Principles To Guide Housing Policy at the Beginning of the Millennium

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The 1990s were a tumultuous time for Federal housing policy. The decade began with deep divisions in the housing community over how to deliver housing assistance. Federal budget cuts in the mid-1990s, for the first time in recent history, essentially froze the number of households that received housing assistance. At roughly the same time, the continuing existence of HUD was itself in doubt, as the New York Times Magazine in 1995 published its lead article proclaiming “The Year That Housing Died.”

As the new millennium begins, things have changed dramatically. Not only is Congress no longer seriously questioning whether to disband HUD, but, in response to a record-setting economic expansion and internal reforms within the agency, Congress has substantially increased HUD’s budget. In marked contrast to the beginning of the last decade, remarkable consensus exists among housing policymakers and analysts over the future direction of housing policy. In this article, we explore this emerging consensus and set forth our views regarding the principles that should guide housing policy over the next decade.

Principle 1: Housing Policy Must Be Linked to Other Social Policies

In recent years, we have made significant progress in breaking through the parochialism of housing policy and returning it to its roots. Current housing reformers thought of housing not only as bricks and mortar, but believed that better housing would improve the lives of its occupants. Housing policy, as we currently think about it, can trace its parentage to the Progressive era. At that time housing was not thought of as just bricks and mortar by housing reformers, but rather was premised on the positive impact that better housing would have on its occupants. For example, much of the debate leading to the passage of New York City’s pathbreaking Tenement Housing Law of 1901 revolved around issues of health and morals (Lubove, 1962).
This emphasis on housing as a tool to human betterment is resurgent today. Partly as a result of welfare reform, housing policy is increasingly looked to as part of a holistic strategy to build human capital and promote economic mobility. Focusing on residents approaching the 5-year time limits of the Temporary Assistance for Needy Families (TANF) block grant, many housing providers have made innovative job training and placement services available to residents. Several public housing authorities throughout the Nation are participating in the Jobs-Plus Initiative, which provides public housing residents with saturated social services and job training opportunities (Bloom and Blank, 2000). Other public housing agencies participate in the Welfare-to-Work Voucher Program, which targets housing vouchers to families attempting to make the transition from welfare to work, and the Family Self-Sufficiency program, which promotes work and asset-building through the use of escrow accounts and the coordination of social services. The Neighborhood Networks and Campus of Learners programs provide low-income families in both private subsidized housing and public housing access to computers and computer training. In addition, many community development corporations have responded to the challenges of welfare reform by investing in computer training facilities, job placement programs, and educational initiatives (Nathan, Schill, Ellen, and Wright, in press).

Housing assistance can provide people living in inner-city neighborhoods the means to move to areas of greater economic opportunity and neighborhood amenities. As a result of the Gautreaux litigation in Chicago, several thousand families were issued housing vouchers to live in suburban communities. Studies by Rosenbaum and Popkin (1991) showed that children who moved to these neighborhoods had improved educational outcomes compared with those who remained in the inner city. In addition, mothers who moved to the suburbs were more likely to be employed and less likely to receive public assistance (Rosenbaum and DeLuca, 2000).

A more recent Federal initiative to promote geographic mobility is the Moving to Opportunity Demonstration. Under this program, which operates in five cities—Baltimore, Boston, Chicago, Los Angeles, and New York—families in public housing or privately owned assisted housing who meet income eligibility requirements are randomly assigned to three groups. One group receives a Section 8 certificate or voucher that can be used only in low-poverty areas; a second group receives a geographically unrestricted Section 8 certificate or voucher; and the third receives no tenant-based rental assistance. Early results from Boston suggest that the first two groups experienced significantly increased safety, improved health, and far fewer behavior problems among boys as compared to the third group. Members of households that moved to the suburbs were also far less likely to be victims of crime or experience asthma attacks. No impact, however, was measured in the first 3 years with respect to employment, earnings, or welfare receipt (Katz, Kling, and Liebman, 2000). Additional studies have shown higher educational attainment, lower arrest rates, lower rates of welfare receipt, and better neighborhood quality (Ludwig, Duncan, and Hirschfield, in press, 2001; Ludwig, Ladd, and Duncan, 2000; Ludwig, Duncan, and Pinkston, 2000; Rosenbaum and Harris, 2000).

Housing policy can also help low- and moderate-income families build wealth and achieve stability. Recent research has indicated that differences in income do not fully capture the socioeconomic disparities between racial and ethnic minorities, and Whites. Research by Oliver and Shapiro (1995) indicates that the disparity in assets among White and Black families is much wider than differences in incomes between the two groups. This disparity in assets may explain at least part of the persistent inequality between Black, Latino, and White households (Conley, 1999; Oliver and Shapiro, 1995).
Homeownership is one area in which the disparity among White and non-White families is most stark. In 2000, 67.7 percent of all American households were homeowners; among non-White households the homeownership rate was only 48.2 percent (U.S. Department of Housing and Urban Development, 2000d). In recent years, the Federal Government has met with some success in increasing the rate among non-White families. HUD, in its role as the regulator of Fannie Mae and Freddie Mac, has raised the Government sponsored enterprise goals for loans to low- and moderate-income households and areas. Greater attention by HUD and the U.S. Department of Justice to discrimination among mortgage originators and insurance companies also has promoted access to homeownership. Further efforts to expand homeownership by the Federal Housing Administration (FHA) have made homeownership a reality for many Americans.

Like many other Federal housing policies, initiatives to expand homeownership serve multiple objectives. Families that become homeowners gain the opportunity to experience an increase in wealth as property values appreciate. They also benefit from enhanced control over housing costs, security of tenure, and the ability to utilize the tax deductions for mortgage interest and property taxes. But the benefits of homeownership also extend to the neighborhoods where low- and moderate-income families live. Research suggests that neighborhoods with increased levels of homeownership tend to enjoy better upkeep, city services, and community involvement.

**Principle 2: Housing Policy Must Fix the Mistakes of the Past and Do No Harm in the Future**

Just as housing policy can improve the physical, social, and economic conditions of the people who live in cities when done right, it can destroy people and places when implemented poorly. Until the mid-1960s, FHA used underwriting criteria that discriminated against inner-city neighborhoods, particularly those occupied by racial minorities. Guidelines disfavored crowded neighborhoods and older properties, both of which were more prevalent in cities than in the newly forming suburbs (Jackson, 1980). FHA appraisal manuals instructed loan originators to steer clear of areas with “inharmonious racial groups” and recommended that municipalities enact racially restrictive zoning ordinances as well as covenants running with the land that prohibited Black owners (Orfield, 1975). The redlining of inner-city neighborhoods that occurred because of these policies contributed to the postwar decline of central cities by reducing property values, denying homeowners the capital to maintain their homes, and providing an incentive for development in the suburbs.

Perhaps nowhere have we seen the harm wrong-headed housing policy can wreak on cities more dramatically than with the public housing program (Schill, 1993; Schill and Wachter, 1995). In many, but certainly not all cities, public housing, rather than helping to solve urban problems, has come to symbolize them. City governments, often impelled by discriminatory motives, located racially segregated public housing projects in undesirable locations. Frequently, these developments were built at extremely high densities because of HUD’s desire to economize on the high cost of urban land. Suburbs often built no public housing whatsoever due to the voluntary nature of the program. Projects were often poorly constructed and badly managed. Housing authorities in cities such as Chicago and Philadelphia existed as much to serve the patronage needs of local politicians as the housing needs of low- and moderate-income families.

Congress added to the problems of public housing by requiring that the tenants be overwhelmingly the poorest of the poor. These admissions requirements, together with rents based upon income and persistent underfunding of operating expenses, caused many
developments to experience severe physical and social distress. As buildings began to crumble and crime rates soared, households with resources fled. Intense concentrations of poverty within the walls of public housing harmed tenants as well as surrounding neighborhoods. Children growing up in surroundings of concentrated poverty developed tenuous links to the labor market and middle-class values (Wilson, 1987). Surrounding neighborhoods were blighted by the presence of half-vacant, deteriorating, crime-ridden housing developments (Massey and Kanaiaupuni, 1993; Schill and Wachter, 1998).

For years, Congress and the President either would not or could not do anything to solve the problems created by the public housing program. Occasional efforts to clean up local public housing authorities (PHAs), such as the Federal takeover of the Philadelphia Housing Authority in 1992, often were ineffectual. During the mid- to late 1990s, Congress and HUD began seriously to address past problems with public housing, most noticeably through changes in income targeting requirements and the HOPE VI program, which provides grants to replace distressed public housing with attractive mixed-income and lower density public housing developments. In 1995 Congress repealed the one-for-one replacement rule, which had made it difficult for some PHAs to demolish even abandoned and dangerous public housing developments. Since these programs and reforms were enacted, 96,000 units of severely distressed public housing have been approved for demolition (U.S. Department of Housing and Urban Development, 2000a). In some instances, tenants have been relocated to the private housing market with Section 8 vouchers or certificates. In other instances, tenants were relocated to vacant units in other public housing development, and in still other cases new mixed-income public housing developments have been constructed through the HOPE VI program.

In 1998 Congress passed and the President signed the Quality Housing and Work Responsibility Act (QHWRA), a law that changed many of the ground rules under which public housing operates. The law seeks to deconcentrate public housing by enabling PHAs to admit more working families and, through the use of ceiling rents, to retain them as tenants. The law also has several provisions that enable authorities to screen out lawbreakers and make eviction easier. In addition, QHWRA sets up a mechanism to take housing away from persistently poorly run housing authorities.

HUD has also acted administratively to reform public housing. In 1995 HUD took over the Chicago Housing Authority, perhaps the Nation’s worst-run housing authority. Under Federal oversight, administrative reforms were instituted and plans were put into place to redevelop some of the worst public housing in the Nation, such as the infamous Robert Taylor Homes. HUD has also made progress in coming to grips with the legacy of decades of discriminatory actions by PHAs. HUD has entered into a number of consent decrees that provide for remedies that include unified housing authority waiting lists, demolition of developments, construction of scattered-site housing, provision of Section 8 vouchers and certificates, mobility counseling, and modernization. HUD has also taken steps to improve its monitoring of public housing. Although some technical details and differences with PHAs still need to be worked out, the new Public Housing Assessment System (PHAS) should provide more up-to-date information about and accountability among the Nation’s PHAs.

Just as the Federal Government must continue to remedy the mistakes of the past, so must it avoid future errors. The history of housing policy in the United States is full of examples of well-intentioned interventions that have had unintended negative consequences. In some instances, the difficulties have been made worse by financial
scandal and corruption as well as by incompetent administration and oversight (Welfeld, 1992). In addition to harming neighborhoods and the people who live in them and wasting scarce public resources, housing policies that go awry call into question the ability of HUD to manage programs and the wisdom of Congress in allocating additional public spending to housing.

HUD has made several significant efforts to improve its management structure and oversight capabilities. In 1997 HUD adopted the 2020 Management Reform Plan, which included a number of initiatives that centralized assessment and enforcement functions and sought to improve budgeting and financial operations. Several independent analyses of the implementation of the 2020 Management Reform Plan suggest that HUD has made progress (Public Strategies Group, Inc., 2000; U.S. General Accounting Office, 2000b), although considerable work remains to be done.

Federal oversight over housing expenditures requires up-to-date information about the quality and financial condition of housing built with Federal subsidies. The Real Estate Assessment Center (REAC) HUD created to obtain for the first time consistent information from property inspections of all public and multifamily assisted housing. The assessment system evaluates four factors for public housing: physical condition, financial health, management operations, and resident operations. The first two factors are also evaluated for multifamily assisted housing. A recent evaluation of REAC by the U.S. General Accounting Office (GAO) (2000a) praised HUD for instituting quality controls, but found that gaps or weaknesses in some of its procedures substantially limited inspection regimens. In particular, GAO found that REAC did not have procedures for ensuring that inspections were reviewed systematically. HUD has agreed to implement all of GAO’s major recommendations.

Although HUD must be sensitive about creating increased redtape and disincentives for its public and private partners to participate in Federal housing programs, enhanced oversight and evaluation are clear prerequisites for avoiding scandals in the future. In addition, HUD must be careful in crafting programs to ensure that its initiatives do not hurt the people they are designed to help. For years the Federal Government has promoted homeownership among low- and moderate-income families. Programs such as FHA mortgage insurance and HOPE I, enforcement of laws such as the Community Reinvestment Act and the Fair Housing Act, and Federal tax incentives for homeownership have succeeded in increasing the homeownership rate to an all-time high. Although disparities between White and non-White homeownership rates continue to exist, some of the most impressive increases in ownership have been experienced by racial and ethnic minorities.

Although the benefits of homeownership have been well established, we must bear in mind that, without appropriate safeguards, homeownership ultimately may not be in everyone’s best interest. The loss of a home can devastate a family; large numbers of foreclosed homes on a block can similarly devastate a community. HUD, together with States, localities, and the large secondary mortgage market agencies such as Fannie Mae and Freddie Mac, needs to take steps to ensure that households that are unprepared to become homeowners do not buy houses. In the event that the current economic expansion slows or reverses itself, HUD will need to be vigilant in forestalling defaults and foreclosures. Homeowner counseling before and after a home purchase is a promising way to avoid these problems. Additional initiatives, including financial assistance for defaulting owners, may also be desirable.
Principle 3: To the Greatest Extent Possible, Housing Programs Should Work With the Market Rather Than Against It

The need for housing assistance in the United States substantially outstrips the supply of subsidies. A recent report by HUD (U.S. Department of Housing and Urban Development, 2000b) estimates that, in 1997, 5.4 million very low-income renter households that did not receive housing assistance paid more than one-half of their incomes for housing or lived in severely inadequate housing. In light of this unmet need, it is imperative that scarce resources be used as efficiently as possible and that private resources, whenever possible, be leveraged. In this regard, Section 539 of (QHWRA) is promising. It authorizes PHAs to own, operate, or invest in mixed-finance developments. Under the statute, the proportion of public housing units to total units must be equal to the ratio of public housing financial commitments to total financial commitments. Section 539 will further several different objectives. PHAs will be able to promote economic integration of low- and very low-income households by leasing, purchasing, or investing in mixed-income developments. In addition, PHAs will be able to stimulate the production of housing for all income groups by either investing money or contributing other resources such as land to the projects.

Thus far, the bulk of investment capital leveraged by PHAs has been in the context of the HOPE VI Program. HOPE VI was created by Congress to spur redevelopment of distressed public housing, by demolishing of existing projects and building mixed-income developments. The typical development involves a partnership with private entities. Beyond the extension of loans and the purchase of tax credits, however, private investment in below-market-rate housing has been extremely limited (Salama, 1999).

Market-oriented principles underlie other provisions of QHWRA. The rules governing housing vouchers—the quintessential market-oriented housing program—were changed to make the program as transparent as possible. In some parts of the Nation, only a limited number of potentially eligible landlords rent to Section 8 certificate and voucher recipients. To make the program more attractive to landlords, QHWRA permanently repealed the take one, take all rule that required any landlord who rented to a Section 8 tenant not to discriminate against future voucher or certificate recipients on the grounds of their participation in the Section 8 program. The logic behind the repeal was that it would encourage landlords to experiment with the Section 8 program without the disincentive of permanent participation. QHWRA also made the relationship between Section 8 tenants and landlords more like the normal landlord/tenant relationship. Under previous law, leases with Section 8 recipients were for indefinite periods; under the new law, they must generally extend for only 1 year unless the prevailing practice in the area is different.

Principle 4: Housing Vouchers Should Be the Primary Source of Incremental Housing Assistance in the Future

Since the mid-1980s, tenant-based housing subsidies such as housing vouchers and certificates have been the primary source of incremental housing assistance provided by the Federal Government. Housing vouchers have earned their place as the foundation of our housing assistance program. When compared with supply-oriented programs, vouchers have several virtues. First, virtually every careful study of vouchers has found that vouchers are less costly than production programs (Weicher, 1990; Shroder and Reiger, 2000). In a world of constrained resources, the delivery of housing subsidies through vouchers rather than other types of assistance programs promotes efficiency and enables more people to receive some form of assistance. Vouchers may also be less susceptible to
abuse. Because tenants have the ability to shop among various landlords, they can move out of units administered by poor landlords. In theory, at least, the ability of recipients to move and take their vouchers with them provides a form of market discipline that other housing programs lack (Schill, 1993). To realize the full potential of this discipline, voucher holders need to have a meaningful range of choices—which may be difficult in some markets—and transaction costs such as moving expenses need to be minimized.

Perhaps even more important, vouchers resolve the tension present in all supply-oriented programs between efficient targeting and concentrations of poverty. Principles of vertical equity suggest that those who have the greatest need for housing assistance should receive subsidies before households who are more affluent. However, with most supply-oriented programs, strictly adhering to this principle would lead to the concentrations of poverty that have proved so devastating in many American cities. Vouchers, on the other hand, can be targeted to the poorest of the poor and still promote deconcentration objectives since poor families with vouchers can move into private-market rental housing and neighborhoods occupied by households with higher incomes. Indeed, this insight informs the income targeting provisions of QHWRA. Under the law, public housing assistance targeting rules were made more lax to promote mixed-income developments while targeting rules for the tenant-based Section 8 program were kept fairly stringent.4

Although studies show that voucher recipients typically live in less economically deprived and racially segregated neighborhoods than households who reside in public housing (Newman and Schnare, 1997), in some cities concentration issues have developed. HUD research shows that about 45 percent of all participating Section 8 tenant-based families rent homes in about 20 percent of the tracts where affordable housing exists (U.S. Department of Housing and Urban Development, 2000c).

Where a concentration of Section 8 households exists, there are several causes. Many Section 8 households either choose to stay in place or move to nearby locations. This may be attributable to the desire to stay near friends, family, childcare networks, churches and schools. Some worry about housing discrimination and others are concerned about the lack of transportation in the suburbs. Other households may wish to move to areas with relatively low levels of poverty, but are impeded by a lack of information about housing in low-poverty areas, too few landlords who accept Section 8 vouchers in those areas, discrimination in the housing market, and rents that are too high to be affordable with a housing voucher. Federal, State, and local policymakers should take seriously the issue of Section 8 concentration. To the extent that households cannot move to the neighborhoods they desire, Section 8 recipients are deprived of some of the principal benefits of the program (good quality schools, racial and economic integration, lower crime rates). Some journalists have used purported concentrations of Section 8 recipients and a few anecdotes of community discontent to unfairly scapegoat one of our most successful housing programs (Husock, 2000).5 The Section 8 program, which over the years has earned acceptance by all parts of the housing community, could be in danger of political repudiation if efforts are not made to avoid this type of controversy in the future. A HUD-funded study nearing completion will provide guidance on the reasons for such controversies and how they can be anticipated and avoided.

Congress and HUD have already taken some steps to improve mobility among Section 8 recipients. As was described earlier in this article, QHWRA included several provisions to encourage landlords to participate in the program such as ending the take one, take all rule and the endless lease. HUD has recently raised the fair market rents and authorized the use of higher payment standards in many expensive jurisdictions. Other efforts should
be made to encourage landlords to rent to Section 8 tenants such as initial bonuses for program enrollment, modest loans to encourage owners to bring their homes into compliance with Section 8 quality requirements, and streamlined administrative procedures. Section 8 recipients should also receive help in locating affordable housing outside of low- and moderate-income neighborhoods. Initial evidence from the recent Moving to Opportunity Demonstration suggests that housing counseling helps voucher recipients obtain housing in unfamiliar locations. Additional efforts to help low-income households make the transition into good neighbors may also be useful. In addition, thought should be given to taking the administration of the Section 8 program away from local PHAs and vesting it in agencies with a metropolitan or regional agencies (Katz and Turner, 2000).

Principle 5: Production Subsidies Should Be Used Only Where Special Justifications Exist Such as Barriers to Supply or the Desire To Promote Neighborhood Redevelopment

Although housing vouchers can be relied upon to house low- and moderate-income households in most parts of the Nation, production subsidies may be useful under certain special conditions. In some housing markets, sudden increases in demand or barriers to the supply of new housing may exist. Under these circumstances, relying solely upon housing vouchers may, at least in theory, generate rent inflation. At least temporarily, production programs that increase supply directly may be useful.

Investments in housing—homeownership programs or rental housing programs—benefit entire communities not only those who live under the roofs of the buildings created. Because it is durable and tied to location, housing can generate both positive and negative externalities. Deteriorated or abandoned housing may reduce property values in a neighborhood and lead neighboring owners to invest too little in housing upkeep. Correspondingly, investing in housing maintenance and rehabilitation may increase the value of housing on a block and stimulate investment by others. Because the benefits of housing investments are not solely enjoyed by the owners who pay for them, the private sector may invest too little. Government may subsidize the production or rehabilitation of housing, as part of a coordinated local community development strategy.

Housing has the potential to create order out of disorder, combat crime, and create neighborhood stability. In New York City, many people believe that the dramatic reductions in crime experienced during the 1990s were attributable, at least in part, to the city’s unprecedented investment of $5 billion on housing (New York City Department of Housing Preservation and Development, 2000). This 10-year capital program financed the construction or rehabilitation of more than 150,000 housing units (Schwartz, 1999). Housing was integral in transforming once barren landscapes such as the South Bronx into thriving, low- and moderate-income communities. Although only one econometric study has examined the impact of this new housing development, some studies suggest that housing may be correlated with reduced crime (Braconi and Morse, 1998; Schwartz, 1999). One recent study using econometric techniques indicates that the prices of homes sold near subsidized homeownership projects are higher than they would have been in the absence of the developments.

Housing can also be used to spur economic and community development. Building housing in a neighborhood may provide jobs for unemployed residents although the potential for providing such jobs to low-income residents of the community is seldom fully realized. Repopulating neighborhoods that had large numbers of abandoned or vacant buildings can create a consumer base for local retail stores and services. In the Bronx,
once-abandoned shopping districts today are among the liveliest in the city (New York City Department of Housing Preservation and Development, 2000).

Building housing also promotes community development objectives. As Wilson (1987) and others have suggested, one of the most devastating things to happen to inner-city neighborhoods in the 1970s and 1980s was the loss of the middle class. The social fabric of many neighborhoods collapsed as the people who were most likely to work with teachers in the parent-teachers association or serve as church deacons moved elsewhere. In many cities, community-based organizations have stepped in to fill the void. These non-profit community development organizations have sought to mobilize neighborhoods and empower residents, through housing and economic development initiatives. Although little research examines whether the transformative impact of community development corporations is worth the subsidies spent, anecdotal evidence suggests that important positive effects can be generated (Briggs and Mueller, 1997).

A final area in which production subsidies may be useful is supportive housing. Elderly or mentally and physically disabled persons often require supportive services as well as housing. Locating these households together and providing enriched services onsite may be the most effective way to promote the independence of these special needs populations.

**Principle 6: Housing Policy Cannot Adopt a “One Size Fits All” Model**

Housing problems vary dramatically across the United States. In growing cities such as New York and Los Angeles, the major housing problem is affordability and the inability of the private sector to produce enough units of housing to keep up with the increasing demand fueled by immigration. On the other hand, in some older cities such as Philadelphia and Baltimore, housing is abundant. Given the population losses these cities have experienced over the past several decades, too much housing exists, which has led to abandonment and decay. Federal housing policy must be flexible enough to adapt to these different problems. While a production program may make sense under certain circumstances in fast-growing cities, it might actually increase the problems of cities with soft housing markets.

Housing vouchers can be expected to work in most housing markets regardless of whether demand is high or low. However, even a program as simple as housing vouchers must be flexible enough to adapt to local realities. As discussed earlier, in tight markets higher payment standards, such as the ones recently implemented by HUD, may be necessary in addition to outreach and counseling. In markets with large amounts of deteriorated housing, subsidies to permit owners to bring otherwise eligible properties up to code may be desirable.

In the event that a new production program is created by Congress, it is vital that the program be adaptable to local needs and be coordinated with local objectives. As stated earlier, production programs may be justified to achieve neighborhood redevelopment objectives. However, the programs should be part of a comprehensive strategy to improve communities. Thus any Federal program should be complemented by city-sponsored efforts to improve site conditions and city services. A failure to coordinate with cities and a rigid set of program rules will only lead to a dissipation of impact and a waste of public resources.

Just as all places are not the same, all people do not have the same housing needs. For most low- and moderate-income households, high rent-to-income burdens are the main
problem. Thus, in most American cities, housing vouchers would provide all of the assistance required. However, some households, such as the elderly or those with mental or physical disabilities, may need supportive services to maintain their homes and their independence. Federal programs must enable localities to craft innovative programs that meet the special needs of their residents.

Principle 7: Regional Solutions Are Necessary and Require That States and Localities Become Responsible Partners In Removing Regulatory Barriers

Although municipalities need the autonomy to craft solutions for their individual problems, too much autonomy can also be problematic. Municipal fragmentation and lack of coordination threaten the quality of life in many of our Nation’s metropolitan areas. In some metropolitan areas, uncoordinated leapfrog development and insufficient attention to transportation infrastructure have led to traffic and environmental problems. Under the banner of smart growth, local governments increasingly are considering efforts to limit development, particularly at the periphery.

The current debate over smart growth points up the need to approach urban policy issues from a metropolitan perspective. This is hardly a new idea. Although decentralized, local government decisionmaking power has certain advantages in terms of economic efficiency, the American political system has not been able to limit effectively the negative externalities generated by our system of self-government. For example, for more than three decades, the courts and policy analysts have decried the exclusionary policies of suburbs in the area of land use regulation; yet, through large-lot zoning and expensive subdivision regulations, suburbs have been able to limit the construction of affordable housing within their borders. These practices have contributed to concentrations of poverty in central cities and enormous fiscal and service inequities among jurisdictions.

The Federal Government has an interest in States and localities taking steps to remove regulatory barriers in the housing market that have the effect of driving up the cost of housing (Schill, 1992). Recent proposals and legislation to require Federal agencies to assess the impact of regulations on housing affordability or to establish a regulatory barrier clearinghouse are simply, too little, too late. In 1991, the Advisory Commission on Regulatory Barriers to Affordable Housing issued a report in which it recommended a variety of measures to provide incentives and disincentives to States and municipalities that did not take steps to eliminate these barriers. Consistent with the principles of our Federal system, the Commission’s approach focused on influencing the States to rationalize their municipalities. Unfortunately, the Commission’s recommendations, like those of so many other blue ribbon panels, were not implemented.

It is vital that the Federal Government, together with States and localities, revisit the issue of regulatory barriers to housing development. Each year, the Federal Government spends billions of dollars to promote low- and moderate-income housing. Each year, municipalities around the Nation act in ways that significantly limit the impact of these expenditures. The current debate over smart growth has reinvigorated the issue of municipal autonomy. As part of that debate and the policies that flow from it, however, it is important that new roadblocks not be erected to affordable housing in the suburbs and that existing barriers be cleared.
Conclusion

Five years can make a world of difference. In 1995 an assessment of housing policy would have looked much different from the one we provide in this article. Instead of writing about the emerging consensus surrounding housing policy, we would have written about whether there was a role for the Federal Government at all. Today, debates over housing are more likely to concern the amount of budgetary authority to be allocated to a particular HUD program as opposed to debates about the future of the agency itself. Nevertheless, we must not forget that millions of unassisted low- and moderate-income households pay one-half of their incomes in rent or live in severely inadequate housing. Challenges abound; we will be judged in the future by how well we deal with them today.

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Notes

1. A recent study of public housing suggests that the overwhelming majority of developments are in good or fair quality. According to the PHAS ratings of 14,000 public housing developments, 80 percent were in good to excellent condition (U.S. Department of Housing and Urban Development, 2000a).

2. The one-for-one replacement rule mandated that before a PHA could demolish a unit of public housing it would have to replace that unit. In most instances, the replacement could not be achieved with a housing voucher. In many cities, this rule effectively stopped authorities from demolishing deteriorated public housing because of a lack of funding or sites for replacement housing (Schill, 1993).

3. Some analysts (Gaffney, 2000; Thomas, 2000), including HUD’s Inspector General, are less sanguine about the progress HUD has made in improving management. Since 1994 the GAO (2000b) has included the agency on its “high risk” list because of weak internal controls, inadequate information and financial systems, an ineffective organizational structure and an insufficient mix of staff with proper skills.

4. QHWRA provides that PHA must reserve 40 percent of its public housing new admissions for families whose incomes do not exceed 30 percent of the area median income. PHAs must reserve at least 75 percent of new Section 8 admissions for families whose income does not exceed 30 percent of the area median income.

5. Relatively little research has been done to document the concentration of Section 8 households in metropolitan areas, understand the causes behind these concentrations and, examine their impact on neighborhoods. One recent study, evidence found that concentrations of Section 8 tenants lowered property values in census tracts in Baltimore County, Maryland, with low and moderate house values. This impact was
thought to be attributable partly to bad management and maintenance practices. Press reports have attributed certain problems, such as increases in crime, to Section 8 housing.

6. For an excellent compendium of strategies to promote deconcentration through vouchers, see Turner, Popkin, and Cunningham (2000).

7. There is virtually no evidence to suggest that housing vouchers contribute to inflation in the housing market. This finding, first established by the Experimental Housing Allowance Program 30 years ago, has never been refuted (Lowry, 1983; Weicher, 1990). For a recent study that suggests a price effect, however, see Susin (1999).

8. A more direct approach such as reducing regulatory barriers may be more effective (Advisory Commission on Regulatory Barriers to Affordable Housing, 1991; Salama, Schill, and Stark, 1999)

9. Poorly implemented housing policies also have the potential to do great harm. For a discussion of the negative impact of public housing on some central cities see the discussion under Principle 2.

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