

*Published by National Association of
 Housing and Redevelopment Officials
 Washington, D.C.*



A POLITICAL HISTORY OF AFFORDABLE HOUSING

BY BETSEY MARTENS

What do the U.S. Shipping Act of 1917 and the Low Income Housing Tax Credit program have in common? Quite a lot, as it turns out. The history of our industry is something many of us have rarely, if ever, considered. In celebration of NAHRO's 75th anniversary, the author shares her political view of the history of housing, with apologies to the rigorous historians out there.

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All manuscripts and editorial information should be sent to the *Journal of Housing & Community Development*, NAHRO, 630 Eye Street, N.W., Washington, DC 20001-3736. Publication in *Journal of Housing & Community Development* does not constitute an endorsement of any product, service, or material referred to, nor does the publication of an advertisement represent an endorsement by the NAHRO Officials or the *Journal of Housing & Community Development*. All articles represent the viewpoints of the authors and are not necessarily those of the magazine or publisher. Letters to the editor will be published at the discretion of the editor.

Copies of the *Journal of Housing & Community Development* are available in 16mm microfilm, 35mm microfilm, 105mm microfiche, and issue and article copies through University of Microfilms International (UMI), 300 North Zeeb Road, Ann Arbor, MI 48106-1346; 313/761-4700.

Journal of Housing & Community Development (ISSN 1534-648X) is published bi-monthly (January, March, May, July, September, and November, with Buyer's Guide published in May) by the National Association of Housing and Redevelopment Officials, 630 Eye Street, N.W., Washington, DC 20001-3736. The annual subscription cost for members of NAHRO is \$25, which is included in membership dues. Non-member subscription: \$33 per year. Single copy: \$6. Periodicals postage paid at Washington, D.C., and additional mailing offices.

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Looking Back

Housing was not a policy issue in our nation until the mid to late 1800s.

Prior to that, before the industrialization of America, most Americans worked where they lived. By the 1850s, when massive job creation occurred in the cities and rural Americans and immigrants flooded the urban centers in great numbers, there was a critical housing shortage. The responses to housing

need were private, profitable and often unsafe. Real estate developers were turning old single-family homes into subdivided tenement homes. Where one family had lived, three, four and five families crammed into every inch of the building.

Despite these deplorable tenement conditions of the late 1800s, federal policy-makers were sluggish about any kind of response; steadfast in their belief that housing solutions were the exclusive domain of the private and charitable sectors, and best left to cities and states to wrestle with. It follows, then, that the history of housing policy in the United States begins with the New York Housing Act of 1879.

Responding to workforce housing condi-

tions that were characterized by a lack of fresh air, ventilation, fire protection and indoor plumbing, the Act intended to make conditions safer. However, the driving force behind the legislation was less a concern for the physical safety of residents but a greater concern that the deplorable housing conditions would influence the moral character of tenement residents.

The New York Commissioner of the Tenement House Department observed that "there can be no question that the three great scourges of mankind—disease, poverty and crime—are in large measure due to bad housing."¹

There was significant debate throughout much of the early 20th century about whether unsafe and unsanitary housing conditions could shape a person's character. By 1915, housing reformers had broadened their understanding of housing and began to see housing less as a moral character issue and a pathology and more as a necessary component of healthy neighborhoods.

At this early point in our policy history, we have the first evidence that housing policy is often shaped

¹ Hutchison, Janet, "Shaping Housing and Enhancing Consumption", Pennsylvania State University Press, 2000



FOR THOSE OF US who have dabbled a bit in the history of housing, our understanding of the beginning of housing history is marked by the passage of the U.S. Housing Act of 1937. This article explores the idea that many of the challenges facing our affordable housing industry today have their genesis in the political compromises that precede the passage of the U.S. Housing Act of 1937. The article also explores the conditions that are present in our nation's early response to a housing crisis that resulted in a housing policy that apports resources to the housing goals of the wealthy in greater measure than to the critical housing needs of the economically poor. Finally, the article looks at three key themes that will shine some light on how we might effectively affect significant change in American housing policy today.



by motivations that are not transparent, yet must be understood if we are to create a more advantageous policy for our industry today.

The First Federal Housing Program

The major cities of the east coast, particularly New York, continued to pass legislation adopting building codes and housing quality standards, while the federal government continued to see no role for itself in housing policy. The onset of World War I, though, changed that laissez-faire approach dramatically. Suddenly, the nation was in full-tilt production for the war effort. Workers were needed on both coasts to build ships, and housing was needed for the workforce. The U.S. Shipping Act of 1917 authorized President Woodrow Wilson to address the workforce housing problem and appropriated \$100 million for the effort.

In less than two years, approxi-

mately 16,000 homes were built on 120 sites with funds from the Shipping Act. The massive production allowed housing reformers to experiment on a grand scale. There were two dominant themes behind their plans. One was to design both homes and communities that would shape the best possible workforce. And the second, similar theme was to create a captive workforce. The goal was to “get them [workers] to invest their savings in their homes and own them. Then they won't leave and they won't strike. It ties them down so that they have a stake in our [factory owners] prosperity.”ⁱⁱ

In this distinct housing policy shift—from the industrial era, pre-war focus on the pathology of housing—reformers now argued for the benefits of a housing policy that would reduce labor turnover, increase productivity and promote social harmony.

ⁱⁱ Fairbanks, Robert “From Better Dwellings to Better Neighborhoods”, Pennsylvania State University Press, 2000

In this thinking, we can see the second key piece of evidence that housing policy is motivated by interests that often stray far from the simple provision of shelter.

The Beginning of the American Dream

The end of the war led housing critics, congressmen and real estate agents to reassess the role of government in housing.ⁱⁱⁱ With the Armistice in November 1918, Congress ordered the halt of housing production on projects less than 75% complete. The government ordered the single-family homes to be sold at auction, losing more than half of its investment.

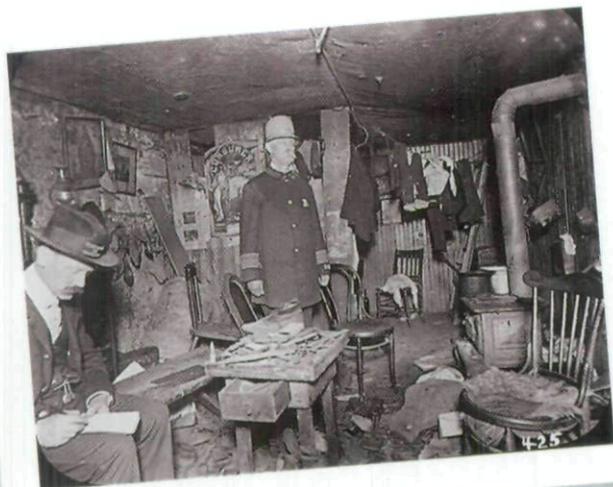
In the end, only 27 of the projects were completed as planned.

This less-than-admirable result cooled the nation's enthusiasm for any further government involvement in housing.

President Hoover refocused the nation's attention on housing. In the 1920s, as Commerce Secretary, Hoover took a strong interest in the subject. In addition to his profound understanding of how housing could fuel the economy, Hoover worried that the declining number of homeowners could have serious political ramifications. He believed that insufficient housing would create a class system of tenants and landlords that would lead to widespread discontent, and possibly revolution.

As Commerce Secretary, Hoover elevated the role of the states in flowing capital to a housing production effort. As President, Hoover developed carefully calculated government policies that exalted and promoted the virtues of homeown-

ⁱⁱⁱ Radford, Gail, “The Federal Government and Housing During the Great Depression”, Pennsylvania State University Press, 2000



ership. Some scholars suggest that he was building on the early 19th century ideas of a deeply imbedded national belief in the supremacy of homeownership and the sovereignty and inviolability of the private housing market.^{iv}

His administration set the stage for the network of programs that facilitated the enormous increase in American homeownership—the Federal Housing Administration, the Federal Home Loan Bank, and the Federal National Mortgage Association.

This chapter of our housing history adds a third motivation to significant housing policy: fueling the economy and managing the classes.

Depression-fueled Housing Policy

The early 1930s gave rise to yet another different housing movement created by a number of forces. In the chaos of the early Roosevelt administration and the many New Deal initiatives his administration created, the Public Works Administration (PWA) hous-

ing program was enacted in 1933 as part of the National Industrial Recovery Act. The PWA built 25,000 units in 58 locations over 4 years.

PWA projects were well received by the public because they were well built, neighborhood-friendly and families didn't have to be eligible based

on income. This three-part approach allowed for a wide variety in household demographic. Three years later, in 1936, Congress required that PWA housing be available only to families with very little income. This administrative change had significant future consequences.

Behind the scenes of the housing movement in the 30s was a powerful visionary named Catherine Bauer, author of the classic 1934 book titled *Modern Housing*. Bauer was prophetic in her belief that housing created solely for poor people, built in isolation from the fabric of the neighborhood, and administered in a top-down government program would be politically unpopular. She argued instead for a large-scale housing program, created by non-profits and cooperatives, divorced from commercial interests, and designed for families of all incomes using an architectural style that would allow differences in family wealth to be invisible.

She was an early advocate of a multi-family approach in which amenities could be shared by entire neighborhoods and efficiencies in construction would deliver affordability to all. She was adamant in resisting a growing trend in housing

of creating one type of housing style for the majority middle class and an inferior, visually stigmatizing product for the poor.

Bauer teamed up with Senator Wagner in 1935 to attempt translation of her ideas into a public housing program. The effort failed in 1935 and again in 1936. Finally, in 1937, he succeeded in winning the support of Congress for the U.S. Housing Act. While the program was enacted into law, the spirited principles endorsed by Bauer and others were completely lost in the political debate and the legislation was so compromised that they considered withdrawing it.

Three significant compromises set the stage for the problems we continue to wrestle with today. The U.S. Chamber of Commerce, the National Board of Realtors and the Bankers Association were adamantly opposed to government involvement in housing production. They successfully amended the bill so that instead of a unified, comprehensive national housing program, a two-tiered system was created. In the top tier, significant resources and infrastructure assured a continuous and robust flow of capital to the goal of American homeownership. In the bottom tier, a scarce and tightly controlled allocation would flow to housing for the poor.

To ensure that the public housing program operate well outside the domain of the private sector, the lobby interests led by the realtors succeeded in these three key points:

- that public housing be eligible only to low-income families;
- that public housing's development costs be limited; and
- that the creation of new housing be tied to the clearance of existing blighted properties.

The combination of the three

^{iv} National Low Income Housing Coalition, "Changing Priorities: The Federal Budget and Housing Assistance, 1976-2007," August 2002



requirements assured that public housing would be a separate and less equal housing product, hamstrung by the high cost of land purchase in the inner cities. The vision of a universally integrated, broadly accepted, strongly resourced program evaporated in 1937.

A national housing program that focused scant resources on dense product in often undesirable locations produced the results that its detractors hoped for. The public's understanding of public housing in the urban cities consisted of mammoth high-rise projects occupying super-blocks, many of which had been built to accommodate urban renewal and existed in stark isolation from surrounding neighborhoods. Segregated and readily identified as charity cases, "warehoused by society in gray fortresses that loomed menacingly over the cityscape, public housing residents had vacated crumbling tenements only to be placed in sterile silos."^v

After WWII, Bauer and her group of housing reformers had a second shot at significant housing reform. Returning soldiers were challenged in finding housing that met their needs and the nation wondered, again, if its housing programs were up to the task. Despite a constant plea

to turn the nation's attention to the public housing program, the focus was, instead, on urban renewal.

Even though the U.S. Housing Act of 1949 coined the now-famous national commitment that promises a "decent home for every American," and even

though the Act provided for the construction of 810,000 units of public housing over six years (the largest and most ambitious appropriation ever), public housing was a minor focus. It centered on slum clearance and downtown development—the goal of which was to elevate property values, boost tax revenues and encourage private investment in beleaguered central cities. Urban renaissance, not unmet housing needs, had the attention of Congress.

Congressional appropriation of funds for public housing fell far short of the ambitious authorization of 810,000 units. Production limped along at an average annual rate of 20,000 units.

President Kennedy's campaign for office was plagued by the class and race problems endemic of the time and made more difficult by the problems encountered in some public housing in the large cities. As a savvy politician, he turned the nation's housing attention towards a demographic that was far more politically popular—the elderly. Kennedy's administration ushered in the Section 202 program and legislated admission for the elderly in public housing. This smart political move restored some of the nation's faith in the potential of public housing.

The passage of the Brooke Amendment in 1969 tied public housing rent to tenant income. This change marked the beginning of the serious financial problems encountered by public housing today. While excellent in concept, the Brooke Amendment gave rise to funding mechanisms that have hamstrung—and nearly crippled—the public housing inventory.

Gathering the Meaning and Moving Forward

From this brief review of the political history of affordable housing we can clearly identify a number of themes that will be important in framing the next major initiative in

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^v Fairbanks, Robert "From Better Dwellings to Better Neighborhoods", Pennsylvania State University Press, 2000

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federal housing policy.

The first theme is the centuries-old confusion, if not outright conflict, about the role of the federal government in the provision of housing. To the extent that the federal role has always been viewed as competition for, and a threat to, the private sector inventory, at least one solution path is obvious—a consistent partnership of the private sector in affordable housing. The Low Income Housing Tax Credit (LIHTC) program has shown us that, even despite the inefficient deployment of taxes to incent housing production, it's a successful and politically popular model. Public housing should certainly pursue its own

variation on the theme.

The second theme requires an understanding that the significant housing policy initiatives in our nation's history have rarely grown out of an authentic vision of doing anything remarkable for families sidelined by the market. The drivers for policy change have consistently been two: a need to fuel the economy and a desire to shape, or control, behavior. Public housing advocates often strategize around the goodness of our mission and miss the key strategic leverage points. Public housing reform needs to be tied to economic development, community revitalization and social improvement.

A third conclusion requires an appreciation for how radically the adopted public housing program departed from the original vision imagined in the 1930s, and how the resulting creation of a two-tiered national housing policy continues to work today. According to the National Low Income Housing Coalition report titled "Changing Priorities,"^{vi} housing-related tax expenditures in 2006 were \$120 billion, compared to HUD's \$30 billion for low income housing. Housing-related tax expenditures are for mortgage interest deduction, property tax deduction, capital gains avoidance, and investor deductions. This means that the subsidy to promote and encourage homeownership for relatively wealthy Americans is almost four times greater than the subsidy for the nation's poorest citizens. This confirmation that we have a de-facto two-tiered system has been little challenged. But, as we face the fact that many working Americans can't afford the two

^{vi} Karolak, Eric, "No Idea of Doing Anything Wonderful", Pennsylvania State University Press, 2000

bedroom fair market rent in most communities, the idea that the mortgage interest and property tax deduction investments—the top tier of our national housing policy—needs to be rethought seems to be gaining some acceptance.

Finally, this review of history suggests that, since public housing is now so disabled by genuine and disingenuous attempts to fix it since its compromised 1937 birth, we need to start with an entirely new paradigm if there is to be place-based housing for very low-income Americans in the 21st century. The key ingredients of a new policy may well include:

- Strategic partnerships with the private sector
- Public ownership and stewardship of the assets
- Targeting of the greatest need married with mid-market eligibility
- Excellent project design that integrates into, and improves, neighborhoods
- A single-tiered housing policy that creates opportunity for all

Returning to the question posed at the beginning of the article, the Shipping Act and the tax credit program share the common features of having harnessed market forces and sentiment to win broad appeal for significant housing production. If we can learn from these ideas from our housing history, we are better positioned to advance the next chapter. ■

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