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Housing Planning and Policy

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INTRODUCTION

Planning to assure that all households have the best possible stock of decent, safe, and affordable housing[1] is an essential component of local government planning. As mankind's bulkiest and most costly material creation, housing is essential to economic and societal well-being. As a space-intensive land use closely related to transportation and jobs, it is of primary concern to local governments and local land use planners. Good housing is also essential to the material and psychological well-being of individual households.

Housing is a major item in the U.S. economy and in the household budgets of Americans. Most years the value of new residential construction exceeds two trillion dollars. Housing and housing-related expenditures typically account for more than a quarter of annual consumer spending (U.S. Bureau of Economic Analysis, 1996). For most homeowners, their house is their principal source of wealth. Residential property tax revenues comprise a large part of local government budgets, and the preservation of residential property values is an essential concern of local government. For less fortunate Americans, the availability of housing assistance can make the difference between having adequate shelter, being homeless, or paying so much for housing that there is not enough left for food, clothing, and medicine.

Housing is more than just an economic good; it also forms the basis of many types of social relations. Where one lives, who their friends are, what quality of schooling their children receive, the availability of job opportunities—these and many other factors that affect a household's quality of life derive in large part from their housing situation. The extent to which people live in economically and culturally isolated enclaves or in integrated and diverse communities is greatly shaped by the presence or absence of housing market discrimination.

Most important of all is the importance of housing to individual households. Housing is a "symbol of self" (Cooper Marcus and Sarkissian, 1986). Many people define themselves and their well being in relation to their housing: whether they own or rent, the physical condition and appearance of their housing, whether their housing unit is large enough to meet their needs, and whether they are satisfied with the neighborhood in which they live.

Local housing planning is complicated by the fact that the U.S. consists of so many different housing markets, each with its own institutions and market conditions. The housing needs confronting planners, the appropriateness of different housing strategies, even the usefulness of federal programs—all of these things are different in every market. Consider the contrast between a housing planner working in Detroit and one working in Phoenix. Local housing planners in Detroit must confront issues of building abandonment, neighborhood disinvestment, mortgage credit discrimination, and high housing cost burdens. In Phoenix, housing planners must struggle with issues surrounding housing growth—how to manage environmental and neighborhood impacts, how to plan speculative subdivisions, and how to insure that poverty populations share in the benefits of new development.

Housing is a critical element of many of the other planning activities discussed in this book. Housing typically accounts for 70-80 percent of urban land uses. How sites are allocated for new housing development and for housing redevelopment determines the shape and form of metropolitan areas. The ways in which new housing developments are designed, and the ways in which residential communities link with each other, can dramatically impact environmental quality. The realization that people's travel behavior is significantly determined by where they live has led to a closer coupling of housing, land use, and transportation planning. Housing and capital improvements planning also go together: the public services that people require, how much those services cost, and who should pay for those services all depend on where, how, and at which densities people live. In some areas, housing is a key component of local economic development. High housing prices and rents can make an area less attractive for business growth, and distort local labor markets. Housing is perhaps most strongly tied to community development. How much people invest in their houses and apartments—or, for that matter, choose not to invest—is the principle determinant of whether a neighborhood will prosper or decline. Housing planning and policy are always important, but they are especially important *now.* Fifty years after it first assumed the responsibility for providing decent, sage, and affordable housing, the federal government is now slowly but surely shifting that responsibility back to state and local governments. Many local governments are not sure it is a responsibility they want. Sixty years of public housing policies and projects are being demolished, their places taken by new and sometimes untried approaches. Homeownership remains ever-popular, but the costs of paying for the public and social infrastructure associated with housing, and the environmental and traffic impacts of new housing developments, are making housing itself less popular. And just over the planning horizon, about the time when the next volume of this book is published, are 75 million Baby Boomers thinking about their future housing needs and wants. Where and how those Baby Boomers decide to live will shape the future of American housing markets, policy, and planning.

An Old & New Idea: Transit-based Housing

Linking housing development with rail transit is an idea that's been around for more than 100 years. It's also one of today's hottest development and planning topics. TODs, or transit-oriented developments, are more than just housing near transit stations. They are generally designed to encompass a mix of land use and activities within a specific area around a transit station. TODs benefit residential developers by allowing them to build at higher densities (or with fewer required parking spaces). They also benefit transit districts through higher ridership.

- In Portland, light-rail transit investments have supported the revitalization of the downtown area, and facilitated the development of more than 1,100 new infill units . Further to the east, in the suburban community of Gresham, new apartments and condominium units are being built along a pedestrian-transit promenade (Salvesan, 1996).
- In the San Francisco Bay Area, more than a half-dozen transit-oriented housing projects have been built at BART stations in the East Bay, and around light-rail stations in San Jose. Many of these projects incorporate affordable units (Bernick and Cervero, 1997).
- In the Washington, D.C., metropolitan area, where the modern era of transit joint-development first began, new apartment complexes have been developed adjacent to the Ballston, Bethesda, and Rosslyn Metro stations. Proximity to a Metro station is seen as a major residential marketing advantage throughout the Washington area.
- As of 1997, new TODs and "transit villages" are on the drawing boards in Chicago, St. Louis, Los Angeles, San Diego, and Oakland, California.

So far, most TODs have been marketplace successes, particularly in downtown locations. Most report high occupancy rates and competitive rent levels. These successes notwithstanding, TODs are perhaps best seen as good development projects rather than as a new development form. Transit-oriented development is generally more expensive than traditional development forms, and sites appropriate for transit-oriented housing projects are relatively rare. TODs have yet to prove themselves in suburbia, where the apartment market is more competitive, where development subsidies are less available, and where transit is primarily valued for congestion-relief, not community building.

THE AMERICAN HOUSING SYSTEM

Local housing planners operate within a complicated network of private, public, quasi-public, and nonprofit institutions, agencies and actors (Figure 1). Understanding how these institutions work and relate to each other is essential to the development of housing policies, programs and plans.

The Core of the U.S. Housing System: Buyers and Sellers

At the core of the U.S. housing system are millions of separate housing transactions. Housing transactions exceed all other durable goods transactions by a wide margin. Somewhere between 20 and 30 million rental housing agreements are executed every year. Annual sales of existing homes typically vary between 3.5 and 4.5 million. New home construction (including rental units) and shipments of manufactured homes average 1.2 to 2 million units per year. More than 5 million government housing subsidies, taking a wide variety of forms, are distributed each year (Low Income Housing Information Service, 1989).

Housing consumers, the demand side of the housing market, consist of renters and households looking to purchase housing. The supply side of the housing market consists of households looking to sell an existing home, landlords and investors, and private developers and builders.

More than most private markets, housing markets depend on various types of intermediaries. These typically include real estate agents, title companies, insurance companies, inspectors, and mortgage brokers. Intermediaries serve two functions. Real estate agents and mortgage brokers provide critical information about potential buyers to potential sellers, and vice versa. Title companies and inspectors reduce transactions costs by providing accurate information regarding site ownership and building quality.

The role of government in the core of the housing system is limited but important. On the supply side, the Department of Housing and Urban Development (HUD) funds local public housing authorities (LHAs), who operate and manage low-rent public housing projects. On the demand side, HUD annually provides billions of dollars in rent subsidies to low-income households. A third government role, the provision of housing construction loans and grants to communities and nonprofits, is more indirect.

The traditional role of state and local governments in the housing core has been to regulate housing transactions and the behavior of intermediaries, as well as to enforce building permit and occupancy codes. More recently, some municipalities have become involved as producers of affordable housing, either directly or in partnership with redevelopment agencies and community-funded nonprofits.

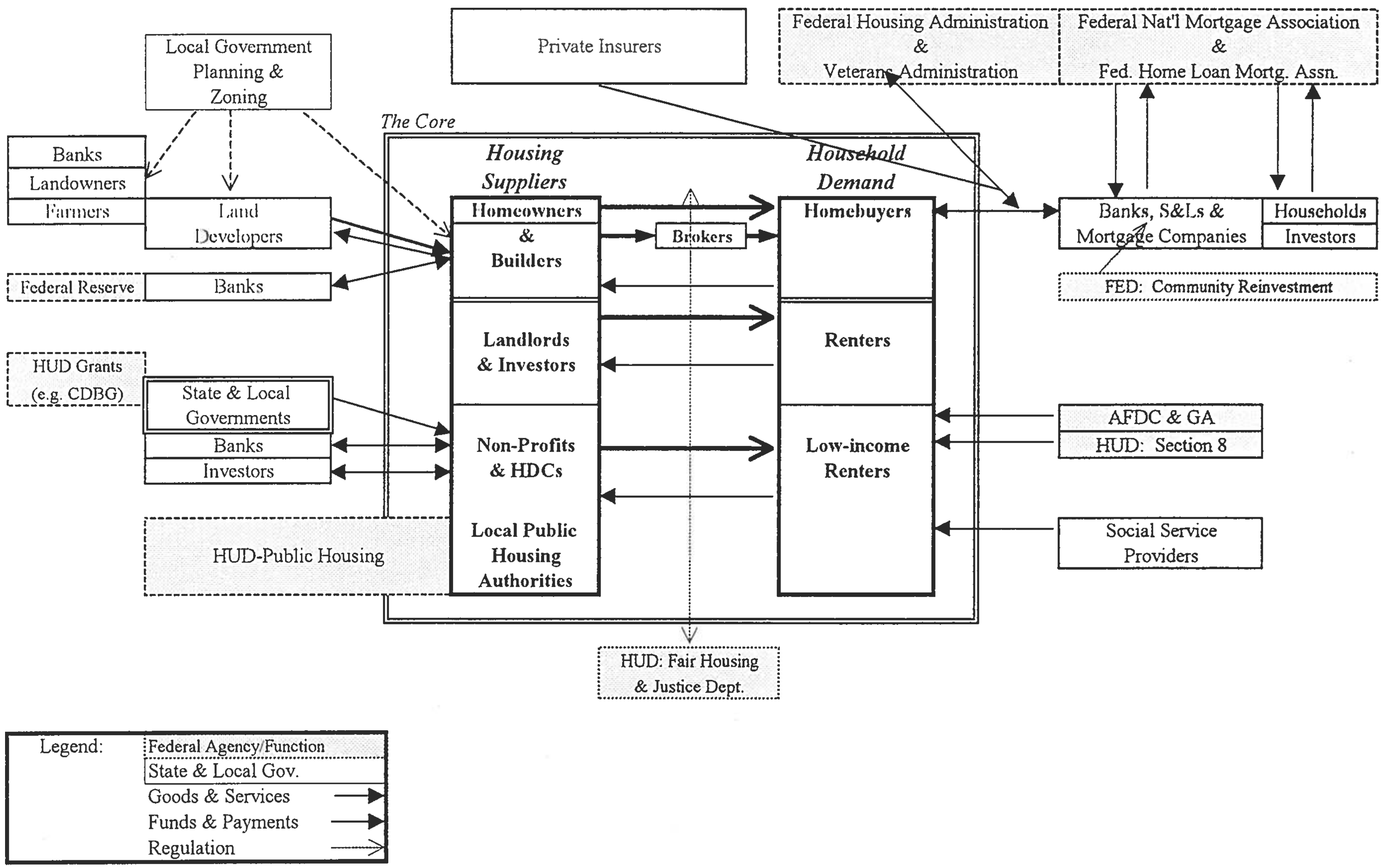
Beyond the Core

The U.S. housing system also includes numerous institutions, agencies, and actors that act in support of the core. These institutions serve three broad functions. They insure the financial integrity and stability of the core. They provide land, capital, and sometimes services to households and housing producers in the core. And they regulate land use and development quality. The first two of these functions are undertaken by national institutions; the last is primarily a local function. With the core and non-core functions of the housing system becoming ever more interlinked, housing planners at every level need to understand how and why these institutions operate they way they do.

Mortgage Credit for Homeownership

Private financial institutions, which include commercial banks, savings and loan associations, and mortgage companies, form the largest non-core sector of the housing system. Financial institutions provide long-term mortgages to homebuyers and apartment owners, and short-term construction loans to housing developers. Although it is becoming more and more concentrated, the housing finance industry in the United States still operates mostly at the local level. In 1995, America's housing finance institutions

Figure 1: Key Institutions and Relationships in the U.S. Housing System



originated more than $675 billion of residential mortgage loans (U.S. Department of Housing and Urban Development, 1996). Total outstanding residential mortgage debt in 1995 exceeded $4.7 trillion, a number that dwarfs all other forms of U.S. debt.

Until the late 1970s, housing finance institutions relied mostly on individual deposits for their financial base. Today, they principally rely on two quasi-governmental enterprises: the Federal National Mortgage Association (also known as Fannie Mae, or FNMA), and the Federal Home Loan Mortgage Corporation (also known as Freddie Mac). FNMA and Freddie Mac serve as financial intermediaries on a national and international scale: they purchase pools of standardized mortgages from lenders and sell shares in those pools to private investors in the form of mortgage-backed securities.

Fannie Mae and Freddie Mac operate more-or-less independently of the federal government, yet both agencies also have important policy responsibilities. Their principal responsibility is to insure that there is an adequate flow of credit to housing even during periods of "tight" money. A second responsibility is to balance the supply of, and demand for, housing credit across different regions of the country. A third responsibility is to attract new sources of capital to the housing market to reduce the cost of mortgage credit, and therefore increase its availability. Consistent with the last function, Fannie Mae in particular has recently undertaken several housing initiatives designed to increase the flow of capital to older central cities and neighborhoods.

Fannie Mae and Freddie Mac work side-by-side with two federal agencies, the Federal Housing Administration (FHA) and the Veterans Administration (VA). FHA (currently a department in HUD) and the Veterans Administration insure mortgage lenders against borrower default. The original purpose of FHA insurance, first offered in the 1930s, was to reduce the risks associated with mortgage lending, thereby encouraging additional lending with more favorable terms. A secondary purpose was to attract private mortgage insurers into the mortgage market. These purposes have been largely achieved, and despite recent financial turbulence and declining market shares, FHA and VA still stand as enduring examples of success in the history of American housing policy.

FHA, VA, Fannie Mae, and Freddie Mac exist to provide a steady flow of mortgage credit to homebuyers, particularly middle-income and first-time homebuyers. Other federal institutions and programs provide resources to poorer households. HUD provides monthly rental assistance to very low-income residents of market-rate housing through its Section 8 and low-rent public housing programs[2]. State and federal welfare and social security assistance is also widely used by low-income households for rent.

Inputs to Housing Development

There are three essential inputs into the construction of new housing: land, capital, and permits. Permits, or entitlements as they are sometimes known, are provided by local governments. Land is provided by private landowners, principally farmers, land speculators, and land developers.[3] Development capital is provided by lenders in the form of land acquisition loans, land improvement loans, construction financing, and mortgages to owners of apartment buildings.[4] Real estate lending practices are regulated at the national level by the Federal Reserve Board, the Federal Depository Insurance Corporation, and the Comptroller of the Currency.

Whereas the demand side of the U.S. housing system is dominated by national institutions, the supply side is mostly controlled by local agencies and actors. Chief among these is local government. Primarily through their planning and zoning functions, local governments affect what types and densities of housing can be built where.[5] They also influence the cost of new housing through subdivision requirements, public facilities ordinances, impact fees, environmental reviews, and building codes.[6]

Low-Income Housing Production

One of HUD's original functions[7] was to provide below-market-interest-rate (BMIR) construction and mortgage credit to private and nonprofit developers of low-income housing. This function was curtailed during the 1970s following a series of wellpublicized program failures and, following the election of President Ronald Reagan in 1980, eliminated altogether. As of 1997 only two significant sources of federal funding for low-income housing construction remain, the Community Development Block Grant Program (CDBG) and HOME. Established in 1973, CDBG is a system of formula-based grants to local government. HOME was established in 1990 to match (and thus encourage) local expenditures to address low-income housing needs. Both CDBG and HOME are general-purpose programs, and neither are directly targeted toward new construction.

As federally-funded low-income housing construction has declined, nonprofits and locally-based housing development corporations have tried to pick up the slack. They have been aided in their endeavors by the establishment of state and local housing trust funds and, even more significantly, by the Low Income Housing Tax Credit (LIHTC). Established as part of the Tax Reform Act of 1986, the LIHTC enables nonprofits to raise housing construction funds by selling or syndicating tax credits to wealthy investors and corporations. The volume of tax credits that may be issued in a given year is set at $1.25 per capita of state population. Despite its modest size, the LIHTC has emerged as the nation's principle program for funding low-income housing construction.

The Theory and Reality of Filtering

Missing from Figure 1 is a sense of how well this elaborate system actually works. The mechanism by which housing markets are assumed to work is known as *filtering*. The basic idea of filtering is easy to understand. Assume that new homes are principally constructed at the top of the housing price and quality spectrum. The movement of households into these new homes leaves some older homes vacant. This causes the prices of older homes to fall, making them affordable to households with lower incomes. As each household moves up, the process continues throughout the entire housing quality range until ultimately, only the lowest-quality homes are vacant. Filtering is a long-term process of price and quality adjustment. Housing units "trickle down" through the housing market as they age, allowing lower-income households to "trickle up" through the housing stock.

To the extent that filtering really works, it argues for minimal government intervention in the private housing market. In a world characterized by rapid and efficient filtering, the primary housing policy role for government is to insure that sufficient capital is available for new home construction at the top of the market. Instead of necessitating government housing programs, the housing needs of poorer households can be met through the continuous and market-driven downward drift of older housing units.

The theory of filtering rests on the assumption of economic actors behaving rationally in a largely unencumbered marketplace. There are, however, several market phenomena which could negatively impact the filtering process. To the extent that households are precluded from trickling up for reasons other than they lack sufficient income, the filtering process starts to break down. Seen in this light, all forms of discrimination—but particularly racial discrimination—serve to short-circuit the filtering process.

The theory of filtering also assumes that housing suppliers cannot affect the rate at which their units filter in the market other than through normal housing maintenance decisions. Particularly in fast-growing or otherwise "tight" housing markets, this assumption may not always be valid (Rydell, 1979). Another critical assumption behind filtering is that units are sufficiently "malleable" to meet the housing need of households within the filtering chain. In a certain sense this is true; units can always be subdivided or combined to create alternative housing arrangements. However, if physical housing needs differ dramatically by income group or household status, units may arrive at an income level which cannot support the cost of modification. Overly-restrictive zoning, building, and occupancy codes can also short-circuit filtering by preventing unit adaptation.

Two more limitations of filtering are even more relevant. In many markets, the arrival of large numbers of migrants has served to arrest and even reverse the filtering dynamic. Finally, while filtering may accommodate the bidding of households within adjacent segments of the market, it has proven to be an ineffective vehicle for addressing the housing needs of those at the bottom of the market.

In many areas of the country, the rents that the poorest households are able to pay are well below the level landlords require for even the most minimal return on their investment. For many such building-owners, the rational choice is to abandon their buildings.

Its importance to housing policy notwithstanding, filtering has been the subject of surprisingly little study. One recent study by Smith-Heimer (1990) concludes that while filtering worked well in the 1960s and early 1970s, its efficacy during the later 1970s and 1980s was significantly compromised by inflation, uneven migration flows, stagnant household incomes, and most importantly, the worsening economic situation of the poor.

Housing and the New Urbanism

The New Urbanism is one of the most exciting and interesting developments in community design in 50 years. The new urbanism is based on the idea that current residential subdivision designs are too sterile, too auto-oriented, too uninteresting, and above all, too socially alienating. The solution to these problems, as articulated by the New Urbanism's two most widely known advocates, Andreas Duany and Peter Calthorpe, is to design communities and buildings that harken back to a more intimate and architecturally diverse period.

New urbanist land planning principles emphasize grid or highly connected street patterns, alleys, identifiable community cores and edges, mixed uses, and pedestrian circulation. New urbanist residential planning principles emphasize moving the house to the front of the lot, moving the garage to the back of the lot, providing porches and other social areas, and using traditional housing design themes and exterior materials to tie, delineate, and differentiate residential neighborhoods. Extensive site and building design controls are essential.

So far, only a handful of neo-traditional communities—all in the suburbs— have been completed. The most well-known of these, Seaside, Florida, was also the first. Other new neo-traditional communities include the Kentlands, Maryland, outside Washington D.C., Laguna West near Sacramento, and most recently Celebration, outside Disney World in Orlando. Many more existing neighborhoods and business districts are being redesigned and redeveloped using new urbanist principles.

The new urbanism has become extraordinarily popular with planners, designers, and public officials looking to improve their communities. It is also popular with residents and homebuyers. All of the new urbanist communities developed to date have been developed as master-planned communities, and as a result they have suffered the problems typically associated with such communities. These include much higher infrastructure, common area, and carrying costs, slower than anticipated absorption, and phasing difficulties and delays. Housing prices and rents in new urbanist communities tend to be much higher than in neighboring areas—the result of their higher development costs and building quality. Higher prices, in turn, have meant slower sales and lease rates.

These problems notwithstanding, interest in the new urbanism among planners remains strong. Perhaps more important, the new urbanism has rekindled an important public discourse about the role of design in shaping the long-term future of housing.

HOUSING TRENDS, NEEDS, and ISSUES

Precisely because housing is so central to American society, government agencies keep careful track of a wide variety of housing statistics. Since 1940, the Census Bureau has collected detailed information on households and housing units as part of the decennial *Census of Population and Housing*. The Census covers almost every conceivable geographic unit, including the U.S. as a whole, different regions, states, counties, municipalities, zipcodes, census tracts, census blocks, and congressional districts. Census information is normally published in tabulated form. A 5 percent sample of actual long-form census responses, known as PUMS (Public Use Micro Sample) is available electronically for Census Bureau-identified subareas called PUMAs (Public Use Microsample Areas).

The Census Bureau also collaborates with the Department of Housing and Urban Development to administer and publish the American Housing Survey (AHS). The AHS is an annual nation-wide sample survey of 60,000 households and housing units. Detailed AHS tabulations for the 48 largest metropolitan areas are published every four years.

National Housing Trends

With more than 50 years of housing data on tap, housing planners have developed a pretty good understanding of the basic trends shaping housing market outcomes.

Demand Side Trends

The demand for housing units is fueled mostly by new household formations. Household formations, in turn, are fueled by population growth, by the aging of the population, by societal preferences and norms, and, to a lesser extent, by housing costs and household income levels. Rates of household formation increased during the 1970s as the Baby Boom cohort (those born between 1945 and 1964) started forming households, and have continued rising, albeit at a reduced rate, through the 1980s and 1990s. As a result, the number of households in the U.S. has increased much more rapidly than the total population

The composition of American households is also changing. Non-family households were the fastest growing household category between 1990 and 1995 (+35 percent 10-year growth rate), followed by single-parent households (+26 percent) and single-person households (+16 percent). Although married-couple households still outnumber all other household types, their lead is quickly shrinking. Households are becoming more diverse in terms of size as well as composition. While average household sizes continue their long-term downward trend (falling from 3.21 persons per household in 1970s to 2.63 persons in 1990), the number of very large families and very small families is also growing. The growing diversity of household types and sizes is putting pressure on architects and builders to design different types of housing units, and on planners and government officials to approve them.

Tenure Trends

Two-thirds of American households own their own homes, and most of those who do not, want to. Homeownership rates increased continuously during the 1950s, 1960s, and early 1970s, entered an extended period of decline during the mid-1970s, and then, beginning in 1990, started rising again. As of 1997, the national homeownership rate stood at 65.6 percent, its highest level to date.

Homeownership rates and trends vary markedly by ethnicity, age, and between cities and suburbs, but only slightly by region. The national homeownership rate for whites in 1996 stood at 71.8 percent, up from a low of 68.4 percent in 1986. The homeownership rate for Black households in 1996 was 44.9 percent, up from the level of the late 1980s, but down slightly from the early 1980s. Among Hispanic households, the national homeownership rate stood at 43.5 percent in 1996. Although the number of Black and Hispanic homeowners is rising at a faster rate than the number of white homeowners, at current rates, it will be decades before Blacks and Hispanics begin to catch up with whites.

Homeownership rates are low for very young households, and then rise steadily with age. As Figure 2 shows, the homeownership rate differential between young, middle-aged, and elderly households widened continuously during the 1980s[8]. While it has since started to close, recent gains in the overall homeownership rate are primarily due to rising homeownership rates among the elderly.

Housing Supply Trends

The nation's housing stock has grown at an even faster pace than the number of households. As of January 1997, the U.S. housing stock included 115 million housing units, of which nearly 112 million were available for year-round occupancy. Single-family homes account for 65 percent of the nation's year-round housing stock, followed by apartment units (28 percent) and mobile homes (8 percent).

Housing production levels reflect macro-economic conditions and tax policy as well as demographic factors . Fueled by rising consumer confidence and low interest rates, single-family home production rose during the late 1970s, the mid-1980s, and the mid-1990s (Figure 3). Recessions in 1974-75, 1981-82, and 1990-92, along with skyrocketing mortgage interest rates in 1979 and 1980, caused single-family home production to fall. Apartment construction exploded during the early 1970s as the first Baby Boomers entered the housing market, and then again in 1982 in response to tax and investment incentives.[9] Passage of the Tax Reform Act of 1986, which especially targeted real estate, caused apartment construction to plummet. Mobile home placements have tended to rise and fall with single-family home construction.

Just as the nation's households are growing more diverse, so too are its housing tastes. Mobile homes now account for about 8 percent of U.S. housing units, up from less than 3 percent in 1970. Nationwide, the number of condominium units (almost all of which are in multi-unit buildings) more than doubled during the 1980s, and condominiums now account for about 5 percent of U.S. housing units. These increases notwithstanding, mobile homes and condominiums continue to be mostly regional products. Mobile homes are especially popular in the south and southwest as a lower-cost alternative to single-family housing and as retirement housing. Condominiums, likewise, are most popular in higher-cost housing markets as an affordable ownership alternative.

Moving beyond unit counts, today's new homes are very different than homes built just 20 years ago. New homes today are a third larger in size than the new homes built in the early 1970s. They include much more garage space, more bathrooms, and are much more energy efficient (Devanney, 1994). Nationally, the move toward bigger homes has not been accompanied by a move to bigger lots or more bedrooms; median new home lotsizes and bedroom counts have not changed much since the 1970s.[10]

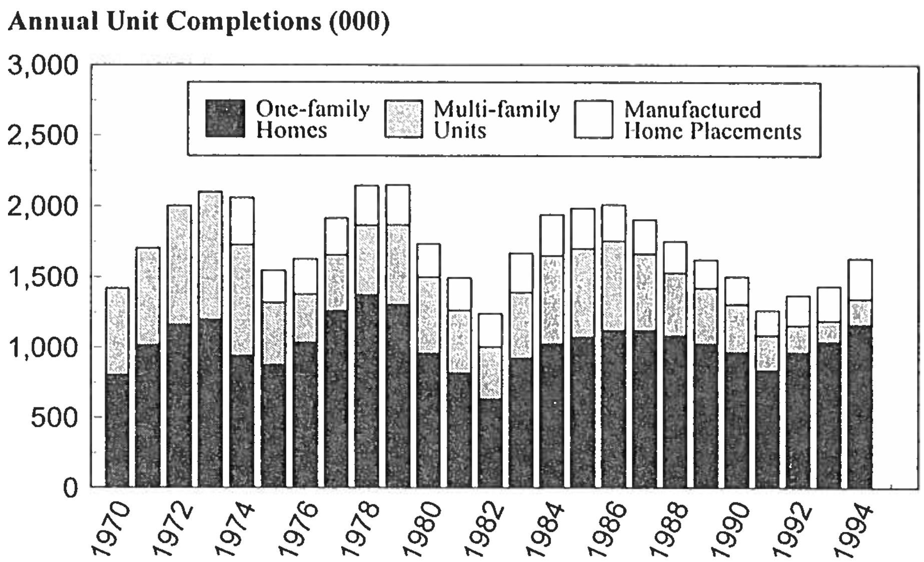
Continuing a 75-year trend, the vast majority of new homes are being built at the urban edge, farther and farther away from older central city neighborhoods. Between 1970 and 1990, the nation's suburban housing stock grew by 21 million housing units. During the same period, the number of central city housing units grew by only 2 million. Not surprisingly, this difference in construction activity has brought about major changes in where most Americans live. As recently as 1970, the nation's housing stock was about evenly divided between central city, suburban, and non-metropolitan locations. By 1990, suburban housing units accounted for more than 44 percent of the nation's housing stock, while shares for central cities and non-metropolitan areas had declined to 32 percent and 22 percent respectively

Housing Price and Rent Trends

Reports of ever-escalating housing prices and rents notwithstanding, U.S. housing today is only slightly more expensive than a generation ago (Figure 4). According to estimates published by the National Association of Realtors, between 1970 and 1995 the median sales price of existing family homes rose at an inflation-adjusted rate of just 1.1 percent per year. Median gross rents over the same period rose at an inflation-adjusted annual rate of only .4 percent. Housing affordability declined during this period mostly because of declining household incomes.

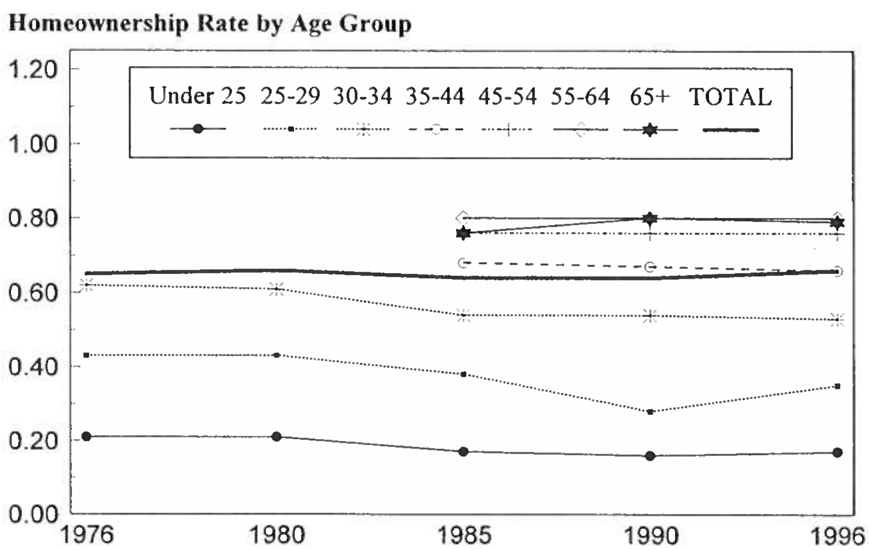
What these national numbers do not show is how

Figure 2:
Annual Housing Completions, by Type: 1970-1995



Source: Bureau of the Census and HUD

Figure 3:
U.S. Homeownership Rates by Age Group: 1976-1996



Source: Harvard Joint Center

very much more expensive housing has become in *some* markets. Consider the following comparisons. In 1980, the average price of housing (measured in 1989 dollars) in the 23 largest metropolitan areas of the U.S. was $95,500. The average price of housing in the most expensive market, San Francisco, was 250 percent higher than that of the least expensive market (Charlotte). By 1990, the average price of housing for the same 23 metropolitan areas had risen to just over $108,000, while the spread between the least expensive market (Houston) and most expensive market had grown to 400 percent. For rental housing, the minimum-maximum gap increased from 175 percent in 1980 to 225 percent in 1990.

What's behind these widening gaps? While no one factor by itself can explain them, the evidence suggests that higher rents and housing prices are strongly associated with lower levels of apartment and new home production. Prices and rents are both higher and have increased faster in supply-constrained markets, such as San Francisco and Boston, than in fast-growing but more competitive markets such as Atlanta, Charlotte, and Phoenix.

Traditional Concepts and Measurements of Housing Need

The concept of housing need is easy to grasp intuitively but difficult to define. At one time, experts sought to determine housing needs scientifically. More recently, the idea of need has come to be seen as reflecting cultural or social norms (Morris and Winter, 1978: 29-32). From a planning perspective, need can be expressed as the minimum level of housing quantity or quality to which every American is entitled as a matter of national, state, or local policy.

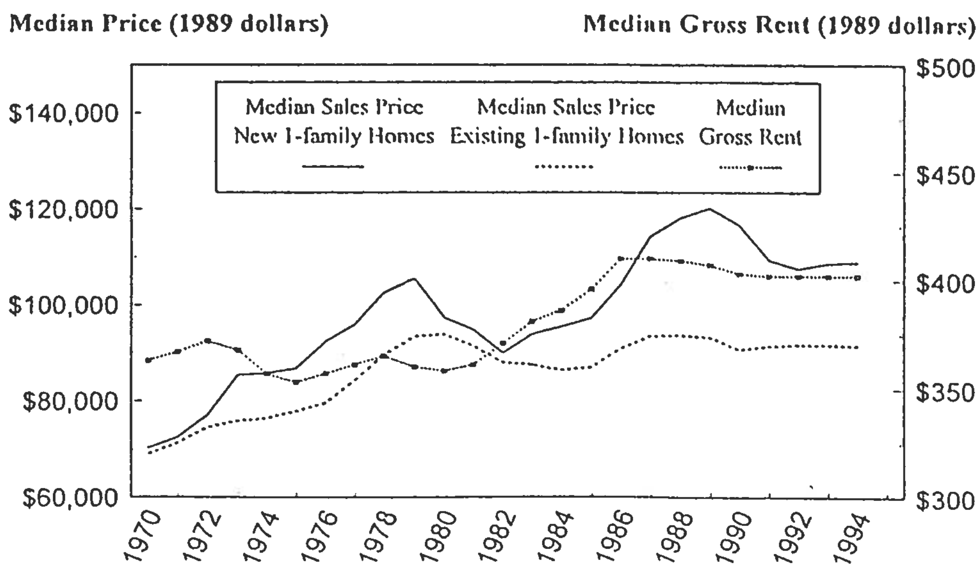
Need and policy are inexorably linked. How policy-makers and planners choose to define need often determines the types of programs that are pursued and how resources are distributed. Conversely, the passage of legislation and policies often determines which needs are considered paramount. American housing policy has traditionally concerned itself with three types of housing needs:

1. <u>Housing stock quality needs</u>: This refers to the physical condition or habitability of the housing stock—in particular whether a dwelling unit or building is unsafe or unsanitary. The physical quality of American housing has improved immensely since 1940, the first year that national statistics were collected (Table 1). In 1940 more than 55 percent of U.S. housing units lacked complete plumbing facilities. By 1970, fewer than 6 percent of housing units lacked complete plumbing, and by 1990, the percentage was less than 1 percent. Nearly a fifth of the country's housing stock in 1940 was in need of major structural repairs. By 1970, "dilapidated" housing units accounted for less than 4 percent of housing units, and by 1990, fewer than 3 percent of housing units were classified as being in poor structural condition. (Census definitions of housing quality changed from "in need of major repairs" in 1940, to "dilapidated" in 1950, 1960, and 1970, to "in poor structural quality" in 1980 and 1990.) These improvements occurred mostly because of new construction coupled with government-encouraged demolition, and only slightly through in-place upgrading.

2. <u>Severe overcrowding</u>: A housing unit is considered to be severely overcrowded when there are more than 1.5 residents per room (not including bathrooms and kitchens). In 1940, one in ten houses in America was severely overcrowded. By 1990, fewer than one in a hundred housing units was severely overcrowded (Table 1). The decline in severe overcrowding has occurred as families have grown smaller, and houses—particularly new houses—have grown bigger.

   The Census Bureau also keeps track of the number of households living in generally overcrowded conditions (more than 1.0 persons per room, but less than 1.5 persons per room). From 1940 through 1980, the decline in general overcrowding paralleled the decline in severe overcrowding. Since 1980, general overcrowding has been on the increase, particularly in the central cities of large metropolitan areas.

Figure 4:
Median U.S. Housing Prices and Rents: 1970-1995



Source: Harvard Joint Center, from various sources

Table 1: Selected Measures of U.S. Housing Housing Quality and Need: 1950-1990

	1950	1960	1970	1980	1990
Structural Condition					
% dilapidated (1950, 1960) or in need of structural repair (1970-1990)	9.1%	4.6%	3.7%	na	na
% lacking complete plumbing	35.4%	16.8%	6.9%	2.7%	1.1%
Pct. severely overcrowded (more than 1.5 person per room)	6.2%	3.8%	2.0%	na	na
Median percentage of income spent for housing costs					
Mortgage homes	na	19%	17%	19%	21%
Non-mortgaged homes	na	10%	11%	12%	13%
Renters	17%	19%	20%	25%	26%

Source: Devaney, 1994; from the Census of Population and Housing.

3. Housing affordability and excess burden: U.S. housing policy has long set 30 percent as the maximum share of income that a household should pay in monthly housing costs. By this standard, housing in America would seem to be extremely affordable. In 1990, according to the Census, owners of mortgaged homes paid 21 percent of their incomes for housing costs while renters paid 26 percent. As Table 1 shows, both of these percentages were up significantly from 1970 levels.

   In fact, these simple statistics grossly understate the magnitude of the affordability problem facing many Americans. Nationwide, almost half of poor renters and a quarter of poor homeowners (those with incomes less than $15,000) paid more than 50 percent of their incomes for rent in 1989. Mostly for reasons having to do with the incidence of poverty, the problem of extreme cost burdens is concentrated among Black and Hispanic households, the elderly, and residents of central cities.

   The use of a single 30 percent excess burden standard also poses problems.[11] An upper-income household may easily be able to afford to spend more than 30 percent of their income for housing—and may do so voluntarily. At the opposite end of the income distribution, a household with an annual income of $5,000 can ill afford to spend even 10 percent of their income for rent.

The Worsening Crisis in Affordable Housing

For one group of Americans—poor renters—the housing picture has grown steadily and measurably worse in recent years. Between 1974 and 1994, the number of renter households with incomes of $10,000 or less increased from 7.0 million to 10.1 million. During the same period, the size of the affordable rental stock declined from 10 million units to 7.8 million units (Harvard Joint Center, 1995). Research by Nelson (1994) suggests the problem of declining supply is most severe for households with extremely low incomes (less than 30 percent of area median income), but much less severe for households with somewhat higher incomes (above 60 percent of area median income).

Two dynamics are responsible for the ongoing loss of affordable rental housing: unit removals through demolition and withdrawals from the stock, and rent increases. Both perpetuate a vicious cycle: declining supplies allow landlords to raise rents, leading to further reductions in supply. The declining supply of affordable rental housing is matched by the decline in renter incomes. According to the Harvard Joint Center, real renter incomes have fallen 16 percent since 1970.

With the supply of affordable rent units and renter incomes both falling, rent burdens have been on a continual upswing. In 1970, gross rent payments accounted for 23 percent of renter income; in 1993, this same ration exceeded 31.2 percent. The effect on low-income renters has been even more severe. According to the Census Bureau, some 43 percent of low-income renters in 1989 paid more than half of their incomes for rent. The problem of extreme rent burdens is most severe in large metropolitan areas and in the West.

As the total supply of affordable rental housing has declined, the importance of government rent subsidies has grown. According to Joint Center tabulations of the American Housing Survey, the number of subsidized rental units in the U.S. rose from 2.1 million in 1974 to 4.4 million in 1985, a number slightly above the current level of 4.1 million. These increases notwithstanding, the level of rental subsidy remains far below the level of need. According to the Harvard Joint Center (1995) , 9.3 million of the approximately 13.4 million eligible low-income renters in 1993 *did not* receive housing assistance.

Particularly in older central city neighborhoods, subsidized units comprise the majority of the rental housing stock. In 1974, subsidized rental units accounted for 22 percent of the affordable rental housing stock; by 1994, that percentage had grown to 57 percent. With many project-based Section 8 commitments now set to expire, or being extended only on a year-to-year basis, much, if not most, of the affordable rental stock now stands at risk.

The shortage of affordable rental housing exacerbates other ills. The most significant of these is social and economic segregation. The lack of affordable housing in the suburbs and the concentration of assisted housing in minority and/or low-income neighborhoods (most of which are in central cities) work to separate low-income households from the broader society. Since most moderate and upper-income households are unwilling to live in areas of concentrated poverty, this trend becomes self perpetuating. Households with the resources to do so move to better-quality housing in better neighborhoods with greater employment opportunities, leaving low-income renters increasingly isolated in economically depressed neighborhoods.

Without the income to secure adequate housing within their neighborhoods, or to move to better-quality housing in other areas, many low-income households have become trapped in the nation's worst-quality housing. Among the nation's 9.3 million unsubsidized renters, 1.3 million live in structurally inadequate housing. This problem is particularly severe for single-parent households.

Broadening the Definition of Housing Need

Measurements of housing need have expanded in recent years to include disadvantaged groups and areas. Three groups in particular have received attention: first-time homebuyers, residents of rural areas, and those with special needs.

First-time Homebuyer Needs

Homeownership opportunities declined significantly during the 1980s, especially for young households and first-time homebuyers. This decline was reflected in falling homeownership rates: between 1973 and 1990, homeownership rates among households aged 25-29 fell nearly 25 percent[12]. In 1994, researchers at the Harvard Joint Center estimated the cumulative U.S. homeownership "deficit" for households 45 and younger at two million households (p. 14). Recent data from the Current Population Survey suggest that the homeownership rate for young households has now stabilized. With both political parties committed to boosting homeownership and first-time homebuying opportunities—particularly in inner cities—the question remains of how best to achieve this goal.

Rural Housing Needs

In terms of conventional measures of housing need, rural households are generally better off than residents of central cities, but worse off than suburbanites (Dolbeare 1996). Depression-era images to the contrary, 93 percent of rural homes are in structurally adequate condition. Whereas rural households are somewhat more likely to be poor than their central city counterparts, rural housing costs are also lower. Overall housing affordability in rural areas is therefore better than in central cities (21 percent of rural households overpaid for housing in 1993, versus 28 percent of suburbanites and 34 percent of central city households). Young, two-parent households face fewer housing problems in rural areas than in metropolitan areas, while single-parent households and the elderly face proportionately more.

Housing problems cut across racial and ethnic lines differently in rural areas than in cities and suburbs. Rural Blacks are much more likely than their urban counterparts to live in physically inadequate housing. Rural Hispanics are much more likely than central city and suburban Hispanics to live in physically inadequate and severely overcrowded housing.

As these statistics suggest, the biggest difference between rural and urban America is not in the incidence of housing problems; it is in the availability of programs and resources to combat those problems. As Dolbeare (p. 24) points out, rural homeowners receive a disproportionately small share of homeownership-related tax deductions. Perhaps the most significant housing policy problem facing rural areas is a lack of institutional capacity. The local agencies and nonprofit organizations that aggressively advocate on behalf of the poor residents of metropolitan areas are largely absent from rural areas.

Manufactured Housing: Progress and Prospects

One in 16 Americans—16 million people as of 1995—lives in a manufactured home. Since 1980, Americans have bought more than 3.5 million manufactured homes. A far cry from its trailer home roots, manufactured housing today is a $9.5 billion industry that is the fastest-growing segment of the American housing industry. As of 1995, manufactured homes accounted for almost 30 percent of all new home sales in the U.S.

Manufactured homes differ from modular, panelized, and precut homes in that they must include a permanent chassis for transporting the home to its sites; and must bear a label certifying compliance with HUD construction standards. Before 1956, the predecessors to today's manufactured homes were known as trailers. Only eight feet wide, they were designed to be truly and frequently mobile. The evolution from trailer to manufactured housing began in 1956, when the standard home width was increase from 8 to 10 feet. Homes grew to 12 feet wide in 1962 and then to 14 feet in 1969. Double-wide homes were introduced in the mid-1970s, and by 1985, multi-section homes (as these models are now called) constituted 47 percent of new manufactured housing units.

About two-thirds of manufactured home owners place their homes on individual lots that they own or rent rather than in a manufactured home community. About half of all manufactured homes are located in the South, and only four percent are in inner cities.

Because manufactured homes are produced to meet the requirements of a performance-based code, manufacturers have flexibility and room for innovation. They can use the latest and most economical materials and methods of construction so long as the finished product performs as required by HUD. In addition, manufactured homes cost less per square foot to produce because both production and administrative costs are lower than for site-built homes. These cost savings mean lower home prices. In 1993, a buyer could purchase a manufactured home at an average price of $30,500 (without land), compared with an average price of $110,775 for a site-built home (structure only). On a per-square-foot basis, manufactured homes cost $23.55, compared with $52.88 for site-built homes.

Yet the mobile home's great price advantage is also its Achilles heel. Despite improvements in manufactured home design, construction quality, and durability, they remain unpopular in urban and suburban communities. Public officials worry how well mobile home communities will be maintained and about long-term property value trends; and many neighbors worry about the effects of mobile home communities on neighboring property values. Depending on the area, and the familiarity of lenders with manufactured housing, obtaining financing can also be a problem.

Progress is occurring slowly on all of these fronts. Developers of manufactured housing are paying increasing attention to good principles of site design, and, more important, to designing-in appropriate amenities and community facilities. At least one manufactured home community, Rosa Vista, east of Mesa, Arizona, has been designed using neo-traditional principles. Roof pitches are increasing and eave overhangs are becoming more common. These features are giving manufactured housing a more permanent look and feel. Because of the increasing popularity of multi-section homes, the size of the average manufactured home is also on the upswing—making manufactured housing a viable option for families. Large, luxurious designer bathrooms are now common, and bigger kitchens and family rooms are gaining in popularity. Manufactured housing is getting a second look in many urban communities as a way of providing affordable homeownership. Attracted by the high returns associated with developing a mobile home community, a number of real estate investment trusts (REITs) have formed to develop, purchase, and rehabilitate mobile home communities.

In summary, the cost savings, design flexibility, and enhanced affordability associated with manufactured housing make this housing type attractive for many households, in many markets, and for many specific uses. By thinking creatively about manufactured housing, public officials and housing planners can help create greater opportunities for affordable homeownership in their communities.

(adapted from Diane Suchman, *Manufactured Housing: An Affordable Alternative.* Washington, D.C.: The Urban Land Institute. 1995.)

Housing and Race

One cannot conduct any discussion of housing in the U.S. without directly addressing issues of racial segregation and discrimination. Thirty years after the passage of the 1968 Fair Housing Act, American neighborhoods remain profoundly segregated on the basis of race and ethnicity. Most Black and Hispanic Americans still live in neighborhoods that are predominantly Black and Hispanic, while most Anglos live in neighborhoods that are predominantly or exclusively white. Among the 50 largest metropolitan areas of the country, 37 percent of Blacks in 1990 lived in neighborhoods isolated from whites (Farley, 1991). Areas with the highest degree of residential isolation—sometimes termed hypersegregation—include Chicago (71 percent of Blacks isolated), St. Louis (70 percent), Cleveland (67 percent), and Detroit (61 percent). Average levels of racial segregation in metropolitan America declined modestly during the 1980s (as during the 1970s), but much of the decline was attributable to fast-growing areas with relatively small minority populations (Massey and Denton, 1987). Larger metropolitan areas where the majority of Blacks live were only slightly less segregated in 1990 than in 1970 or 1980. The average level of segregation for Hispanics, although lower than for Blacks, barely declined at all during the 1970s and 1980s (Massey and Denton, 1987).

For Blacks in particular, higher levels of residential segregation are strongly correlated with higher constant-quality housing costs,[13] lower levels of neighborhood quality, poorer city services, higher levels of residential displacement, fewer education and economic opportunities, reduced access to suburban services and jobs, and a greater likelihood of remaining in poverty (Denton, 1994).

While some level of racial and ethnic segregation may be voluntary (Farley, 1991), there can be no doubt that the persistence of residential segregation is mostly a result of discrimination. Discrimination can occur at many points in a housing transaction. It can occur if a housing opportunity is advertised or marketed in such a way that qualified minority homeseekers do not learn about it, if agents refuse to do business with minority customers or treat them unfairly, if agents fail to follow up business with minority customers or steer them to particular neighborhoods, if the final terms of sale or lease to a minority customer are unfavorable, or if potential minority homebuyers are unable to obtain mortgage finance or insurance. HUD has sponsored two major fair-housing audits to investigate the extent of residential discrimination, one in 1977, the other in 1988. The results of those audits suggest that although housing discrimination is gradually declining, it remains a significant problem (Turner, 1992). HUD's 1988 study, for example, found that the overall incidence of discrimination against renters to be 53 percent for Blacks and 46 percent for Hispanics. For homebuyers, the incidence of discrimination was found to be even higher—59 percent for Blacks and 56 percent for Hispanics. Steering, the practice of not showing a minority homeseeker an appropriate home in a white neighborhood, was reported by Black and Hispanic households in one of every five transactions.

More recent studies have focused on discrimination in mortgage lending. Using 1990 national data provided under the Home Mortgage Disclosure Act (HMDA), Canner and Gabriel (1992) found mortgage origination rates to be 10-15 percent lower for Black and Hispanic applicants than for applicants of similar incomes, but of other races and ethnicities. In terms of neighborhood composition, Canner and Gabriel found mortgage origination rates to be 10-20 percent lower in predominantly minority census tracts compared with predominantly white neighborhoods. A 1992 study by the Federal Reserve Bank of Boston (Munnell, et al.) also using HMDA data, found that applicants of color were rejected for mortgages 56 percent more often than equally qualified whites. In a statistical analysis of recent origination rates in New Jersey, Myers and Chan (1995) found that about 70 percent of the difference in loan denial rates could be attributed to racial bias.

Policy analysts uniformly agree that racial discrimination, particularly against Blacks and Hispanics, remains endemic in American housing and mortgage markets. Where they disagree is on what to do about it (Galster, 1987; Downs, 1992). Some argue that government, particularly the federal government, should be much more aggressive at combating individual acts of discrimination[14]. Others argue for affirmative policies designed to funnel loan capital to groups and areas that have historically been discriminated against or red-lined. Still others argue that the purpose of fair housing policy should be to use subsidies and other means to promote economically stable, racially integrated neighborhoods. A fourth group promotes expanding minority job opportunities in suburban areas as a first step toward residentially opening up the suburbs.

Lessons from the Gautreaux Program

Helping minority households relocate to suburban areas may reduce segregation, but does it provide them with greater educational or economic opportunities? The lessons of the Gautreaux program suggest that it does.

The Gautreaux program is a result of a 1976 Supreme Court consent decree in a lawsuit against the U.S. Department of Housing and Urban Development on behalf of public housing residents. The suit charged that HUD and the Chicago Housing Authority had "employed racially discriminatory policies in the administration of Chicago's low-rent public housing program. (Peroff, Davis, Jones, 1979). The Gautreaux program, which is administered by the nonprofit Leadership Council for Metropolitan Open Communities in Chicago, allows public housing residents and those on public housing waiting lists to receive and use Section 8 housing certificates in neighboring suburban jurisdictions as well as in the City of Chicago. Since 1976, more than 5,000 families have participated, and more than half moved to middle-income suburbs.

The fact that some Gautreaux households have chosen to remain in their original, mostly segregated neigborhoods while others have moved to more integrated suburbs, provides a superb opportunity to test whether "moving to opportunity" strategies really work.

In 1988, researchers at Northwestern University surveyed 108 Gautreaux-program adults who remained in Chicago and 224 adults who moved to the suburbs regarding their socio-economic attainment (Rosenbaum,1995). Among their most significant findings:

- Suburban movers were 25 percent more likely to have found a job than intra-city movers.
- Among those who had a job before and after moving, both city and suburban movers reported equivalent wage gains, and no change in hours worked.
- When asked how the suburban move helped them get jobs, all suburban participants mentioned the greater number of jobs in the suburbs.

Rosenbaum and his fellow researchers also conducted repeat surveys and interviews of 114 children of mover families to determine whether moving to the suburbs could help break the cycle of poverty. Among their most important findings:

- Suburban mover children had virtually the same grades as city movers; however, suburban movers were much more likely to be in a college-bound track than city movers (40 percent vs. 24 percent).
- Among the Gautreaux youth attending college, almost 50 percent of the suburban movers were in four-year institutions, wheras only 20 percent of the city movers were. For the youths who were not attending college, a significantly higher proportion of the suburban youths had full-time jobs than the city youth (75 percent vs. 41 percent).
- Inter-racial harrassment was also greater in the suburbs: 51.9 percent of the Gautreaux youth reported at least one incident in which they were called names by white students, while only 13.3 percent of city-movers experienced name-calling by whites. However, 41.9 percent of the city movers experienced name-calling by blacks.

PLANNING & POLICY FOR PUBLIC AND Nonprofit HOUSING

Planners are involved with housing and housing markets at many levels, on many fronts, and in many roles. Housing planners work mostly but not entirely in the public and nonprofit sectors. At the national level, planners help set national housing policy, design national housing programs, and monitor their implementation. Planners also staff national housing advocacy organizations. At the state level, planners design and administer state housing policies and programs, and develop housing and community development plans for non-metropolitan areas. At the regional level, planners help coordinate fair-share housing and infrastructure investment plans. Planners are most involved with housing at the local level. Public-sector planners develop local land use and housing plans, implement land use controls, administer and staff public housing authorities, help guide community development initiatives, administer federal, state, and local housing assistance programs, run redevelopment agencies, promote affordable housing development and rehabilitation, and provide housing-related services. Many local planners work hand-in-hand with nonprofit housing developers, tenant advocacy organizations, and community development corporations. Some local planners even work as for-profit developers and homebuilders.

Four Strands of Federal Housing and Community Development Policy

Understanding housing planning and how to do it requires a firm grasp of the underlying strands of U.S. housing policy. Government housing and community development policy and planning in the U.S. have traditionally followed a top-down model. The responsibility for identifying areas of need, setting policies, designing programs, and authorizing funds for the implementation of those programs has rested almost entirely with the federal government in the form of Congress and HUD. The responsibility of state and local governments has mostly been to implement federal policies and programs. Except in a few cities and states, local housing planners have long taken their cues from the federal government.

Understanding national housing policy is not easy. To the uninitiated, national housing policy sometimes seems to consist of a bewildering array of disjointed programs and regulations in search of a coherent policy (Mitchell,1985; Hayes, 1995). In fact, while specific programs can and do change frequently—usually with each presidential administration—the four themes guiding U.S. housing have been remarkably consistent. In order of historical importance and resources, these four themes include: (i) promoting homeownership; (ii) providing housing assistance to low-income households; (iii) promoting community development; and (iv) guaranteeing fair housing.

Promoting Homeownership

Promoting homeownership has always been the centerpiece of American housing policy. Federal housing policy supports and subsidizes homeownership in four ways:

- By allowing homeowners to deduct their property tax and mortgage interest payments from their taxable income. The effect of this deduction is to reduce the cost of owning a home. There is no comparable deduction or cost reduction for renters. The revenue lost to the federal treasury attributable to this deduction was estimated at $85 billion as of 1995 (National Low Income Housing Coalition, 1996). Federal tax law also permits homesellers over the age of 55 to take a $125,000 one-time capital gains exclusion. Finally, some first-time homebuyers are eligible to receive a tax credit under the federal Mortgage Credit Certificate (MCC) program.
- By insuring mortgage lenders against default, thereby making lending more attractive. This is the function of FHA mortgage insurance. FHA programs are mostly self-financing, paid for by borrower premiums. Write-downs of FHA and HUD foreclosures, however, are paid out of the federal budget.

- By insuring a regular, and therefore more affordable supply of mortgage credit. This function is undertaken by two government-sponsored but otherwise independent institutions, Fannie Mae (the Federal National Mortgage Association) and Freddie Mac (the Federal Home Loan Mortgage Corporation). Fannie Mae and Freddie Mac are entirely off-budget; however most investors regard their securities as being backed by the federal government.
- By occasionally sponsoring or offering below-market-interest-rate (BMIR) loans to selected income groups. Federal tax code currently permits state and county governments to issue tax-exempt mortgage revenue bonds to issue BMIR mortgages to first-time homebuyers. For a brief time in the late 1960s and early 1970s, HUD provided very deep BMIR subsidies under its Section 235 program to fund new construction and rehabilitation of homes owned by low/moderate-income households.

The cumulative effect of these various programs, especially the mortgage/property tax interest deduction and FHA mortgage insurance, has been to substantially boost homeownership in the U.S. Whether these programs are still needed in their current form is a matter of debate; however, the idea that federal housing policy should promote homeownership remains universally popular.

Low-income Rental Housing Assistance

The federal government has provided rental housing assistance to low-income households for more than 60 years. Depending on the era and program, such assistance has taken a number of forms:

- Beginning in 1937, the federal government has provided 100 percent of the capital costs to enable local housing authorities to build low-rent public housing for eligible very-low-income households. There are approximately 1.3 million low rent public housing units in the United States, housing nearly four million people. Production of additional new public housing units ended in 1982. In 1992, Congress established the HOPE VI program, under which many large-scale public housing projects will ultimately be replaced by smaller, low-rise scattered-site projects.
- From 1964 through 1980, HUD provided BMIR subsidies to developers of moderate-income rental housing projects under three programs: Section 221(d)(3), Section 236, and Section 8 New Construction and Substantial Rehabilitation (also known as project-based Section 8). More than 1.6 million affordable rental units are currently under contract under these three programs. Section 236 was terminated in 1972 amidst allegations of fraud and mismanagement. No new project-based Section 8 commitments have been issued since 1980.
- Federal rent subsidy programs have existed in various forms since 1965. Subsidy amounts typically equal the difference between some fixed share of tenant income (usually 30 percent), and HUD-determined public housing or area fair-market rent levels. Rent subsidies have been provided to very-low-income residents of public housing on an entitlement basis since 1968. In 1973, President Nixon terminated existing low-income housing production programs, and replaced them with a system of tenant-based rent assistance known as Section 8. Section 8 has undergone a number of program changes since then, most notably the conversion from certificates (in which the subsidy is tied to the tenant but mailed to the landlord) to vouchers (in which the subsidy goes to the tenant). Section 8 is now the country's principal form of housing assistance to low-income households, and there is widespread consensus that it should continue to be so (HUD, 1995). Despite general satisfaction with the Section 8 program, almost no net additional Section 8 commitments have been authorized since 1990.

  Section 8 and other forms of rental housing assistance are not and have never been entitlement programs. New Section 8 commitments are allocated by metropolitan area, and within metropolitan areas are generally made on a first-come, first-served basis. By some calculations, only one of every three or four Section 8-eligible households actually receives assistance.

- In 1990, Congress created the HOME program as part of the National Affordable Housing Act. HOME provides federal funds to communities (on a 3-to-1 or 2-to-1 matching basis) to fund a wide variety of low-income housing programs, including new construction, rehabilitation, and rent subsidies.

Community Development

Community development is the third strand of federal housing policy. Prior to 1968, community development was synonymous with urban renewal. The role of the federal government was to fund slum clearance and land assembly so that private developers (or later, public housing authorities) might rebuild urban neighborhoods *de novo*. By the early 1960s, it was clear that this approach was not working. Blocks of slums had been cleared, whole residential neighborhoods had been displaced, but other than some large-scale public housing projects, precious little redevelopment had occurred. In 1968, the federal government abandoned urban renewal altogether and adopted a radically different approach: Model Cities. Where urban renewal had stressed physical redevelopment, Model Cities emphasized rebuilding the social and economic structure of the existing community. Model Cities also embraced the idea of citizen participation as an effective means of program funding, design, and implementation. Like most Great Society programs, Model Cities was overly ambitious, substantially under-funded, and completely lacking in administrative controls; the program was discontinued in 1973.

Having failed first with a top-down redevelopment approach, and then with a social approach, Congress decided to leave the issue of community development to local government. In 1974, Congress created the Community Development Block Grant (CDBG) program which provides flexible block grants to local governments for community development and affordable housing activities. More than 20 years after its inception, CDBG remains a very popular program, particularly in older central cities. Faced with cutbacks in other federal programs, communities across the country have come to depend on their CDBG allocations to fund a wide variety of social, economic development, and affordable housing programs.

In 1994, at the urging of President Clinton, Congress revived the Model Cities concept under a new name, The Empowerment Zone/Enterprise Community (EZ/EC) program. The EZ/EC program provides $100 million in economic development, job training, and social service support to each of six cities with a designated empowerment zone to fund comprehensive community development initiatives. Funding amounting to approximately $3 million was provided to 60 cities designated as Enterprise Communities. Some of the Enterprise Communities are designated as "enhanced" enterprise communities and receive additional loan guarantee support. The EZ/EC program combines aspects of conservative Enterprise Zone philosophy, which stresses support to private enterprise to create jobs, and the Model Cities concept of comprehensive neighborhood development.

Fair Housing

Fair housing is the fourth and weakest strand of national housing policy. As late as 1968, federal law provided almost no protection against housing discrimination. By prohibiting discrimination against those who would rent or purchase homes on the basis of race, sex, creed, nationality, or religion, Title VIII of the 1968 Omnibus Civil Rights Bill—more commonly known as the Fair Housing Act—provided the first such protections. Individuals who believed they had suffered housing discrimination had two courses of action under Title VIII. They could file a civil suit in state or federal court, or they could file a Section 810 complaint with HUD. Under the latter course, HUD would investigate the complaint, and if it were found to be valid, refer it to the Justice Department for prosecution. Neither approach proved particularly effective. Jury awards in civil suits tended to be small, while HUD referrals to the Justice Department frequently went unprosecuted. Proactive enforcement of Title VIII, although legal, was insufficiently funded and rarely pursued. Perhaps the most significant impact of the original Title VIII was to encourage the passage of substantially equivalent state and local fair housing legislation.

In 1988, twenty years after the enactment of the Fair Housing Act, Congress finally remedied its major shortcomings. The Fair Housing Amendment Act of 1988 allowed HUD itself to file a complaint without involving the Department of Justice. The period in which complaints could be filed was lengthened from 180 days to one year. Limits on damage penalties were raised significantly. Plaintiffs could also sue for punitive damages. Coverage was extended to the disabled, to families with children, to cover real estate loans for repairs and improvements, and to include punitive damages . Most important, Congress directed HUD to more aggressively enforce the law, and expanded its budget accordingly.

Congress has used a separate set of avenues to attack discrimination in mortgage lending. In 1975, Congress enacted the Home Mortgage Disclosure Act (HMDA), which required conventional mortgage lenders to disclose where they make their mortgage loans. HMDA was further strengthened in 1989 to cover some non-conventional lenders, to require lenders to disclose denials as well as approvals, and to include selected information on loan applicants. HMDA has been particularly useful in concert with the Community Re-investment Act (CRA). Enacted in 1977, CRA requires bank regulators to evaluate the extent to which lenders are or are not meeting local credit needs. More important, CRA provided implicit standing to community groups and advocacy organizations to intervene in regulatory hearings covering bank acquisitions and expansions. Community groups in numerous metropolitan areas have successfully used CRA hearings together with HMDA data as a prybar to obtain greater community lending commitments by from major lenders.

Legislation and hearings do not guarantee results. The extent to which fair housing legislation and individual CRA actions have successfully reversed long-time patterns and practices of discrimination in housing and montage markets remains unknown.

State Housing Policy and Planning Initiatives

The role of state governments in housing planning and policy has increased greatly in recent years (Terner and Cook, 1990). Until 1980, states mostly limited their housing activities to the *regulatory* sphere. State governments establish the basic framework under which local governments regulate land uses, including housing. Most states also have subdivision ordinances which specify minimum standards for the planning and subdivision of raw land. These can prevent irrational, premature, or fraudulent land subdivisions. Many states have "little NEPAs." Modeled on the National Environmental Policy Act, these laws require developers to assess and mitigate the negative environmental impacts of proposed projects. Some states require residential builders to consider the energy or water efficiency of their designs.

A few states have taken forceful steps to make local land use planning more inclusionary. New Jersey's fair share housing efforts, following two Mt. Laurel decisions, are profiled and discussed in greater detail below. California state law prevents cities from zoning-out existing mobile home parks, and requires that density bonuses be provided for builders who meet inclusionary housing targets. California law also requires that 20 percent of redevelopment agency tax increment revenues be spent on affordable housing.

With retreat of the federal government from its housing programs in the early 1980s, many state governments stepped in to fill the gap. To help combat high mortgage interest rates, encourage homeownership, and spur new home construction, most states substantially expanded their use of tax-exempt mortgage revenue bonds (MRBs)—part-icularly for middle-income, first-time homebuyers.[15] A smaller number of states—led by New York, Massachusetts, Vermont, New Jersey, Illinois, Florida, and Maryland—floated large new issues of industrial development bonds (IDBs) to finance new rental housing construction. The use of MRBs and IDBs to encourage housing production declined in the mid-1980s in response to falling interest rates and negative tax law changes.[16]

Since 1985, nineteen states have gone beyond the general use of MRBs and IDBs to establish permanent trust funds for the production and rehabilitation of low and moderate-income housing (Nenno, 1992). Some states, including Arizona, Connecticut, Florida, Maine, Minnesota, North Carolina, and Vermont, utilize dedicated revenues—mostly unclaimed deposits and interest, real estate transfer taxes, and excess bond refunds—to fund their housing trust funds. Iowa and New York utilize appropriations from general funds. Five states use reserve funds from previous activities of state housing finance agencies. The revenues raised from these funds range from $2 million to $50 million annually.

Two states, Massachusetts and Wisconsin, have established statewide housing partnerships. The Massachusetts partnership, established in 1985, is the most experienced, involving a program of comprehensive goals, state assistance mechanisms, and requirements for local participation. Connecticut, Maryland, Massachusetts, New York, and California (in rural areas only) operate their own rental subsidy and assistance programs, complementing Section 8.

Finally, a few states have tried to balance affordable housing production with statewide growth management. New Jersey, Oregon, Florida, Hawaii, and Vermont have all adopted housing production and affordability goals as part of their growth management laws (DeGrove, 1992). Florida's law also includes housing density goals.

Local Government Housing Initiatives

While most *funding* for housing comes from the federal government, most housing *planning* and *program implementation* is a local responsibility. Local government planners are typically involved in six types of housing-related activities:

- Formulating and Administering Local Land Use Policy and Plans: Local land use plans, zoning ordinances, and subdivision regulations directly shape the forms, locations, and densities of new housing, and indirectly determine housing prices and rents. The traditional function of local land use policy has been to keep out incompatible uses and to otherwise minimize spillover impacts from one type of use to another. More recently, many cities have embraced "fiscal zoning" to help balance long-term revenues and expenditures. Both of these approaches have usually meant limiting housing opportunities and promoting social, economic—and too often racial--homogeneity.

  This need not be the case. Different types and densities of housing (e.g., secondary or "in-law units, manufactured housing) can be "zoned-in" as well as "zoned-out." Density bonuses can be provided for builders who provide affordable units. Zero-lot line subdivisions can help provide homeownership opportunities at a lower cost. Mixed-use, live-work, and work-at-home housing can be planned for. Growth can be better managed so that its impacts don't exacerbate NIMBYism and downzoning.

  Formulating Local Housing Plans: Also on the planning side, the U.S. Department of Housing and Urban Development (HUD) requires metropolitan jurisdictions to prepare a document called a *consolidated plan*, describing their housing and community development needs, articulating strategies to meet those needs, and listing how federal funds will be used for particular projects and programs. A couple of states (California, New Jersey) require the development of local housing plans or elements. Several others (Oregon, Florida, and Washington) require that state and regional affordable housing goals be explicitly addressed in local growth management plans.

- Administering Local Housing Authorities: The 1937 Housing Act empowered cities and counties to establish Local Housing Authorities (LHA) to build and operate low-rent public housing projects. Many of the nation's 3000-plus LHAs also administer the federal Section 8 tenant-based rent subsidy program. LHAs have long had something of a schizophrenic existence: their boards and management personnel have always been locally appointed while their funding and operating procedures have generally been determined by Congress or HUD. This, coupled with changes in federal law requiring LHAs to accept the poorest of the poor, have created tremendous—and probably insoluble—management problems With public housing now being "re-invented" at the federal level, many LHAs are having to learn how to change from being "landlords of last resort" to being community-builders.

- Administering and Funding Housing and Community Development Programs: Local agencies—typically the mayor's office or a department of community or economic development—administer the federal Community Development Block Grant (CDBG) program. CDBG funds are allocated by formula to eligible cities and urban counties. CDBG funds are used for a wide variety of activities, including housing, community economic development, social service funding, public infrastructure, and general government. CDBG funds are often passed through to nonprofit sub-recipients. A city may, for example, provide funding to a neighborhood housing development corporation to administer a rehab loan program.

  CDBG is the principle but not the only source of federal funding for local housing programs. Other fund sources include HOME, the McKinney Act (funds for homeless programs), Emergency Shelter Grants, and Housing for People with AIDs. On the financing side, many county governments administer local mortgage revenue bond programs and mortgage credit certificate programs. Both are usually directed at first-time or moderate-income homebuyers.

  As federal funds have declined, many local governments have turned to other sources. Many states and hundreds of communities have set up their own housing trust funds as reservoirs for housing development, rehabilitation, and rent assistance programs. As with state trust funds, local trusts are funded from many sources. Some cities utilize a portion of their real estate transfer taxes. Other cities use tax increment revenues. A few brave cities have adopted affordable housing impact fees. Boston and San Francisco, for example, require downtown office developers to pay "linkage fees" to help provide for affordable housing (Keating, 1986). Local governments regularly write-down the price of land acquired through redevelopment or tax delinquency when used for purposes of affordable housing. San Francisco residents in 1996 voted on a two-thirds majority to tax themselves to fund additional affordable housing programs.

- Sponsoring Affordable Housing Development: Local governments are doing more than just funding housing programs. Increasingly, they are also acting as project developers and sponsors. Able to bring site control, development approvals, equity, and financing to the deal, many local governments are actively working with nonprofits and developers in public-private partnerships (Suchman, Middleton, and Giles, 1990).

- Providing Housing-related Social Services: Many local planners work in government agencies providing housing and social services to the very poor, the homeless, those with disabilities and substance abuse problems, farmworkers, immigrants, those with AIDs, and the frail elderly. HUD's new consolidated plan requirement and its continuum of care program are bringing local housing and social service planners closer together.

Nonprofit Sector Housing Roles

Probably the most significant change in the world of affordable housing in the last 20 years has been the rise of nonprofit housing development and management organizations (Mayer, 1990; Bratt, Keyes, Schwatz and Vidal, 1994; NCCED, 1995; Morris, Landis and Smith-Heimer, 1996; Swanstrom, 1997; Kolchinsky, 1997). By some estimates, on-profit housing development organizations have accounted for as much as 25 percent of rental apartment construction since 1990.[17] Most nonprofits housing development organizations can be classified in one of three categories: (i) *entrepreneurial developers*, who typically develop, own, or manage a variety of properties in a number of locations; (ii) *community-based nonprofit developers*, who limit their operations to one or two neighborhoods, have developed ongoing relationships with local government officials, and draw their boards of directors from the community; and (iii) *community development corporations* (CDCs), who typically undertake a wide array of activities in addition to housing, including service provision, tenant advocacy, and local economic development. A fourth category encompasses community land trusts. Many nonprofits qualify as CHODOs (or Community Housing Development Organizations) under HUD regulations and are therefore eligible for HOME funds.

Several factors account for the rise and staying power of the nonprofit housing sector. Many nonprofits evolved from 1960s-style CDCs, gaining experience on a project-by-project basis. In some areas, notably California and Massachusetts, state and local governments have long used CDBG and other funds to seed and support local nonprofits. In terms of production, the biggest impetus came from the establishment of the Low Income Housing Tax Credit (LIHTC) in 1986. By allowing nonprofits to syndicate the tax advantages associated with building or rehabilitating affordable housing,[18] the LIHTC provided a ready entree to essential financing capital. Finally, many nonprofits have succeeded by necessity: in order to survive, they have had to become adept at responding to changing federal, state, and local programs and priorities.

Whether and how the nonprofit sector will continue to expand is unclear. Many community-based nonprofits are facing competition for financing and tax credits from more entrepreneurial organizations. In some areas, the San Francisco Bay Area for example, the nonprofit "market" may be saturated. Many nonprofit-developed affordable housing projects are approaching middle age, and the need to devise more effective ways of managing them is becoming evident. Most ominously, many local governments are backing down from their support of the nonprofit community in the face of rising NIMBYism.

HOUSING PLANS

Comprehensive planning and federal housing policy have until recently enjoyed an uneven relationship. Federal housing policies and the distribution of funds under those policies have tended to be either program- and formula-driven, as in the case of public housing operating subsidies, CDBG, and Section 8; or else money- and project-driven, as in the case of public housing construction funds and, more recently, Low Income Housing Tax Credits. The match between comprehensive planning—with its emphasis on analysis, goal-setting, and long-term funding stability—and the project and program-driven worlds of housing policy has never been a close one. Indeed, not until the passage of the Housing and Community Development Act of 1974 were local governments required to complete housing plans as a condition for receiving federal housing funds.

A Chronology of Federally-Required Housing Plans

Since 1995, communities desiring federal housing and community development assistance have been required to undertake consolidated plans. Consolidated plans are supposed to be comprehensive documents, linking careful assessments of local housing and community development needs to policy strategies, to available resources, and ultimately to projects. The consolidated plan requirement is the latest in a long list of federal housing planning requirements, and whether and how well it works remains to be seen. To understand what HUD hopes to achieve with consolidated planning, it helps to know a little of the history and issues surrounding federally-required housing plans.

It is a history, which, as Baer (1986) points out, is full of starts, stops, and restarts. Depending on the era and the context, housing plans have been developed to inflame the polity to action and to lull it into inaction; to promote suburban development as well as public housing construction; to force municipalities to desegregate, and then to protect them from having to desegregate.

Local housing studies were first undertaken in the 1880s by two very different non-governmental groups: members of the Reform Movement, who hoped to foster public outrage over slum housing conditions (Lubove, 1962); and the budding professional real estate industry, interested in appraising residential property values. Both approaches evolved separately through the 1930s, at which point they were institutionalized into different strands of federal policy.

The real estate approach, with its basis in appraisal theory, was adopted by the federal Home Owners Loan Corporation (HOLC) and then later by the Federal Housing Administration (FHA) as a means for evaluating the mortgage lending risks associated with different neighborhoods (Jackson, 1980: 422-23). HOLC appraisals rated neighborhoods from "A" (new, and likely to maintain their property values during good times and bad) to "D" (obvious indications of physical decline, with further property value declines likely). Black neighborhoods were invariably rated "D" regardless of their physical condition. Although modified and improved, the HOLC/FHA neighborhood housing evaluation system remained in use through the 1950s.

Local housing studies also played a role in the other major federal housing initiative of the 1930s—public housing. The subsidized construction of new public housing was viewed by many as the second step in the process of clearing and then redeveloping blighted neighborhoods. But with blight a widespread urban phenomena (or so it seemed at the time), which neighborhoods were to be cleared and redeveloped first? The answer to this question was to be found in a wide-ranging series of studies aimed at quantifying and rating blight. First undertaken in the 1930s by Ford and Stokes (1936), and then refined by the American Public Health Association, the blight analyses of the 1930s, 1940s, and 1950s were less concerned with the economic causes of blight than with its physical manifestations and social impacts.

Not until the passage of the 1954 Housing Act would piecemeal housing studies give way to way to comprehensive housing and renewal planning. The 1954 Housing Act stipulated that no city could receive federal urban renewal funding unless it first submitted a "workable program" to the Administrator of the Housing and Home Finance Agency (the precursor to HUD). The Workable Program, according to the law, was to the city's "official plan of action" for dealing with slums and blight. Workable Programs were to include seven elements, including a comprehensive plan, a neighborhood analysis, a financial plan, a relocation assistance program, and a citizen participation plan; and were to be submitted for recertification on an annual basis. Few cities met their Workable Program requirements. Nonetheless, HHFA continued to provide urban renewal funds as long as cities could demonstrate progress in accomplishing their Workable Program objectives.

The 1954 Housing Act authorized the then-large sum of $5 million to fund local Workable Programs. Additional planning funds were made available for General Neighborhood Renewal Plans under the 1956 Housing Act. In 1959, the Workable Program concept was expanded yet again as the Community Renewal Program (CRP). Under a CRP, conditions of blight and housing deterioration could be analyzed for an entire city. CRPs represented an enlargement of the scope of the Workable Program, but, unlike Workable Programs themselves, were not required as a condition for receiving federal funds. With the waning of urban renewal in the mid-1960s, the funding and impetus for local Workable Programs and their various progeny also disappeared.

A new basis for housing studies appeared in the late 1960s, precipitated by civil unrest in Watts, Detroit, and Newark. These disturbances demonstrated that, in fact, urban housing problems were not under control, and that the policy-makers had severely underestimated the effects of housing poverty and racial discrimination. This finding was driven home in the 1968 report by the National Advisory Commission on Civil Disorders, which identified growing patterns of metropolitan racial segregation as a root cause of poverty and civil unrest. One response to that report was the Housing Act of 1968, which modified the HUD-sponsored 701 Comprehensive Planning Program to require local governments receiving federal planning assistance to prepare housing elements and to coordinate affirmative housing action programs. These newly-required housing elements were to consider regional as well as local housing needs. HUD interpreted this legislation in conjunction with the Fair Housing Act of 1968 to mean that specific numbers of housing units for specific income and ethnic groups should be allocated to particular locations. Housing planning thus became a tool for "opening up the suburbs" (Downs, 1973).

Centennial Place

Atlanta's Centennial Place is an example of the type of mixed-financing, mixed-income housing development which HUD hopes will replace many of America's older and most distressed low-rent public housing projects.

Located adjacent to the Georgia Tech campus near downtown Atlanta, Centennial Place replaces 1,100 units in two old physically deteriorated, high-crime public housing projects. A small portion of the site was sold to Georgia State University for a 2,000 unit high-rise dormitory complex. The balance is being redeveloped with 900 units of low-rise housing.

The work is being undertaken by a partnership. The Atlanta Housing Authority is working with two consultants—McCormack, Baron and Associates of St. Louis and The Integral Group of Atlanta. Coca Cola, whose international headquarters are nearby, has helped financially. The Atlanta School District is replacing the local school and Georgia Tech will "adopt" it. The YMCA is providing recreational activities for the site. Tenants have been involved in the planning process. Job-training programs have prepared tenants for employment in construction, management, and other aspects of the finished development.

Forty percent of the rebuilt units will be for very-low- income public-housing-eligible households earning about 20 percent of the area median income, 20 percent for households which qualify for housing assisted with federal tax credits earning about 50 percent of the area median income, and 40 percent market rate housing for households earning between 80 percent and 200 percent of the area median income. Not counting the high-rise dormitory buildings the net number of units on the site will decrease slightly from 1,100 to 900. The number available to households with public housing level incomes will be reduced by almost two-thirds.

All of the units have good-quality design. There is no difference between the design quality of units very-low-income low-rent public housing households will receive and units which will be rented in the private market.

Centennial Place sets the standards for a new kind of development in which old, distressed low-rent public housing projects are replaced by well-designed, low-rise, mixed-financing, mixed-income projects in which city agencies, schools, colleges, nonprofits, and the private sector are active partners. In these developments, tenants themselves are involved in the rebuilding process and take advantage of job opportunities which the process provides.

HUD initially pushed this approach vigorously, going so far as to withhold programmatic funds from communities that did not comply. Local politicians pushed back, and in the end, HUD backed down: after 1969, local governments were no longer required to adopt affirmative housing programs in order to receive federal funds.

In 1974, the Community Development Block Grant program became the principal mechanism for allocating federal housing and community development funds. The act consolidated the Urban Renewal, Model Cities, Neighborhood Facilities, Water and Sewer, Open Space, and Public Facilities programs administered by HUD. In order to coordinate housing and community development undertakings, the act required each participating local government to prepare a Housing Assistance Plan, or HAP. HAPs were to include three components: (i) an accurate needs assessment of the condition of the community's housing stock and the housing assistance needs of low-income persons; (ii) a realistic annual goal for the number of units or persons to be assisted; and (iii) the general locations of proposed low-income housing projects. HAPs were not required to be good, or even to be implemented. HAP quality or follow-through had no effect on CDBG allocations, which were determined by formula. Studies of the HAP experience by Berkeley Planning Associates (1978), Struyk and Khadduri (1980), Dommel (1982), and Dommel and Rich (1987) credited the HAP process with raising the visibility of housing planning, but all pointed to a common set of failings: the HAP requirement lacked sufficient financial incentives or administrative sanctions to force implementation; cities lacked sufficient data or technical know-how upon which to base their needs assessments; HAP documents were insufficiently strategic or goal-oriented; the HAP (and CDBG) ultimately encouraged rather than discouraged departmental fragmentation; and substantive HUD oversight was sparse and uneven. With the election of Ronald Reagan in 1980, and the subsequent downsizing of federal housing programs, HUD itself lost all interest in the HAP process.

Frustrated over ten years of indifference to the housing plight of poor Americans, Congress passed the National Affordable Housing Act of 1990 (NAHA). NAHA included numerous provisions, two of which quickly assumed paramount importance. The first established the HOME program, under which cities could request matching block grants to cover a wide variety of low-income housing initiatives. The second required all jurisdictions wishing to apply for HOME and other HUD program funds (including CDBG) to prepare a Comprehensive Housing Affordability Strategy, or CHAS (Federal Register, 1991).

Every CHAS was to follow the same format and include four sections: (i) a community profile consisting of a detailed needs assessment and a description of local housing market characteristics; (ii) a five-year strategy prioritizing the use of federal and local resources; (iii) a yearly action plan (to be updated and resubmitted each year, as necessary) listing the projects and programs to be implemented, their resource, and specific implementation steps; and (iv) a description of the citizen participation process. Once prepared and certified by HUD, CHASes were to be valid for five years. CHASes were intended as planning documents, and did not replace individual programmatic applications.

The CHAS planning process was designed to avoid some of the problems that had undermined the HAP (Low Income Housing Information Service, 1992). Pre-formatted data and project tables were included with CHAS training materials. Rather than collect reams of new data, HUD encouraged cities to draw on available tabulations of census data. To avoid planning overload, HUD guaranteed that the CHAS requirement would not be substantially changed for five years. Most important, HUD agreed to stick by its own time lines: once submitted, every CHAS would be reviewed and either approved, disapproved, or conditionally approved by HUD within 60 days.

The CHAS proved to be popular with local housing planners. Particularly in suburban communities, it provided the documentation and analysis necessary to bring critical but sometimes overlooked housing needs to the policy forefront. Although hard to prepare initially, CHASes were easy to update. HUD generally did its part too, by providing timely and straightforward CHAS reviews. Most important, the CHAS linked planning to program and project funding, thereby legitimizing long-term housing planning. If there was one disappointment with the CHAS process, it was that Congressional HOME appropriations never approached the levels promised by NAHA.

The CHAS represented a positive first step in promoting coordinated local housing planning, but it was only a first step. CHASes were planning documents, not implementation documents; cities still had to prepare individual applications for program and project funds. The next step came in 1995 when the CHAS was superseded by the Consolidated Plan.

The Consolidated Plan combines into a single document the *planning*, *application,* and *reporting* requirements of four previously-separate HUD grant programs: (i) CDBG; (ii) Emergency Shelter Grants, or ESG; (iii) HOME grants; and (iv) grants under the Housing for People with Aids (or HOPWA) program. The only remaining local housing program not covered under the Consolidated Plan is public housing.

At first glance, Consolidated Plans look a lot like CHASes. Both are intended to be five-year documents, supplemented by annual updates. Both have essentially the same formats, and include a housing needs assessment, a housing market analysis, a five-year strategy, a one-year action plan, a citizen participation and consultation plan, and various program certifications. The Consolidated Plan also includes a program-monitoring component. In order to speed local preparation of consolidated plans, HUD allowed jurisdictions to rely on existing CHAS documentation and analysis.

Content similarities aside, HUD's consolidated planning goals go well beyond those of the CHAS. First and foremost, HUD officials hope to promote much tighter integration between local housing and community development programs. After two decades of municipalities pursuing housing projects separately from community development—and often out of different city departments—HUD wants to re-glue these two policy strands together in order to make better and more efficient use of limited federal funds. A second consolidated planning goal is to broaden community participation in the planning process beyond citizens and community groups to include other governmental agencies, neighboring jurisdictions, and private and nonprofit service providers. This expanded view of participation is termed consultation. Third, as the name implies, HUD hopes to consolidate long-term planning activities with short-term implementation activities, including project development and program administration. HUD's final goal is to make consolidated plans easier for planners to prepare, and easier for citizens to read, than prior planning documents.

How well will these goals be realized? As of this writing, it is too early to say. A preliminary assessment of first-year consolidated plan submissions from San Francisco Bay Area communities suggests that the challenges of integrating housing and community development activities, and of moving communities away from a project/program perspective and toward a long-term comprehensive planning perspective, are likely to be daunting indeed (Landis and Sharma, 1996).

State-Mandated Housing Plans: The New Jersey and California Experiences

State housing programs and planning requirements are too varied and diverse to adequately describe here. Two states do however merit further discussion: New Jersey and California. Unique to the 50 states, New Jersey and California have each enacted laws requiring local governments to prepare and implement detailed housing plans independently of federal requirements. Further, both New Jersey and California require communities as part of plan implementation, to meet their "fair share" of state and regional housing needs. Beyond these basic similarities, local housing plans in New Jersey and California have evolved from different circumstances and pursued different paths.

New Jersey: Complicated, convoluted, and ultimately disappointing, the history of local housing planning in New Jersey can be summarized in two words: *Mt. Laurel.* Mt. Laurel is a suburban township in southern New Jersey. It is also shorthand for two of the most important fair housing court cases in U.S. history (Kirp, Dwyer, and Rosenthal, 1995).

Like many suburban cities, Mt. Laurel had long used single-family zoning to deter apartment construction and exclude the poor. In March 1975, after four years of litigation, the New Jersey Supreme Court in *Southern Burlington County NAACP v. Township vs. Mt. Laurel* struck down Mt. Laurel's zoning ordinance, and ruled such exclusionary practices to be unlawful under the New Jersey Constitution. In making its ruling, the Supreme Court reasoned that individual jurisdictions had a "constitutional and moral obligation to provide realistic opportunities for the construction of affordable housing constituting a fair share of regional need." As a remedy—and in what would be regarded as an unprecedented intrusion into local affairs— the Court ordered developing towns to rewrite their zoning laws to permit private and subsidized construction of housing for poor and moderate-income families.

The response of New Jersey jurisdictions to Mt. Laurel was to stall, first by asking the U.S. Supreme Court to overrule Mt. Laurel; second, by seeking a state constitutional amendment barring implementation of the court's remedy; and lastly, by endless foot-dragging in individual cases. None of these approaches succeeded, but each bought time—so much so, that in 1980 the NAACP went back to the New Jersey Supreme Court to request that the court enforce its earlier decision. The Court's decision, issued in January 1983 and subsequently known as *Mt. Laurel II*, was even stronger than the original. After castigating state and local governments for their stalling tactics, the Court instructed three specially-appointed lower court judges to consolidate and dispose of Mt. Laurel cases. Further, the Supreme Court ruled, municipalities would henceforth take "affirmative" steps to meet their fair share requirements. Finally, as a last resort, the Court sanctioned "builders remedy" lawsuits, which allowed judges to overrule local zoning and directly grant building permits to builders.

Despite the Court's insistence, opposition to *Mt. Laurel II* continued to harden, particularly over the issue of local home-rule. In 1985, seeking a compromise, the legislature enacted the New Jersey Fair Housing Act, which established a statewide Council on Affordable Housing (COAH) to set local fair share requirements, monitor local compliance, and facilitate the voluntary trading of fair share units between municipalities. In 1986, the Supreme Court upheld COAH's constitutionality, and transferred to it the responsibility for settling all outstanding Mt. Laurel II cases.

COAH saw its role not as ending exclusionary zoning, but rather as promoting the construction of affordable housing[19]. This was partly to be achieved through the creation of regional contribution agreements permitting suburban municipalities to subsidize the construction and rehabilitation of affordable housing units in older urban cores. COAH's efforts to date have yielded only modest results. According to a state report entitled "The Math of Mount Laurel," by 1993 only about 8,000 units of new "Mt. Laurel" had been completed or were under construction (Kirp, 1996: 159).

California: California has approached fair housing issues through the legislature rather than the courts. California state law requires that all cities and counties prepare multi-element general plans, and that one of the elements explicitly address housing. As administered by the California Department of Housing and Community Development (HCD), California's housing element law imposes three specific requirements. First, it requires the state's various councils of government (COGs) to prepare regional housing needs assessments, and to identify each city and county's "fair share" contribution toward meeting those needs.[20] Second, the law requires that each local housing element include a statement of community housing goals and quantified objectives for future production. The adopted goals and objectives need not match the level of identified need, but they must represent a maximum five-year housing production effort. Third, the law requires each municipality to set forth an implementation program listing the specific actions it will undertake—especially including the removal of local regulatory constraints to private development—to meet its goals, and the agencies responsible for those actions.

Most of the conflicts surrounding California's housing element law focus on the procedures by which regional fair share housing determinations are made. By law, a city's or county's fair share must include both existing and projected housing needs for all economic segments of the community. When making a needs assessment, the availability of suitable housing sites must be considered, based not only on existing zoning and land use restrictions, but also upon the potential for increased residential development under alternative zoning and land use policies. Cities may dispute their COG-determined housing needs.

Housing elements are the only general plan element that must be updated on a regular basis. They are also the only general plan element subject to state review. When certifying a local housing element, HCD especially considers how and whether it is likely to meet its regional fair share housing needs.

The penalties imposed for not having a certified housing element do not involve legal or financial sanctions. Rather, the presence of an inadequate housing element serves to invalidate the entire general plan, rendering the community unable to issue any type of land use or development permit. In effect, California cities that knowingly disregard state housing element law run the risk of losing (albeit temporarily) the ability to regulate private development within their borders. For all of its singular requirements and apparent importance, California housing element law should not be viewed in isolation from the state's other planning laws and requirements. The broad purpose of California planning law is to facilitate orderly development, primarily so that growth may continue. Along these lines, the principle purpose of California housing element law is to insure that there will be a sufficient supply of housing units—mostly as provided in the private market—to meet the demands associated with population, household, and business growth. California's regional "fair share" requirement is thus intended to prevent any single community from adversely impacting regional housing availability.

Inclusionary Housing for the Suburbs

Most new housing in the United States is being built in suburbs. Households with the ability to pay for them are increasingly purchasing large single-family detached suburban homes. Better schools, lower crime rates, access to open space, and superior public facilities make these communities attractive places to live, work, and raise families. But low-and moderate-income households cannot afford most house prices and rents in these communities.

Local housing planners in growing suburban communities can help by developing plans to include a mix of housing types in their communities. A good starting point is to assure residential land is zoned for a variety of densities and housing types: condominiums, multi-family rentals, and mobile homes as well as single-family detached houses. Making city-owned land available at low prices and granting density bonuses or fee waivers to builders who provide affordable housing can also improve the mix of housing types. Inclusionary zoning provisions which require developers to set aside some percentage of new units for low-or moderate-income households are perhaps the most important device of all.

Fast growing Carlsbad in southern California has an inclusionary zoning ordinance which requires that 15 percent of new housing units be affordable to low-income households—those earning 80 percent of area median income or less. Carlsbad uses tax increment financing and city housing trust fund revenue to create even deeper subsidies for some households and is pursuing innovative strategies to create affordable housing in different parts of the city.

Carlsbad was approached by a master plan developer with plans for thousands of units of expensive single-family detached housing and no affordable rental units. The city and developer turned to San Francisco-based BRIDGE Housing Corporation and a local partner, Patpic. Together the parties worked out a deal involving a large parcel near the proposed development where BRIDGE and Patpic would built rental units subsidized by a combination of cash from the developer, CDBG funding, redevelopment tax increment financing, and federal tax credits: the Villa Loma apartments. All of these units are available to households earning no more than 50 to 60 percent of the area median income. Skillful development, creative financing, and good design ultimately produced a quality development with 344 units—184 units in excess of what the 15-percent ordinance required.

Many localities have programs only for affordable ownership units and make inclusionary units in condominium projects available to moderate-income households who may be earning as much as 120 percent of median income. As developers pass on costs of the assisted units to buyers of the market-rate units, one set of somewhat higher-income buyers subsidizes another set of lower-income buyers. In contrast, Carlsbad's approach makes it possible not only for moderate-income school teachers, firemen, and librarians to live in their community but also low-income gas station attendants, janitors, waitresses, and secretaries, and very-low-income pensioners and disabled people dependent entirely on SSI to live in Carlsbad.

Unlike some local inclusionary programs, Carlsbad is not concentrating the affordable units created through their inclusionary program in one part of town. The city's master plan calls for geographic dispersion of the units. Credit for La Loma units in excess of 15 percent of the units in the master plan development have been placed in a city-controlled bank. Small developers may purchase these credits in order to satisfy their inclusionary housing requirements. Carlsbad has divided the city into quadrants and allocated credits from the Villa Loma development to be used in the quadrant in which Villa Loma is located. Money from sale of the credits goes to the city's housing trust fund to support future affordable housing projects. Carlsbad creates incentives for larger developers to produce inclusionary units as part of new developments throughout the city rather than purchase credits. The City of Carlsbad and the Villa Loma project have won a HUD best practices award for their inclusionary program and its implementation.

Other similarly-intended laws require the provision of density bonuses for affordable housing, and prevent municipalities from "zoning-out" mobile home parks.

California's housing element law has led to the production of many very good housing plans, but, as in New Jersey, it has been less successful in encouraging municipalities to meet their housing needs. In some cases, other state laws (e.g., CEQA) get in the way. Suburban cities, especially, often lack the political will to implement their plans. Central cities frequently have the political will, but lack the resources required for deep subsidies or broad-based assistance.

Developing a Local Housing Plan

Whatever their origins, all good housing plans share some common characteristics. They are *real*, which is to say that they respond to real and documented housing needs. They are also *realistic*, which means that they are achievable given resource, agency, and political limitations. Good housing plans are also *thematic*: the themes that tie housing needs to housing goals to housing programs to housing projects are readily apparent. Casual readers of housing plans should quickly be able to grasp how individual projects fit into the larger picture.

Good housing plans are also *actionable*. They conclude with specific implementation steps and assign specific implementation responsibilities. Good housing plans are also *comprehensive*. They recognize and build upon the resources and flexibility provided by the private market, as well as the energies and expertise provided by nonprofits and public agencies. And they relate housing to broader social and community development initiatives. Good housing plans provide information, not just data: they are designed to help decision-makers and managers prioritize and make choices. Good housing plans are anchored but flexible. They provide a long-term road map for action but also recognize that policies must be capable of adapting to changing funding sources and program requirements. Good housing plans should be readable to the layperson, and not just to planners. Finally, good housing plans are *inclusive*. They incorporate the inputs and ideas of all the interests present in the community, particularly those blocked from participating in the private housing market.

Conceptually at least, the housing planning process can be organized into three phases: (i) reconnaissance and research; (ii) goal, strategy, and policy formulation; and (iii) program and project selection, and implementation (Figure 5).

Reconnaissance and Research

The first phase of any planning process should focus on identifying key policy actors and institutions, cataloguing major problems and issues, and researching available resources.

<u>Step 1: Identify the organizations and institutions that will have on-going planning and implementation responsibilities</u>. Many plans fail because they were developed independently of the organizations and institutions charged with implementing them. Numerous departments and organizations are involved in developing and implementing local housing plans, including: the city housing, community development, and economic development departments; the mayor, council, county executive, or city/county manager's office; the planning, zoning, and building departments; the local redevelopment authority; the local public housing authority; local nonprofits, service-providers, and community-based organizations; neighborhood interests; and representatives of builders and the local real estate industry. Understanding what these organizations can and cannot do, the rules and resources they control, and getting them all to sit at the same table is the first step in any good housing planning process.

<u>Step 2: Establish an ongoing process of citizen participation and consultation</u>. Good housing plans make extensive use of community and non-governmental knowledge and resources. Citizens, community groups, and local organizations can be involved in housing planning by:

- Bringing forth information;
- Helping identify and prioritize needs;
- Articulating possible goals and strategies;
- Helping to select goals, strategies, and projects;
- Helping to design and implement programs; and
- Reviewing and amending the plan document.

Figure 5: Steps in Developing a Local Housing Plan

RESEARCH & RECONNAISSANCE	**One:**	**Identify and involve stakeholder organizations and institutions**
	Two:	**Establish ongoing consultation and citizen participation process**
	Three:	**Identify available housing resources and programs**
	Four:	**Evaluate local housing market performance** * Supply-demand situation by tenure and product type * Effect of regulations on supply prices * Ownership and rental affordability * Neighborhood investment and disinvestment patterns
	Five:	**Prepare a local housing needs assessment** * Identify incidence of physical deficiencies * Identify extent of excess cost burdens and overcrowding * Assess housing-related service needs * Project future housing demand
GOAL, STRATEGY & POLICY FORMULATION	**Six:**	**Develop realistic goals and objectives** * Legacy goals * Mandated goals * Generic goals * Needs-based goals * Community goals
	Seven:	**Develop policies, strategies, and programs tied back to needs** * <u>Policies</u>: rules for guiding legislative & administrative actions * <u>Strategies</u>: lists of actions couple with implementation steps. * <u>Programs</u>: standardized procedures for delivering services
PROJECT SELECTION & IMPLEMENTATION	**Eight:**	**Prepare a prioritized action plan**
	Nine	**Implement action plan, monitor and evaluate results**

Step 3. Identify currently available housing and resources and programs. What a plan ultimately accomplishes will depend on the resources it can marshal. Developing an early understanding of what types of resources—financial and otherwise—are available for what type of projects and programs helps insure that the plan can eventually be implemented. It also helps in the later prioritization of needs and goals. Finally, it may suggest new avenues and resources to pursue.

Not all housing resources are federally-based. Many counties, for example, make active use of mortgage credit certificates (MCCs). Many states have established BMIR construction and mortgage revenue bond programs. And many localities have established independently-funded housing trust funds. Housing development resources can often be linked to redevelopment efforts. California, for example, requires that 20 percent of tax increment revenues raised by redevelopment authorities be used for affordable housing.

Some resources are tied to low-income individuals or households. Local housing planners need to understand how the availability of Section 8 certificates, Social Security Supplemental Security Income (SSI), General Assistance (GA) and welfare payments will affect the long-term viability of the affordable housing stock.

Step 4. Understand how and why the local housing market does or doesn't work. Since most housing production occurs in the private market, having an understanding of how the local market works is essential to identifying housing needs and designing realistic strategies. Such an understanding involves answering some basic questions:

- Is the local housing market in an excess-demand situation (characterized by very low vacancy rates with rising housing prices and apartment rents); or in an over-supply situation (characterized by high vacancy rates with falling real housing prices and rents); or in rough balance? What are the supply-demand conditions in different market segments? If production consistently lags demand, why? If not enough supply is available, what can be done to encourage production?
- What are the minimum prices and rents at which local builders and developers can reasonably deliver new housing units? How do local land use policies and other governmental and market restrictions affect housing costs and prices?
- At current interest rates, what percentage of residents can afford to purchase the median-priced home? What percentage of resident renters can afford the median-priced apartment unit? Are these shares increasing or decreasing, and why? How do mortgage interest rate changes and housing construction cost changes affect local affordability levels?
- Are home and apartment owners investing in some neighborhoods and not others? If so, why? Is filtering working: is there sufficient turnover in the housing stock to enable new residents to find affordable housing opportunities?

A wide variety of housing market data is available to help answer these questions. Appendix B includes a list of housing data sources.

Step 5. Prepare a local needs assessment. All good local housing plans start with an accurate, comprehensive, and up-to-date needs assessment. A good needs assessment should identify (and where possible, quantify) four types of housing problems:

- The extent to which the existing housing stock is in *poor physical or structural condition.* Measures of physical deficiencies typically include the number and type of dwelling units that are structurally inadequate; the number and type of housing units that lack complete plumbing and/or kitchen facilities; the number and type of units with lead-paint hazards; and the number and type of units that are physically dilapidated or in need of substantial repair.[21] Much of this information is already available in the decennial Census of Population and Housing (see Appendix B). Additional information may be available from local building inspection records.
- The extent to which existing residents suffer *excess housing cost burdens* (defined as occurring when monthly housing costs exceed 30 percent of monthly household income), or

live in *severely overcrowded conditions* (defined as more than 1.5 persons per room). The extent to which problems of over-payment and severe over-crowding are concentrated in particular areas, among particular income groups, or among particular races and ethnic groups should also be analyzed. Much of this information is available from census data, and can be accessed and mapped using HUD's new consolidated planning software.

- An assessment of the *housing-related service needs* of existing special-needs populations such as the homeless, persons with AIDS, large families, low- and very-low-income households, and persons with physical or mental disabilities. Where possible, the degree to which low-income renters are at risk of becoming homeless should also be analyzed. Information regarding the housing needs of poor households, large households, and particular types of households (e.g., single-parent households) may be assembled from the Census Bureau's Public Use Micro Sample (PUMS).
- A *forecast of future housing demand*, where possible, broken down by income group or tenure. All state planning and finance departments, most councils of government, and many county planning departments develop local population and household projections. These can be adapted using a variety of techniques (see, for example, Myers, 1987) to estimate future housing demand.

Some housing needs are more critical than others. Good housing plans attempt to prioritize needs according to their severity.[22] Carefully prioritizing housing needs at the beginning of the planning process makes it easier to allocate resources and choose projects at the end.

Goal, Strategy, and Policy Formulation:

The middle phase in developing a housing plan is to identify consensus goals and then to translate those goals into policies, strategies, and programs.

Step 6: Develop Realistic Goals and Objectives. Great plans are built atop great but realistic goals. Goals are the desirable outcomes or conditions the plan is designed to achieve. Kaiser, Godshalk, and Chapin (1994) identify five generic types of goals:

- *Legacy goals* are based on previously adopted or current laws and policies. Eliminating racial discrimination in housing and lending is an example of a legacy goal.
- *Mandated goals* are derived from state or federal policy, or from judicial requirements. California's statutory requirement that every jurisdiction meet its "fair share" of regional housing production is an example of a mandated goal.
- *Generic goals* represent broad consensus or societal views regarding beneficial outcome and processes. Ending homelessness, meeting the housing needs of low-income households, and promoting homeownership are all examples of generic goals.
- *Needs-based goals* focus on meeting documented needs and follow from a detailed needs assessment. Examples of needs-based goals would include reducing overcrowding and rent burdens among poor households, eliminating lead-based paint hazards, and repairing dilapidated housing units.
- *Community goals,* or "wants," embody the aspirations of a particular community. Community goals are usually derived through a participatory process. An example of a community housing goal might be to encourage higher residential densities near transit stops or to promote cluster housing forms.

Objectives are the "do-able" versions of goals. Whereas goals are usually expressed in the form of ideals, objectives should be specific, measurable, and attainable. For example, a community might adopt a generic goal of "improving housing affordability." The objectives accompanying this goal might be to "reduce by 50 percent the number of households overpaying for rent," or, "to prevent apartment rents by increasing more than the rate of inflation," or, even to "increase the local homeownership rate to 75 percent." As these examples suggest, objectives are most useful when expressed numerically or when related to standards. Every goal should be accompanied by one or more objectives. The process of identifying major goals and objectives is best undertaken in a participatory setting involving citizens, stakeholders, service providers, and elected officials.

A practical caveat: Plans become unworkable if they include too many goals. This is particularly true for local housing plans. Since housing resources are almost always scarce, the challenge of trying to meet 10 or 20 separate goals can overwhelm even the most well-conceived of housing plans.

Step 7: Develop Policies, Strategies, and Programs. The policies, strategies, and programs section of any plan is where the "rubber meets the road." Policies, strategies, and programs differ in format and design, but all are appropriate for housing plans. Policies are agreed-upon rules for guiding legislative decisions and administrative actions, or for allocating resources. Strategies are lists of actions coupled with resources and implementation responsibilities. Programs are standardized procedures for delivering housing services.

Policies, strategies, and programs should be formulated to achieve particular goals, and should be presented in a parallel fashion. To see how policies, strategies, and programs relate to goals and to each other, consider the following three examples:

- Suppose that a community had adopted a goal of encouraging the production of affordable rental housing. An appropriate *policy* in this case might be to require apartment developers to set aside 20 percent of their units for low- and moderate-income households. A possible *strategy* might be to make excess city-owned land available for affordable housing development. An accompanying *program* might be to offer below-market interest rate construction financing.
- As a second example, suppose a city had adopted a goal of increasing homeownership and housing investment in several inner-city neighborhoods. An appropriate policy would be for the city to do business only with those lenders making inner-city investments. A possible strategy might be to try to retain moderate-income renter households who otherwise might move to the suburbs. Accompanying programs might include offering "silent second" mortgages, mortgage co-insurance, and the provision of technical assistance for first-time homebuyers.
- Finally, suppose a jurisdiction had adopted a goal of reducing lead-based paint hazards. In this case, the strategy, policy, and program would all work together. The policy/strategy might be inspect all housing units at time-of-sale and/or re-tenanting. This approach might then be augmented by a program of zero-interest loans to home and apartment owners for the purposes of lead paint abatement and repainting.

Policies, strategies, and programs should not exist independently of other plan elements. They should be tightly linked backward to identified needs and consensus goals, and forward to particular projects. For every need identified in the needs assessment, readers ought to be able to draw a direct line to a goal, then to a set of policies, strategies, or programs, and then to one or more actions or projects.

Project Selection and Implementation

The last phase in the housing planning process is to develop an action plan and implement it.

Step 8: Prepare a Prioritized Action Plan. The action plan is a year-by-year list of programs and projects to be undertaken, together with resource and organizational commitments . Developing an action plan involves three steps. The first is to prioritize and schedule prospective projects and programs. The second step is to determine how particular projects or programs will be funded; whether appropriate funding is available; and what actions must be undertaken to pursue funding. The third step is to assign administrative and implementation responsibility to particular agencies or departments (or, if necessary, establish project-based working groups) and set implementation schedules and milestones. In today's world of uncertain and changing funding sources, the first and third steps are typically easier than the second.

Projects and programs can be prioritized any number of ways: according to the severity of need, according to the level of community or local support; according to funding availability; or according to whether similar projects or programs have previously been successfully undertaken. When identifying funding sources, care should be taken to distinguish between locally-based and ongoing sources—which are available to fund multi-year programs—and project grant funds. Except for CDBG, most federal housing fund sources are governed by rules that restrict how they may be used, and that specify federal review procedures. Finally, since most local housing projects are funded from a variety of sources, care must be taken when layering different funds. This is particularly important for projects making use of the Low Income Housing Tax Credit.

Step 9: Implement the Action Plan, Monitor, and Evaluate the Results. The final step in the housing planning process is to implement the action plan and monitor its effectiveness. Effectiveness can be evaluated many ways. Economists prefer to use cost-benefit analysis and similar economic valuation approaches. Although appropriate when considering federal programs, these methods are difficult to apply at the local level. A better local approach is to determine how well a particular project or program achieved its goals as identified in the plan; and whether other, lower-cost approaches might be equally or more successful. Ex post evaluations of housing projects are extremely rare; once finished, projects are assumed to be a success. Yet, as many studies over the years (most recently Bratt, etal., 1994) have reiterated, the key to successful housing projects is sound, long-term management. Identifying problem projects, neighborhoods, and programs *before they become problems* is an important part of every housing planning process.

SUCCESSES REALIZED, ENDURING PROBLEMS, and NEW CHALLENGES

In some ways, U.S. housing policy is a victim of its own success. Most moderate- and above-moderate-income U.S. households own homes which are bigger and physically superior to housing anywhere else in the world. Most owners, and even most renters, can afford the housing they live in without paying a disproportionate share of income. The problem of seriously substandard housing which existed at the end of World War II has all but disappeared.

As remarkable as this success has been, it is also far from complete. More than 10 million low-income households still spend far too much of their incomes on housing costs. Hundreds of thousands still live in structurally inadequate or overcrowded units. Many young households in high-cost areas despair that the dream of homeownership will be forever beyond their reach. Despite 30 years of federal fair housing laws, many metropolitan areas remain as racially segregated as ever.

Many of the problems housing planners face at the turn of the century are not new. Planners have been grappling with how best to address slum housing for more than a century. Boomtowns have always required cities to manage growth. The debate about how to target housing subsidies runs back to the New Deal. But the current generation of housing planners also faces new challenges, such as responding to the impact of welfare reform on assisted housing and meeting the related housing and social service needs of people with AIDs and the frail elderly. We turn now to enduring problems and new challenges in housing planning and policy.

Enduring Problems

Deteriorated tenement housing, overcrowding, distressed and declining neighborhoods, chaotic fast-growing communities, and other problems which bedevil today's housing planners are not new. Lessons from past programs and a synthesis of past debates can help today's planners to understand and cope with them.

Stabilizing Declining Central City (and now Suburban) Residential Neighborhoods

Housing disinvestment and neighborhood decline are problems usually associated with inner cities. No more. Many post-War suburban communities now find themselves facing problems of stagnant or declining property values, rapid resident turnover, uneven and declining building maintenance, and in some cases even abandonment.

Neighborhood change is inevitable, but neighborhood decline is not. Neighborhoods decline for specific reasons, including white-flight, discrimination and lender red-lining, economic structuring, and the normal aging of the existing population. Mostly, however, neighborhoods decline when they can no longer compete; that is, when residents are able to find better and/or less expensive housing and public services elsewhere.

Anticipating and deterring neighborhood decline is far easier than trying to revitalize neighborhoods that have already experienced significant decline (Goetze, 1973; Downs, 1974). Where possible, planners should pursue approaches that encourage incumbent upgrading (physical improvement by existing resident-owner occupants) and programs to improve the rental stock without displacing existing renters. One such approach is concentrated code enforcement combined with public investment and greenlining—the targeted provision of low-cost repair and mortgage loans (Parzen and Kieschnick, 1992).

It is in declining neighborhoods that the relationship between housing and community development is most important. Improvement of neighborhood public spaces—parks, street lighting, neighborhood centers—can have a powerful impact in stabilizing property values and improving neighborhood morale. Local investments in public services, including crime prevention, education, and recreation, can have even bigger payoffs.

Severely distressed areas require more severe measures, including programs to demolish abandoned buildings, prevent arson, evict crack dealers, promote the construction of infill housing, and create retail opportunities. Redevelopment—area-wide government-sponsored investments in buildings and physical infrastructure—should be viewed only as a last resort, to be tried only when there is no remaining market demand for existing land uses.

Managing Impacts in High-Growth Housing Markets

In some housing markets the central issue is not decline, but growth. In markets such as Phoenix, Orlando, and Las Vegas, skyrocketing production has kept pace with skyrocketing demand. In others, such as Silicon Valley, supply has not kept pace with demand, causing prices and rents to skyrocket. Housing and land use planners in these markets face four types of challenges. The first is to insure that rapid housing growth does not overwhelm available physical and social infrastructure. This can be accomplished through a variety of mechanisms, including residential tempo controls, adequate public facilities ordinances, traditional zoning and subdivision controls, and appropriate impact fee and exactions requirements.

A second challenge is to insure that rapid development—of which housing typically constitutes 70 to 80 percent—does not threaten the environmental, economic, and social quality of life in the community. This is harder to do and requires serious and far-sighted land use, environmental, and economic development planning. It may also require regional or sub-regional coordination. The third challenge is to insure that growth benefits all segments of the community, especially the poor. This issue can be addressed through inclusionary zoning; by directing some level of tax increment or growth-generated tax revenues to affordable housing production and poorer neighborhoods; by working to deter speculation and gentrification; and by nurturing the development of a vibrant nonprofit sector. All of these approaches are easier listed than implemented.

The fourth challenge is the hardest of all. It is to insure that the various planning, growth management, and redistributive programs pursued above do not so greatly restrict the supply of housing, or otherwise cause rents and prices to increase, so as to negatively impact local and regional housing affordability.

Responding to Demographic Change and Evolving Settlement Patterns

The United States today is experiencing enormous demographic change. More foreign immigrants—primarily Hispanic and Asian—are entering the United States than ever before. Led by the still-huge Baby Boom cohort, the country's population is aging at record rates. The growth rate for single-parent and single-person households far exceeds that for traditional households. These demographic trends are occurring amid continued suburbanization and migration to the South and West.

In some cases these trends are converging. Most Americans regardless of their age, household form, ethnicity, length of residence, or income seem to prefer living in an owner-occupied single-family home. At the same time, Americans want more choice among neighborhoods and housing forms. Some want neighborhoods of modern single-family homes in central cities; other want higher-density pedestrian-oriented neighborhoods in suburban communities. With their kids all grown, some Baby Boomers are planning to retire to exurban and golf-course communities; others are looking to move back downtown.

Local housing planners will have to do two things to respond to these trends and preferences. The first will be to work with private builders to provide a wider variety and mix of housing products in urban, suburban, and exurban locations. Second, local housing planners will have to allow—and perhaps even encourage—the existing housing stock to adapt. In some suburban communities, this will mean liberalizing restrictive occupancy codes. In other places, it will mean replacing single-use zoning with mixed and multi-use zoning.

Targeting Housing Subsidies

Only about $1 of housing subsidy is currently available for every $3-$4 of housing need (Harvard Joint Center, 1995). Faced with limited and perhaps dwindling resources, local housing planners must determine how best to target housing subsidies. This challenge is even more important with the trend toward housing block grants, and the recent shifting of both discretion and responsibility to the local level.

There is rarely consensus as to how scarce housing subsidies should be allocated. Inevitably, the choice comes down to assisting many, but with a lower (and perhaps inadequate) level of assistance, or to assisting a few with sufficient subsidy dollars to fully address their housing needs. This is the choice between a shallow-subsidy approach and a deep-subsidy approach. Faced with diverse housing needs, some housing departments might choose the former approach, distributing their housing funds so as to provide some shelter beds for the homeless, some rent subsidies for very-low-income seniors, some downpayment assistance to first-time homebuyers, and a pre-development loan to a community-based nonprofit. Another community, given exactly the same housing needs, might choose to concentrate its resources to leverage tax credit dollars for the construction of a single very-low-income family housing project.

Decisions regarding targeting should be based first and foremost upon careful measurements of housing need and consultation with affected communities. Beyond this, they should be based on issues of leverage (how many additional resources will a particular expenditure raise?), the likelihood of a successful outcome (will the program beneficiary ultimately be able to re-enter the private market?), the cost of operating the program, whether the program or approach has worked before, and the local availability of long-term political support. While meeting all needs may not be realistic, the failure to analyze the nature and distribution of local subsidies and to consciously inject concern for efficiency and equity into local housing planning will produce fewer good plans and policies than when these considerations are addressed head-on.

Opening Up Suburbs, and Neighborhoods

Urban America was only slightly less segregated along race and class lines in 1990 than in 1970. Housing planners have long pursued policies and programs designed to open the suburbs to minorities (Downs, 1973; 1992), and sometimes to open up neighborhoods within a single city. These initiatives have failed, by and large, for four reasons. The first is that the burden on the individual of being a pioneer is a heavy one, and the responsibility is rarely regarded as being worth it. The second is that while government policies can sometimes successfully promote suburban integration, they cannot prevent whites from fleeing in response. Third, residential desegregation is too often pursued as a top-down policy, either without regard, or in direct opposition, to the wishes of local elected officials. Finally, despite progress in promoting fair lending, most mortgage lenders still lack the ability to properly underwrite loans in poor and minority communities. Overcoming these barriers may be the foremost challenge facing American housing planners during the next 10 years.

New Challenges

Housing planners at the beginning of the twenty-first century face some new challenges. Some—such as the issue of what to do with distressed low-rent public housing projects and below-market interest rate projects whose subsidies are expiring—grow out of the failure of past housing programs. Others, such as how best to deal with homelessness and to link housing with social services, reflect changes in America's social structure, economics, and public policy.

Making Severely Distressed Public Housing Projects Viable

While most of the nation's 1.3 million low- rent public housing units are economically and socially viable (Stegman, 1990), many large, older projects in central cities are in deep trouble. Originally conceived as housing for the deserving poor, public housing is increasingly the housing of last resort for those with no other options. Often poorly designed to begin with, consistently under-maintained, and frequently poorly managed by inefficient and bureaucratic public housing authorities, many large inner-city public housing projects have become the source of the problems they were intended to solve. Public housing is no longer viable in its current form and it must and will be changed. The likely direction of change is clear: smaller, lower-density, scattered-site projects, built and operated with the help of community-based organizations. With tens of thousands of public housing units needing replacement, the problem is in managing the transition.

There are four aspects to the transition problem. The first is how to pay to for the new units (and associated services) without significantly increasing rents. This is a problem because land costs, building quality, and building standards are so much higher today than they were 30 or 40 years ago. The second is how to site the new projects in communities and neighborhoods which, by and large, don't want them. The third is where to find temporary affordable housing for current public housing tenants during the changeover. The fourth and most daunting problem is how to design an incentive-based management structure that doesn't succumb to the same types of problems that characterize today's public housing authorities.

Whether current plans to re-invent public housing will be a success or a failure must await the judgment of history. Managing this volatile process to achieve the best possible outcome with the fewest resources and the smallest political meltdown will be the biggest central city housing challenge of the coming decade.

Responding to Expiring BMIR Contracts and Subsidies

Another challenge with historical roots is what to do about expiring federal housing contracts. Much of the nation's affordable housing stock consists of privately-owned projects developed using 30- or 40-year federally-subsidized BMIR (below-market interest rate) financing and project-based section 8 subsidies. These projects were mostly constructed during the late 1960s and early 1970s under the Section 236 and 221(d)(3) programs; and during the late 1970s under the Section 8 Project-based assistance program. Under the two earlier programs, project owners were to be allowed to pre-pay their mortgages and raise rents to market levels after 15 years. Owners of project-based Section 8 developments are allowed to pre-pay their mortgages and opt-out of the program after 20 years. In addition, two-thirds of project-based Section 8 rent subsidy commitments automatically expire after 20 years.

Faced with the potential loss of hundreds of thousands of subsidized units, Congress in 1990 passed the Low-Income Housing Preservation and Resident Homewnership Act (LIHPRHA) prohibiting Section 236 and 221(d)(3) mortgage prepayment, and providing additional funds to encourage the transfer of at-risk projects to nonprofit or resident ownership. LIHPRHA was allowed to sunset in 1995, and since then, all contracts extensions have been annual. Expiring project-based Section 8 contracts have also been extended on a year-by-year basis.

How big is this problem? Altogether, about 1.6 million low-income units developed under the Sections 236, 221(d)(3), and project-based Section 8 programs are still in service. Federal subsidy contracts covering nearly two-thirds of those units are set to expire between 1997 and 2000. If the current practice of one-year renewals continues, soon nearly all contracts will expire every year. Should these contracts not be extended, many low-income tenants would find themselves paying two, three, and even four times their current rent. The fact that most subsidized units are concentrated in downtown areas means that whole neighborhoods could potentially be devastated (Griffith, 1996).

So far, Congress and the President have been reluctant to address this problem on a permanent basis. HUD has proposed legislation which would "mark-to-market" all the affected units (thereby allowing them to be financed) and convert all affected tenants to Section 8 vouchers. Fearing rent increases, displacement, and no expansion of Section 8 certificate funding, mark-to-market is opposed by many housing planners and rental housing advocates. The seriousness of the expiring contract problem, coupled with the fact that there is little political interest in addressing it, led the New York Times to label 1996 as the "the year housing died."

Responding to Welfare Reform

The Welfare Reform Act of 1996 represents a fundamental change in America's philosophy towards welfare. Whereas welfare was previously regarded as a national entitlement program—meaning that all eligible individuals were guaranteed benefits indefinitely—beginning in 1997, welfare is to function as a temporary subsidy to households while they look for work. Symbolic of its changed purpose, welfare's official name has also changed, from Aid to Families with Dependent Children (AFDC) to Temporary Assistance to Needy Families (TANIF). Under TANIF, individual states are to be given much more authority to set their own eligibility rules and benefit levels.

Welfare reform will likely have a significant impact on the housing situations of the poor, as well as on the local housing authorities, nonprofits, and private landlords who provide low-income housing. As current recipients are cut from welfare roles or else bumped into lower-benefit categories, a significant amount of funding will drain from the low-income stock. The financial viability of some projects will be immediately threatened.

In the short-run, housing planners will have to scramble to help find housing for people whose benefits have been cut, as well as help shore up financially threatened projects. This will put additional burdens on existing housing fund sources. The long-run effect of welfare reform on housing is less clear. If welfare reform succeeds, and if large numbers of current welfare recipients do indeed find jobs, then housing in general and private landlords in particular will almost certainly benefit. On the other hand, should welfare reform fail, it will almost certainly lead to the further segregation and isolation of the poor, and to a further undermining of the low-income housing supply.

Housing the Homeless

While there have always been dependent poor and homeless people, the magnitude of America's homeless population has greatly increased since 1980, at the same time that the nature of the homeless population has changed (Hopper and Hamburg, 1986; Hoch, 1989). In contrast to a limited group of white, single males, often with alcohol abuse problems, that characterized historic skid rows, today's homeless populations include people with substance abuse problems related to crack cocaine, heroin, and even more exotic and lethal new drugs; people with mental disabilities who would have been institutionalized in earlier decades; Vietnam veterans suffering post-traumatic stress syndrome, runaway and throwaway children, battered women, and whole families out of work because of economic restructuring, sickness, or other family crises. Some of the new homelessness is episodic; some is long-term. Some people currently homeless can transition to self-sufficiency given the right (and often costly) interventions; others will never be fully self-sufficient. Homelessness is a universal problem, but it is also concentrated in particular urban areas.

The current federal policy model for addressing homelessness and its associated problems is known as the *continuum of care* approach. The continuum-of-care approach is based on two precepts. The first is that housing and other social service problems are best provided jointly. The second precept is that most homeless people can be moved along a continuum—perhaps starting in an emergency shelter, then transitioning to a halfway house offering appropriate social services, and ultimately ending in unsubsidized private-market housing. Because it involves offering many different types of services in many locations, the continuum-of-care model is expensive. And as of yet, the funds to fully implement it have not been forthcoming. Nor has it been proven to work in all situations. Making continuum of care—or some other more locally appropriate model of homeless services—work with diminished federal funding is one of the most difficult challenges facing local housing planners.

Integrating Housing and Social Services for Special Needs Populations

Related to the issue of homelessness is the question of how best to integrate housing and social services for special needs populations. Housing providers have historically focused on housing, and not given much thought to related social services. This view is changing as localities develop continuum-of-care plans; as people with disabilities demand their rights under the Americans with Disabilities Act; as job-training programs assume greater prominence under welfare reform; as young Latino and Asian immigrants require additional schooling; and especially as the size of the elderly population swells.

The issue for most housing and service providers is not where to put or how best to offer such services. It is how to pay for them. Housing development and operating funds have historically come from one set of pots while funds for social services have come from another. The first challenge for both groups is to find additional funds. The second is to create incentives for housing and social service providers to work together to design, develop, and operate appropriate facilities. HUD's consolidated plan requirements have broadened the planning process to include service providers, and many local governments require nonprofit housing developers and social service providers to work together as a condition of receiving grant funds, but the process of integrated planning and implementation has yet to be institutionalized.

Improving Government's Capacity to Finance, Build, and Manage Assisted Housing

Traditional government bureaucracies are out; reinventing government to make it more mission-driven and customer-responsive is in (Osborne and Gabler, 1993). Recognizing that the ways in which government and housing interact will change, HUD, in 1995, published its own re-invention plan, entitled, Blueprint for a Reinvented HUD (U.S. Department of Housing and Urban Development, 1995). The HUD Blueprint proposed combining today's highly fragmented programs and funding sources into three broad program areas: public housing, homeownership, and housing and community development assistance to local governments. Consistent with the its consolidated plan initiative, HUD also proposed devolving ever more planning and implementation authority to local governments. The HUD Blueprint also proposes replacing the federal stick with a carrot: localities whose plans also reflect national policy initiatives are to be rewarded with additional funds.

Exactly how HUD's re-invention attempts play out remains to be seen. Especially in the public housing area, HUD has tried to reform itself before—mostly without success. Reinvention is made more difficult by the recent trend toward year-to-year program funding, and by HUD's resulting inability to enter into long-term program and funding commitments.

Still, whether or not HUD leads the charge or follows it, change is coming. The most likely direction of change is that:

1. Assisted housing will continue to constitute a shrinking share of the federal budget. There simply is no political constituency, in either party, for dramatic new housing initiatives.
2. Building on what it has historically done best, HUD will redesign itself to assist individual

households in participating the private housing market—both through programs that expand homeownership opportunities and through Section 8 rent subsidies.

3. Recognizing the broad diversity of local housing markets, the responsibility for financing, developing, and managing new supplies of affordable housing will increasingly shift to state and local governments.
4. Where institutional capacity exists, local governments will work with nonprofits and community-based organizations. HUD will provide some funding for such projects—mostly to replace existing public housing projects—but the majority of development funds will be derived from a wide variety of local sources, from major private and public financial institutions, and from the Low Income Housing Tax Credit program.
5. With big financing programs in decline, new affordable housing projects will be smaller in size, easier to manage, and require that their residents pay higher rents.
6. Local nonprofits and service organizations will also take the lead in providing housing and related services for the homeless and for special needs populations. Managing such projects will prove to be a perennial strain.
7. Federal enforcement of federal fair housing laws will continue to be a low priority. Instead, as has already started happening, fair housing efforts will focus on reducing mortgage lending discrimination.

The most important reinvention challenge of all is to devise assisted housing programs that really work: programs which are responsive to consumer needs and to market realities, and which cost effectively deliver high-quality housing. In the past, local housing planners have looked to the federal government for both resources and ideas. In the future, they will have to look to themselves and their communities.

Endnotes

1. This phrase is based on the preamble to the 1949 Housing Act, which stated that every American is entitled to a "decent home and a suitable living environment." The 1949 Housing Act committed the federal government to trying to solve America's housing problems, and the preamble is frequently invoked to measure how much progress has been made, as well as how much remains to be done.

2. Section 8 subsidies are the difference between 30 percent of tenant incomes and local fair market rents. The Section 8 program is not an entitlement program. Less than 30 percent of households who are Section 8-eligible actually receive assistance.

3. Land speculators buy unimproved, unserviced, and often under-zoned land (chiefly from agricultural interests) and hold it until such time as it is needed in the market. Land developers usher raw land through the entitlements process, subdivide it into home sites, and may or may not construct required infrastructure. Builders buy raw or finished lots and build homes, often on speculation. Many development companies combine these functions

4. Prior to 1980, savings and loans were required by the Federal Home Loan Bank Board to limit their construction and mortgage lending activity to housing. Following a series of federal laws deregulating thrift lending practices, many S&Ls aggressively expanded their loan portfolios to include riskier commercial projects. Such changes were principally responsible for the S&L crisis during the second half of the 1980s. In 1989, Congress passed the Financial Institutions Re-regulation Act (FIRREA), which sharply limited the ability of S&Ls to make construction loans of any type, including loans to apartment developers. The result, during the first three years of the 1990s, was a significant shortage of construction credit.

5. To the extent that local zoning and subdivision regulations limit housing supplies and densities below market levels, they also affect the price of new housing.

6. In the 1960s, homebuilders spotlighted obsolete and uneven building codes as significant causes of home price inflation. More recently, significant efforts have been made to standardize building codes within metropolitan areas, states, and even regions.

7. HUD was assembled out of several existing federal agencies, most notably FHA and the Housing and Home Finance Agency (HHFA).

8. Many demographers credit high rates of migration by young households to high-cost metropolitan areas during the late 1970s and throughout the 1980s as the root cause of declining homeownership rates. Still unclear are why homeownership rates fell among households with heads aged 35 to 45.

9. Tremendous production under the Section 236 program helped boost apartment construction levels during the late 1960s and early 1970s. The Economic Recovery and Tax Act (ERTA) of 1981 cut real estate depreciations schedules to 15 years as well as liberalized provisions for accelerated depreciation. The same act dramatically expanded the availability of tax-exempt bond financing for apartment construction. These changes made it much easier for apartment developers to obtain financing and attract investors.

10. The continuing decline in urban residential densities is mostly due to an increase in the amount of land set aside for community amenities, openspace, and infrastructure, and not an increase in individual lotsizes.

11. When analyzing the homeownership cost burdens, many economists prefer to think in terms of annual total user costs rather than monthly cash costs. Total user costs include mortgage principal and interest payments, property tax and insurance payments, income tax savings associated with the mortgage interest and property tax deduction, and some estimate of accumulated property value appreciation (or depreciation). Total user costs vary with mortgage interest rates and property appreciation rates as well as with housing sales prices.

12. The factors responsible for declining homeownership vary by time and place. In the late 1970s, the difficulties facing first-time homebuyers were most often attributed to rapid house price inflation and high mortgage interest rates. Homeownership costs declined during the mid- to late-1980s with falling mortgage rates, but the decline was far from even. In Washington, D.C., Seattle, and throughout California, purchase prices, downpayments, and closing costs continued to escalate through 1991.

13. This means that residents of segregated neighborhoods typically pay higher rents than residents of non-segregated neighborhoods for the same quality housing.

14. The Fair Housing Act of 1968 put the onus for combating discrimination on those individual households who had been discriminated against. The Fair Housing Act Amendments of 1988 made it easier to file suit alleging racial discrimination suits, and boosted the penalties for those found guilty of discrimination, but still left the responsibility mostly with the individual household.

15. Because the interest received from most state and municipal government bonds is not taxable, investors require such instruments to pay lower yields than taxable bonds. This enables government to attract capital at lower interest rates, and pass on the interest cost savings to homebuyers in the form of lower-than market mortgage interest rates (in the case of MRBs) and to developers in the form of lower-rate construction financing (in the case of IDBs).

16. The Tax Reform Act of 1986 imposed new limits on the volume and issuance of IDBs. Prior to 1986, developers using IDBs were required to set aside 10 percent of their production for low-income families earning less than 80 percent of the area median income. The 1986 tax law changes mandated that this share be increased. It also placed annual limits on the volume of new IDBs that a state could issue.

17. This estimate assumes that all of the 275,000 units (NCEED 1991, 1995) constructed by nonprofits and CDC between 1990 and 1995 were affordable.

18. Nonprofits are not the only organizations allowed to make use of the Low Income Housing Tax Credits. They are however, in the best position to use them to raise financing capital.

19. In 1987, COAH reduced its estimate of New Jersey's affordable housing needs to 145,000, from a previous, court-based estimate of 240,000.

20. Needs assessments for non-metropolitan municipalities and those not covered by a COG are prepared by HCD. In 1988, California housing element law was expanded to require a separate enumeration of low-income housing needs.

21. A complete housing stock assessment should cover subsidized as well as market-rate housing units. Information on the stock of public housing units can be assembled from local housing authorities, or can be downloaded electronically from HUD User. HUD User also includes the characteristics and locations of all Section 8, Section 236, and Section 202 housing units.

22. HUD's consolidated plan guidelines suggest prioritizing needs as high-priority, moderate- priority, and low-priority.

Appendix A: Glossary Of Key Terms

Aid to Families with Dependent Children (AFDC) A federal welfare program which provided support to very-low-income households with minor children as an entitlement prior to 1996. The AFDC program was replaced by a program of Temporary Aid to Needy Families (TANIF) in 1996.

Below Market Interest Rate Program (BMIR) Federal housing assistance in which the federal government pays a portion of the mortgage interest for a project during the life of the mortgage. The section 221(d)(3) and 236 programs BMIR programs for rental housing and the section 235 BMIR programs are examples. Many of the BMIR subsidy contracts executed in the 1960s and 1970s are expiring.

Community Based Organization (CBO) A local nonprofit organization such as a neighborhood Housing Development Corporation. CBOs are important actors in implementing government-assisted housing programs.

Community Development Block Grant (CDBG) A federal block grant program under which qualifying cities and urban counties receive federal funds to carry out community development programs. CDBG funds can be used to write down land costs for housing support rehabilitation programs, and for other housing-related activities. They often provide neighborhood physical improvements and social services important to the viability of housing.

Consolidated plan A plan mandated by the U.S. Department of Housing and Urban Development in which localities receiving specified federal housing or community development assistance are required to analyze their needs, identify resources, and develop and implement strategic plans to address their needs. The principal federally-mandated housing planning requirement.

Empowerment Zone A federally-designated neighborhood which receives major assistance ($100 million) under the federal Empowerment Zone program to support the economic revitalization of the neighborhood, create jobs, and train residents.

Enterprise Community A community with a federally designated area(s) in which federal enterprise community funding is made available for economic development, job training, and social services.

Fair housing Housing policies to end discrimination in housing based on race, religion, national origin, or other group characteristics. The principal federal fair housing requirements are under title VIII of the 1968 Civil Rights Act.

Fair share housing plan A metropolitan-level plan which addresses how many low- and moderate-income housing units different jurisdictions are expected to build.

Federal mortgage interest payment deduction The provision in the federal tax code which permits individual homeowners to deduct the amount they pay in mortgage interest from their pre-tax income. A federal tax expenditure which subsidizes homeownership.

General Assistance (GA) Welfare assistance of last resort for very-low-income individuals who are not eligible for SSI or TANIF support.

Greenlining Conscious policies and programs to make mortgage credit available in low-income and or minority neighborhoods in need of rehabilitation. The opposite of red-lining in which financial intermediaries refuse to lend in some neighborhoods.

Growth management Conscious government programs to regulate the tempo, location, and character of residential development so that infrastructure keeps pace with housing production and the type of housing desired locally is produced.

Homeless continuum-of- care plan A local plan to address the housing and social services needs of the homeless population through different phases of their transition from homelessness to self-sufficiency.

Household A census term for occupants of a dwelling unit.

Housing Development Corporation A local nonprofit organization whose principal activity is to develop and manage affordable housing.

Housing element of a general plan The section of a local government general plan which deals explicitly with housing.

Housing start A measure of new housing construction. A housing start takes place when ground for a new unit is broken. The basic measure of new housing construction activity.

Housing unit A U.S. census term. Housing units have a separate entrance and cooking facility.

Housing voucher A voucher paid for by the federal government, administered through local housing authorities, which pays an eligible household the difference between 30% of household income and local fair market rent. Unlike section 8 certificates voucher recipients can rent a unit for less than fair market rent and keep the difference or for more than fair market rent and make up the difference with their own money.

Inclusionary land use policy A land use policy consciously designed to provide housing for low- and moderate-income households within a community. The opposite of exclusionary land use policy.

Jobs/housing balance T he idea of planning housing production so that there are enough housing units available to match jobs in a commute shed.

Local Housing Authority (LHA) An agency of local government created pursuant to state enabling legislation to build and operate federally funded low-rent public housing. LHAs also administer the federal section 8 and voucher programs.

Low-income household A household earning between 50% and 80% of the median income for a primary metropolitan statistical area as defined by the U.S. census adjusted for household size. Important in determining eligibility for housing subsidy programs.

Low Rent Public Housing Project A housing project funded under the 1937 housing act as amended. Residents of low-rent public housing are almost exclusively very-low-income.

McKinney Act Federal legislation providing homeless assistance.

Moderate income household Household earning between 80% and 120% of median income for a primary metropolitan statistical area, adjusted for household size. Important in determining eligibility for housing assistance programs.

Mortgage Credit Certificate (MCC) A federal program which permits qualifying moderate-income first-time homebuyers to exclude a portion of their mortgage payment from federal income taxation. A federal homeownership subsidy.

NIMBY Someone who opposes the location of affordable housing, a homeless shelter, or some other local unwanted land use (LULU) in their neighborhood.

Overcrowded housing unit Defined by the U.S. census as a housing unit with more than one person per room (excluding kitchens and bathrooms).

Program planning (housing) Planning programs for the construction, financing, and management of housing and related services as distinct from land use planning.

Project-based Section 8 housing Housing where the federal government has guaranteed the availability of section 8 subsidies attached to the housing unit for the duration of the mortgage.

Redlining An illegal practice some lenders engage in of designating certain neighborhoods as off-limits for mortgage or rehabilitation loans. Households cannot obtain housing finance to purchase or rehabilitate their housing in redlined areas regardless of their credit-worthiness or the soundness of their housing.

Section 8 Certificate A certificate given to a household which meets income and other eligibility standards which provides for the federal government to pay the difference between 30% of the household's income and the fair market rent for a unit in the area.

Section 202 Program The principal FHA loan guarantee program for low-income senior housing.

Section 235 Program A HUD below market interest rate subsidy program for homeownership created in 1968 under which HUD paid the difference between a 1% mortgage interest rate and market rate for qualifying moderate-income first-time buyers of modest new or rehabilitated houses. The program was essentially terminated in 1972.

Section 236 Program A HUD below-market interest rate subsidy program for rental housing created in 1968 under which HUD paid the difference between a 1% mortgage interest rate and market rate for qualifying nonprofit and limited developers who would contract to rent the units for a regulated affordable rental amount during the life of the mortgage.

Section 221(d)(3) program A HUD below-market interest rate subsidy program for rental housing created in 1961 under which HUD paid the difference between a 1% mortgage interest rate and market rate for qualifying nonprofit and limited developers who would contract to rent the units for a regulated affordable rental amount during the life of the mortgage.

Severely Overcrowded Housing Unit A housing unit with more than 1.5 people per room (excluding kitchens and bathroom). A key U.S. Census measure of crowding.

State Housing Finance Agency A state agency which provides housing finance for assisted housing development within the state.

Subdivision Control Regulation of the process by which raw land is subdivided and prepared for residential and other development. Establishes basic standards regarding the size and layout of lots and public infrastructure.

Supplemental Security Income (SSI) The principal federal program to provide support for elderly individuals.

Sweat equity A contribution, in the form of labor, provided by an individual in connection with housing. For example, prospective residents of a new assisted ownership development may commit to providing 20 hours of work a week on construction of the project for six months in order to reduce construction costs and hence their mortgages.

TANIF grant Temporary Aid to Needy Families--a form of federal welfare which replaced Aid to Families with Dependent Children (AFDC) in 1996. Under TANIF qualifying households receive assistance for no more than five years.

Targeting (housing subsidies) The concept of making sure that housing subsidies go to households with need as efficiently as possible.

Transit-oriented development Housing development along light-rail lines, at transit stations or other transportation nodes, or otherwise specifically developed in relation to transportation.

Tax deduction A permitted deduction from pre-tax income. For example, homeowners may deduct mortgage interest from their pre-tax income—thereby reducing their taxable income and hence the amount of federal income taxes they pay.

Transitional housing Housing for formerly homeless households involved in programs that will hopefully make them fully self-sufficient.

Urban homesteading Programs which make inner city housing units in need of repair available at very little cost to households willing to live in and physically improve them.

U.S. Department of Housing and Urban Development (HUD) The U.S. Federal government agency most directly involved in housing and community development activities.

Vacancy rate The ratio of vacant units in an area's housing stock to all units. An indicator of demand for housing and the health of the local market. Cities commonly determine rental vacancy rates.

Vertical efficiency (in social welfare programs) The extent to which subsidies intended for needy people are well targeted to those people and no others. For example, a housing subsidy program intended for very-low-income households would be vertically efficient if 100% of the program funds reached very-low-income households and no others.

Very-low-income household A household earning less than 50% of an area's median household income adjusted for family size. Important in determining eligibility for HUD and other housing subsidy programs.

Welfare reform A process being undertaken to assure that able-bodied individuals capable of working do so rather than staying on public assistance.

Appendix B: Sources of Housing Market and Planning Information

Information	Source	Series name	Subject Coverage	Geography	Frequency	Format
Current and Historical Population, Households and Housing Stock	U.S. Census Bureau	*Dicennial Census of Population and Housing*	Counts and composition of U.S. population, households & housing stock	States, metropolitan areas, counties, cities, census, tracts and zipcode districts	Every 10 years	Paper, CD-ROM Internet, CPS+
	U.S. Census Bureau/HUD	*American Housings Survey*	Counts and detailed characteristics of U.S. housing stock and households.	U.S., 48 MSAs, special zones	Annual	Paper, CD-ROM
	U.S. Census Bureau	*Current Population Survey*	Counts and selected attributes of population and households	States and MSAs		Paper, Internet
	U.S. Dept. of Housing & Urban Development	*Housing Markets*	Housing market characteristics	U.S. and by region	Quarterly	Paper
	State, regional, or local agencies	State, regional, and local census tabulations	Population, household, and sometimes housing counts	States, counties & municipalities	varies	varies
Population, Household & Housing Projections	U.S. Census Bureau		Population	States and MSAs		
	State and regional agencies		Population & households	Counties and municipalities	varies	varies
New Housing Construction	U.S. Census Bureau	C-20 (Starts), C-25 (Characteristics) C-30 (Value), C-40 (Permits)	Number, value, and selected characteristics by unit type.	States, MSAs, counties	monthly or quarterly	paper, on-line
	U.S. Dept. of Housing & Urban Development	*Housing Markets*	Housing market characteristics	U.S. and by region	Quarterly	Paper
	F.W. Dodge Company	*Construction Analysis System*	Housing starts by unit type	States, MSAs, counties municipality	monthly	subscription
	Local governments	Building permit counts			monthly	paper
	Nat.'l Assoc. of Homebuilders	*Housing Economics*	Starts, permits, and sales	States and MSAs	monthly	subscription
Housing Prices, Rents & Vacancy Rates	Nat.'l Assoc. of Homebuilders	*Housing Economics*	New home inventory, sales & prices	States and MSAs	monthly	subscription
	National Association of Realtors	*Real Estate Outlook*	Existing home sales volume, prices, and affordability	Regions and MSAs	monthly, quarterly	subscription
Housing Absorption	NAHB Chapters		Construction and absorption by development	Local markets	varies	paper
	Local consultants & vendors		Construction and absorption by development	Local markets	varies	subscription
Transaction Characteristics	Experion (formerly TRW-REDI)		Characteristics of individual property sales	Property level	updated weekly	on-line queries
	Metroscan		Characteristics of individual property sales	Property level	updated weekly	on-line queries
	NAR Multiple Listing Service		Characteristics of unit	Property level		paper, on-line
Assisted Housing	U.S. Dept. of Housing & Urban Development	HUD User	Number and characteristics of assisted projects and units	by MSA	annual	on-line
Mortgage Loan Data	Federal Reserve	Home Mortgage Disclosure Act	Mortgage applications and originations	by MSA	annual	CD-ROM

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