Enacting a Progressive Housing Agenda

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The election of President Bill Clinton has put the problems of our cities, including housing and poverty, back on the national agenda. What does it really mean to say that an issue like housing is "back on the agenda"? After twelve years of Reagan-Bush anti-housing policies (policies enacted with the complicity of the Democrats in Congress, I might add), we have come so far from any real vision of a decent federal housing policy, that even returning to where we were in 1980 would leave us far behind the curve.

I think all of us in this room tonight can agree that twelve years of cutbacks in federal housing assistance, and twelve years of bank deregulation, have had a devastating impact on American cities. During the last decade, the American establishment basically became indifferent to the needs of its poorest citizens. All you have to do is walk down the street going home or on your way to work and you will either step over or be confronted by someone who doesn't have anything to eat, or any place to live. This situation didn't exist in America 15 years ago, certainly not at the magnitude we see today. Because many suburban communities reject all forms of low- and moderate-income housing, our central cities have become places in which poor people are concentrated in ghettos and barrios. The severity of the social and economic problems plaguing our central cities has worsened noticeably over the last 15 years.

Housing and American Competitiveness

My role this evening is supposed to be as the radical on the panel. I would like to begin my presentation, however, in a different role: as a champion of business and economic growth. I believe that the fundamental problems now facing the United States have to do with our nation's ability (or lack of ability) to compete in the global marketplace, and the productivity (or lack of productivity) of our workforce. Simply put, any country in which the majority of the population— including a sizable portion of the middle class—must spend a third to a half of its income just to keep a roof over its head is no longer competitive in the international marketplace.

I don't say this entirely out of political expediency. As Boston's Director of Housing for ten years, I was repeatedly confronted by the area's severe labor shortage. Despite the fact that Boston area salaries and wages are some of the highest in the country, many in our growing labor force simply couldn't afford to live in or near the city. This was true for employees of banks, insurance companies, hospitals,

schools, police forces, and many other sectors. High housing prices were the weak link in the "Massachusetts Miracle."[1]

For our part in city government, we did all we could. We wrote reports about the critical lack of affordable housing; we jawboned business leaders to get them committed to affordable housing; and we developed programs to expand the supply of housing at all price levels. We realized that, in at least this respect, the concerns of the city's major employers diverged from the narrow self-interests of the city's real estate industry, particularly landlords and developers. So we worked hard to bring the CEOs of the big employers—the utility companies, the hospitals, the banks, the insurance companies, the big manufacturers and high tech firms—on board.

Through an umbrella organization called the Boston Housing Partnership, the city's major business leaders participated in a private-public-community venture to expand the capacity of nonprofit Community Development Corporations to build and rehabilitate affordable housing. It has been a tremendous success, and became the inspiration for the federal Community Housing Partnership program.

It's also important to recognize the potentially huge roles housing can play in putting Americans back to work. After twelve years of the Reagan-Bush administrations, we have a housing industry that's falling apart. Despite record-low interest rates, the Realty, mortgage banking, and home building industries are in crisis. Housing and economic development go hand in hand, not only from the perspective of the business community in general, but also from the point of view of the construction industry, of construction unions, and of all the local economic multiplier effects. If we, the liberal do-gooders in this room, want to elevate housing to the front burner of the national agenda, it will have to be not only appealing to America's social conscience, but also by convincing the business community and middle-class taxpayers of the critical link between affordable housing, jobs, and the long-term future of the American economy.

The housing issue today is where the health care and child care issues were a decade or so ago. For years, advocates tried to put health care and child care on the nation's agenda. But until the nation's major business community recognized that these were bottom-line issues for the nation's competitiveness, not simply social welfare programs, they remained marginalized on the political agenda. Today we are discussing some kind of national health care plan. There is wide disagreement about how to go about it, but there is a consensus that something dramatic must be done to provide universal health care at a reasonable cost.

The child-care issue is moving up the agenda for the same reasons. And I think that the housing issue is not far behind. In some industries, unions are leading the fight to make housing an issue at the bargaining

table. Only a few years ago, the Taft-Hartley Act was amended, after a long lobbying campaign led by the Boston Hotel Workers union, to allow housing to be considered a negotiable benefit. Right now, only a few corporate leaders understand the importance of the housing crisis for the economic well-being of the entire society. But I think the mood is changing. Housing is the largest item in every American family's budget, much larger than health care and child care combined. Businesses, and the entire society, pay for the high cost of housing in many ways. It is the responsibility of housing activists to educate America's business leaders on this issue.

Meeting America's Low-Income Housing Needs

The housing problems currently facing the United States are really quite simple. According the HUD's own numbers, there are approximately 13 or 14 million low-income households eligible for some form of housing subsidy. Less then a third of this group—only 29 percent of eligible households—are actually receiving subsidy payments. They live in public or subsidized developments, or they receive rent vouchers. The rest have to deal with their housing problems in the private market. But their incomes are too low to find affordable housing, given the housing prices in most major communities in the United States.

What will it cost to solve this problem? If these approximately nine million eligible households were to receive the housing subsidies they are entitled to, the cost would be an additional 20 billion dollars per year. We would need another 20 billion dollars to maintain and upgrade the current supply of public and assisted housing. Finally, it would take four to five billion dollars yearly to build the 200,000 to 300,000 new units a year we need to make a dent in the existing affordable housing shortfall. This adds up to about $50 billion to meet the needs of those eligible for housing assistance or otherwise too poor to participate in the private market.

I want to focus now on how we should spend it. We can't spend precious housing dollars on subsidized housing the way we did in the 1960s and 1970s. The American people won't buy it. They associate subsidized housing with homeless shelters; with low-income households that are disruptive and anti-social; with high rise public housing projects; and with developers who use their political connections to make money through government subsidies.

A Progressive Housing Agenda

A progressive housing agenda for the 1990's should be based on four principles. The *first* is the creation of a universal rent entitlement to fill the gap between market rents and what poor and working class households can actually afford to pay for housing. There is no reason why we cannot provide every low-income American who does not live in subsidized housing developments with a rent certificate. The

Reagan and Bush Administrations gave a lot of lip service to this idea, but never put their money where their mouth was.

A universal rent allowance program will go a long way toward solving the housing problems of the poor. The Gautreaux Program in Chicago has been very successful in helping poor families who use certificates to find apartments in Chicago's suburbs. The program involves counseling for apartment-seekers and outreach to suburban landlords. A study at Northwestern University found that families that participate in the program not only get better housing, the adults find better jobs and the kids do better in school. HUD is now trying to replicate the Gautreaux Program in several cities through a new "Moving to Opportunity" program.

But the Gautreaux program is successful, in part, because it is relatively small. The program's skilled staff are able to locate apartments in Chicago's suburbs for its participants, but these families represent only a tiny portion of all low-income households. A universal housing allowance program would have to contend with the fact that in tight housing markets with few apartment vacancies, giving people vouchers is like giving people food stamps when the supermarket shelves are empty. There is no place to go.

This is particularly true in many suburbs, which continue to use "snob zoning" to keep out rental housing. So part of any universal housing allowing program must be to break down the barriers to rental housing in middle-income and affluent communities. That will require a strong commitment by the federal government to overcome resistance from local governments and neighborhood NIMBYism.

The *second* housing policy principle comes directly from the local housing successes of the 1980s. The future of American housing policy rests with nonprofit community-based organizations. In Boston, community-based nonprofits were the backbone of the Flynn regime's housing policy. Today, in most major American cities, CDC's, tenants groups, unions, and church organizations are in the business of building affordable housing. They need more support and they need to expand their capacity. They are the only type of organization that can successfully build mixed-income housing, especially in marginal and poor neighborhoods.

More than anything else, the successes of Canadian housing policy are based on twenty years of support for what they call the "third sector": nonprofit, community-based developers. In Canada, low-rise, mixed-income, nonprofit social housing has been popular and successful. It has not met with the same NIMBY problems that subsidized housing confronts in the U.S. I'd urge Secretary Cisneros to spend a few days visiting Canadian cities to see what a successful nonprofit social housing program can be.

The *third* principle is the renovation and modernization of our existing low-income housing stock: about four million units, or about two percent of the nation's housing stock. We must spend at least $20 billion to bring America's public housing up to acceptable standards. The figure for the nation's privately owned but federally subsidized projects is not known.

But simply physically rehabilitating our federally assisted projects will not solve the problems created by poverty and alienation. There is more to subsidized housing than bricks and mortar. It is important to restore these developments as communities where people live. That involves giving residents a stronger voice in the management of their complexes, providing social services and job training to help move residents into society's mainstream, and, in some cases, offering low-income residents opportunities to become owners. The challenge of low-income home ownership, however, is *not* to adopt Jack Kemp's proposal of handing the keys to dilapidated housing to people making $6,000 a year, and saying, "Congratulations, you are a homeowner." Instead, the challenge is to find ways to establish limited equity co-ops so that tenants can take control of their housing, can handle or oversee building maintenance and management on their own, can develop supporting social and public services, and can develop workable strategies for combating crimes and drugs.

Moreover, as we modernize that stock, we need to understand that there was a fundamental mistake in the way many low-income projects were built. The mistake was physically and socially to "ghettoize" the poor. The solution to that mistake is mixed-income housing. It is critical to revise tenant-selection regulations to allow residents of subsidized housing who "make it" to remain there, if they choose, without penalizing them with dramatically higher rents. In fact, part of any modernization program (where boarded-up apartments are rehabilitated) should be a policy to encourage the working poor and working class families to live in public housing. A few experiments along these lines—in Chicago, Boston, and elsewhere—have been successful.

The *fourth* housing policy should focus on rebuilding the social fabric of neighborhoods, in part by channeling private credit to working-class homeowners and small businesses in inner city neighborhoods. The Community Reinvestment Act (CRA) has been a powerful tool to leverage capital investment in under-served communities across the country. Since its enactment in 1977, the CRA has resulted in thousands of partnerships between community groups, state and local governments, and private lenders to revitalize neighborhoods in urban and rural areas. But the CRA has not fulfilled its promise because of lax enforcement by the four banking regulatory agencies and mixed messages from Congress.

The federal government can help steer private capital to inner city communities in several ways: by streamlining the agencies involved in enforcing the CRA; by requiring regulators to use "testing" methods (pairs of "shoppers") to uncover lending discrimination, which is routinely done to uncover housing discrimination; by incorporating commercial (particularly small business) loans within the CRA's jurisdiction; by bringing mortgage banks and private mortgage insurance (PMI) firms (both key players in residential mortgage lending chain) within the CRA's jurisdiction; by addressing redlining by insurance companies in similar ways; and by revising federal policy to encourage private pension funds to invest in affordable housing.

Financing the Agenda

So where do we get the money? The homeowner mortgage interest deduction—the biggest housing subsidy in the country—is politically untouchable. For most of the last decade, I gave speeches just like this and would ask, "How many people here are homeowners?" Depending on the audience, somewhere between none and all of the people in the audience would raise their hands. Then I would ask, "How many people here live in subsidized housing?" The people who were homeowners didn't raise their hands. Then I would say, "Well excuse me, but whether you know it or not, you live in subsidized housing." The United States last year gave away $47 billion in homeowner deductions, half of which went to the eight percent of households that earn over $80,000 a year. Forty-seven billion dollars was four times HUD's 1990 budget. Four years ago Senator Jay Rockefeller of West Virginia bought a mansion in Georgetown, and you and I gave him a quarter of a million dollar homeowner deduction.

We can reform the current "mansion subsidy" by using the model of the earned income tax credit. It's been one of the few major social policy success stories of the last few years. The earned income tax credit is basically an income subsidy to the poor. It is a popular and successful program, in part because it rewards the working poor stuck in low-wage jobs.

Rather than get rid of the homeowner deduction, we need to "progressify" it, to turn it into a tax credit for poor and working class people based on their income, not on how big or expensive their house is. That is not the way to do housing. A progressive homeowner tax credit has several advantages. It directs tax subsidies where they can do the most good: to people who need it to afford homeownership, not to those who could afford to buy without any government help. It will increase demand for homeownership among people who currently cannot afford to own, so it will help the housing industry—homebuilders, Realtors, and lenders—who are currently the major opponents of any reform of the current regressive homeowner tax sub-

sidy. It is also more pro-business, because by expanding homebuilding, it will create jobs and stimulate the larger economy.

One other money idea. Obviously, no national agenda to rebuild our economy, revitalize our cities, and expand housing opportunities can succeed unless we develop to convert our military economy to a civilian economy. But there is one military program I would definitely save; the most progressive housing program in the United States is run by the Department of Defense. All over this country, as well as in military bases around the world, the federal government pays 100 percent of the capital and operating cost of housing for low- and middle-income military personnel. We have long had two public housing programs in the U.S.: a relatively unsuccessful one run by local housing authorities in our inner cities, and a successful one run by and for the military all over the country. When we talk about defense conversion, we often talk about the military learning from the civilian sector. In the area of public housing, the civilian sector would do well to learn from the successes of the military.

The New Politics of Housing

Finally, let me talk about the new politics of housing policy. The reason that housing has long been *off* the policy agenda is *not* because we have lacked good ideas for programs and policies. It is because poor and working class people in the United States lack political power. They lack a voice in government, whether in Washington D.C., or in Sacramento, California, or in most city halls. Their interests are overwhelmed by those of special interests and business groups. The three most important reforms that would truly put housing and urban poverty back on the political agenda have little to do with housing or social programs. The reforms are fundamentally political.

Reform number one: Campaign finance reform, an item now on President Clinton's agenda. We need to remove the legalized bribery system that currently makes it impossible to deal constructively with urban issues and urban problems, because business dominates tax policies and spending priorities.

Reform number two: Voter registration reform. The United States has the lowest level of voting of any major democracy in the world. Not surprisingly, it's mostly the poor and the people in cities that don't vote. Thirty years after the Voting Rights Act, there are still enormous obstacles in our crazy quilt of voter registration laws. The most progressive voting reform bill we could possibly enact is the so-called "motor-voter bill": a law that would automatically register people to vote when they took out their driver's license or registered their car. By some estimates, motor-voter would increase voter registration among the poor from about 55 percent to over 90 percent. Whether this increase in voter registration changes the dynamics in electoral politics

depends, in part, on whether activists use it to mobilize people around issues and candidates.

Motor-voter legislation was passed by Congress last year, but vetoed by President Bush. President Clinton has said he would sign it this year if it were again passed by Congress. Unfortunately, there are members of Congress (both Republican and Democrat) who are saying, "Wait a minute, I got elected by the people that vote, not by the people that don't vote. Why should I make it easier for people who might not vote for me?" But this motor-voter bill simply says that anybody who has a car and registers it is automatically a voter—as almost every other democracy in the world does.[2]

Reform number three: Labor law reform. When she first fought for public housing in the 1930's, Catherine Bauer recognized that public housing was as much a jobs program as a social program. The backbone of the Public Housing act of 1937 was the American labor movement, which at the time included between 35 and 40 percent of American workers. Since then, and especially during the last twelve years, the working people of the United States have been disenfranchised by the federal government's cold war against labor unions. As a result, the United States has some of the most regressive labor laws in the world. Fortunately, a few weeks ago Labor Secretary Robert Reich noted that labor law reform of the type that will level the playing field between America's working people and business will be a major element of the Clinton reform agenda.

There are lots of other political and programmatic reforms I could talk about: the HOME program, what to do about the community housing partnership bill, and what to do with public housing. Yet unless we change the political climate of power in this country through three reforms—labor law reform, voter registration reform, and campaign finance reform—all of those housing reforms that us housing policy wonks love to debate and suggest will be purely academic.

NOTES

[1]Dreier is referring to Massachusetts' success in pulling out of the recession of the early 1980s into economic leadership in new high technology in the late 1980s—*eds.*

[2]Congress enacted a somewhat watered-down "motor-voter" bill in June 1993. President Clinton signed it immediately.