrals.

Unless resources are put in to the program, no return is possible. As with all social services, the short-term price tag is not cheap, and returns must be calculated over a realistic period. Of course, reducing the costs and benefits of investing in self-sufficiency programs to strictly monetary terms does not nearly tell the whole story. Placing a dollar value on even a single family's move to self-sufficiency is not possible, since the benefits go way beyond the lack of continued need for public assistance.

The current Family Self-Sufficiency Program encourages coordination of services, without any additional funding to provide services that may be lacking in the local community, or to pay for the costs of the coordination effort. This is a highly problematic approach. While filled with supportive rhetoric, the program is short on providing the necessary investments, and program outcomes likely will be disappointing.

5. **Self-sufficiency programs must be comprehensive and provide a specially designed set of services to meet the needs of each family:**

As noted earlier, families in need of assistance do not necessarily see their needs as falling into discrete program categories. They have a variety of needs and they require a variety of services. However, it is important that the self-sufficiency program be able to deliver those services as a whole package, rather than as a series of discrete initiatives, each with its own set of rules and requirements. For a family uncertain about whether or not to participate, the more barriers, perceived or real, the greater the likelihood that the family will never join or quit in frustration.

6. **How to motivate participants will likely be a major issue in future self-sufficiency programs:**

The provision of housing assistance, where none was provided before, is an incentive used in several of the self-sufficiency programs reviewed in the previous section. This appeared to be an essential, although not sufficient ingredient, for encouraging participation. If new housing assistance is curtailed, as discussed in the next section, this incentive will disappear. Furthermore, even with the promise of a household receiving a housing subsidy, participation is never guaranteed. How would-be participants in self-sufficiency programs can be encouraged to join and to invest their own time and energy, is a problem requiring further study and consideration.

7. **Role of citizens and of intended beneficiaries in designing and implementing self-sufficiency programs is an important ingredient:**

Although the role of citizens in formulating and carrying out self-sufficiency programs has not been a focus of this paper, it is essential that residents and possible participants play a key role in program development and implementation. One of the important lessons from the housing and community development field is that programs that are strictly "top-down," generated and implemented outside the community to be served, are often plagued with problems and doomed to failure. In contrast, the community-based housing movement is based on vigorous resident participation and involvement. Lassen (1995) focuses on the key role of citizens in the public housing-based self-sufficiency programs included in her study.

8. **Realistic timeframes and expectations are essential:**

In view of the fact that most of the housing/self-sufficiency programs are only about ten years old, or less, it is understandable why we still have relatively little data on program outcomes. Most of the programs' guidelines view self-sufficiency as a process that is likely to take some five to seven years. Fully understanding the extent to which households are able to move toward self-sufficiency can take years beyond the initial program period. For example, if we accept the “continuum of self-sufficiency” presented earlier, there are various phases that a household can move through on its path to becoming economically independent and it would follow that the process can take many years.

Also, for many people, achieving self-sufficiency make not be a linear process. There can be moves forward and steps backward Full self-sufficiency may be achieved, but job loss or a family illness can plunge the family back into dependency. Finally, other factors in addition to the self-sufficiency program itself may be responsible for a family improving its situation, such as an improved labor market or a more relaxed housing market, providing greater opportunities for households to afford decent housing.

9. To the extent that coordination is “the name of the game,” a clear commitment on the part of elected officials, the private sector and public agencies is critical:

Program coordination almost certainly requires one or more individuals with significant authority to advance the goals of the program and to bring diverse agencies together to discuss how to streamline procedures and to provide a full complement of services. This needs to occur both at the national level, in better coordinating the housing and welfare systems, as well as at the local level, where programs get implemented. To the extent that old ways of doing business will need to be replaced by new standards, we will need a full array of strong and committed national and local officials.

The “Reinvention” of HUD, the 104th Congress and Self-Sufficiency

Between October 1993, when newly appointed HUD Secretary Henry Cisneros released a new set of priorities for HUD and a revamped management plan (HUD 1993), and December 1994, when HUD released its new Blueprint for reinventing the agency, there was a major shift in tone and focus. In six broad areas, the 1993 document detailed some 44 discrete recommendations for making HUD’s programs more effective and efficient. Only 14 months later, however, the new Blueprint called for a sudden departure from working within the parameters of the existing programs. Consider these following harsh, self critical words:

> HUD...has allowed itself to evolve into a bureaucracy far more attentive to process than to results, characterized by slavish loyalty to non-performing programs and insufficient trust in the initiatives of local leaders. These are undeniable truths (HUD, 1994).

What happened in between the release of the two reports is no mystery. With the election of the 104th Congress HUD appears to have decided to try to preempt attacks from the

Republican dominated majority and to take drastic actions that would allow the agency to continue, albeit in a greatly reduced capacity.

Specifically, the HUD Blueprint calls for: consolidating programs and moving to performance-based funding; transforming public housing; and creating an entrepreneurial government-owned FHA corporation. One of the most important implications for low and moderate income households is providing residents of HUD-assisted housing (including public housing and the other publicly subsidized, privately owned developments) with Section 8 vouchers and allowing them to use the rental subsidy either in their existing unit or to move to a non-HUD-assisted unit. However, as mentioned earlier, this seemingly good idea may not be a panacea either for the household seeking affordable housing or for the public or private owners, who will, as a result of losing tenants, find it more difficult to maintain the development and provide a high level of services to the remaining tenants.

While housing, in general may be a loser, there is a slight chance that the self-sufficiency agenda may benefit. HUD is calling for a greater emphasis on ensuring that its programs promote self-sufficiency. HUD's 1995 Blueprint states that the past way in which HUD's programs operated ran counter to this goal:

> *Low- and moderate-income families should have greater power to make decisions about their lives. and government should support their ,quest for self-sufficiency.* Public and assisted housing rules that have locked families into substandard housing have impeded their ability to move to self-sufficiency and have allowed badly managed agencies and absentee owners to operate without recourse (p. 4, underline in the original).

Further, out of the six broad missions outlined in the Blueprint, the second calls for HUD to: "Make affordable housing serve as a starting point for families working toward stability and self-sufficiency by emphasizing work, education and security" (p.1). To achieve greater self-sufficiency, residents are, as noted above, to be given housing vouchers, allowing them to shop-around. The HUD Blueprint further details that, in order to support families who are working to achieve self-sufficiency, "the new Housing Certificate program will give greater preference to families who are working or are participating in "work-ready" and education programs" (p. 12).

In a scathing attack on the Blueprint, the Low Income Housing Information Service has detailed the many reasons why HUD's newly articulated confidence in the ability of residents to find adequate, affordable housing on the private market is severely flawed.

1. Transaction costs in locating and moving to new affordable housing: mobility constraints of vulnerable populations, moving expense, information gathering costs, including the elderly and those with disabilities, overly aggressive marketing schemes.

2. Barriers to entry: low vacancy rates, owner refusal to accept vouchers, discrimination ...and proximity to employment.

3. Project Economics: The economics of low-income housing are not very profitable. Thus, to improve life opportunities and prevent building and community deterioration, the federal government invests in human capital and our nation's housing and community infrastructure. The federal government supports low-income people who would otherwise not be housed and develops and supports viable shelter that would otherwise not house low-income people. Marketplace competition is not enough to develop and maintain affordable housing over the long term. The long term viability of low-income housing requires project based assistance, deep federal subsidies, or both.

4. Unequal Bargaining Power: The Blueprint's competitive discipline of the marketplace depends on low-income tenants continually voting with their feet. However, the short term impediments outlined above limit a tenant's ability to go to the ballot box, i.e., to move frequently. Profit minded landlords take advantage of this situation.

5. Tyranny of the Few: Given the marginal economics of low-income housing projects, successful project-based housing may collapse even if only a small number of tenants choose to move and "market rate" replacements cannot be attracted. Although tenants that exercise their mobility and move out of a project may get what they want, the project may destabilize as a result, and those desiring to stay may subsequently be forced to move and lose their homes.

6. Competitive Disadvantage: The Blueprint gives short shrift to the more than $20 billion backlog in public housing modernization and deferred maintenance that leaves it at a competitive disadvantage with its market alternatives. The Blueprint's rush to the marketplace is therefore likely to depopulate public housing and reduce its long term viability. Without capital grants and modernization funds, public housing units will be demolished, causing displacement and further reinforcing the public perception of failed federal housing policy.

7. Community Disinvestment: Residents who hope to leave their community may view the Blueprint as an opportunity. Those who choose to remain in place will view the Blueprint as a recipe for massive community disinvestment without adequate

> reinvestments. As funds are channeled away from affordable housing in impacted areas, people and housing will leave and new development will be limited (1995, pp. 4-5).

In addition to these compelling reasons why the overall thrust of the Blueprint is likely to fail, HUD does not advocate any funds to be earmarked specifically for self-sufficiency programs. In fact, its efforts to consolidate existing programs could work at cross-purposes with the goal of promoting self-sufficiency. The Community Opportunity Fund, one of three new consolidated funds, would have folded into it: The Community Development Block Grant program, Youthbuild and the Economic Development Initiative. Although it may be advantageous to communities to have greater latitude in designing their own economic development initiatives, the outcome of providing federal dollars through block grants, as opposed to categorical funding, is generally a net reduction in funding. This can only serve to hurt local efforts at promoting self-sufficiency.

Along with HUD's own self-examination and the possibly ill effects resulting from the Blueprint, the rescissions in HUD's 1995 budget and the planned reductions in funding for housing in the 1996 budget are of major concern. The rescissions in the HUD budget, signed into law by President Clinton in July 1995, total $6.3 billion in movies appropriated for 1995 and prior years.

Although the FY 1996 budget is not yet finalized, on July 31, 1995 the House of Representatives voted to cut funding for housing by $6.7 billion—more than 25 percent of HUD's total budget. Among the most dire proposals:

- a reduction of $3 billion in total funding to maintain existing public housing units and total elimination of funding to develop new public housing;
- elimination of all new or incremental Section 8 certificates, totaling some $2.7 billion;
- cuts assistance for the homeless under the McKinney Act a total of $440 million, a 40% drop.

In addition, as noted earlier, residents in assisted housing may be required to increase the amount they pay toward rent from 30 percent to 32 percent of income, with public housing tenants losing income cap protections altogether. In view of the reductions in public housing operating and modernization funds, this likely would mean that many PHAs would be forced to raise rents well above 30 percent of income levels. The net result of these, as well as a variety of other proposed changes, would be to seriously hurt the ability of low income households to afford decent housing. Since housing is the most costly single item in a household's budget, the more money that is needed for this purpose, the more difficult it will be to achieve self-sufficiency.

Proposed changes in national welfare legislation would also be detrimental to the goal of supporting self-sufficiency programs. Specifically, there is a strong likelihood that a cap of two years will be instituted, beyond which point recipients would no longer be eligible to receive benefits. In view of the need to think of self-sufficiency as a long-term process, this limit would directly conflict with a realistic self-sufficiency agenda.

Along with the cutbacks in the budgets of the housing and welfare systems, the tendency will likely be to preserve as much of the existing turf of each. It will take a great deal of foresight, on the part of policy makers and welfare and housing agency officials, to with the impacts of budgetary reductions, while, at the same time, advancing an agenda of enhanced cooperation and coordination.

The rescissions and proposed cuts in HUD's budget are the exact opposite of what is needed to create coordinated and comprehensive housing and self-sufficiency programs. Without a stable source of funding to reduce the costs of housing, moves toward self-sufficiency will be seriously thwarted. One of the first critical steps in merging the two agendas—housing and welfare—involves stabilizing a family's housing situation. The recent initiatives of the 104th Congress are taking us in the wrong direction. The ability of this country to reach its housing goal, decent housing for all, and to enable families to become self-sufficient, is becoming more and more elusive.

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