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Stop low-cost housing drain

As affordable options dwindle for low-income families, Obama has chance to turn housing goals into reality

Addressing Congress nearly 75 years ago, President Franklin D. Roosevelt called adequate housing a right of every American family willing to work. Fifteen years later, the Housing Act of 1949 set national goals that included "a decent home and a suitable living environment for every American family."

Congress has never rescinded those goals, yet they remain today unfulfilled and even unmeasured. For more than four decades, at least since the Housing Act of 1964, the nation has lacked a comprehensive housing policy that would help develop U.S. cities and their metropolitan regions.

Now President-elect Barack Obama and Congress face an emerging housing crisis, including a record number of home foreclosures, the potential loss of hundreds of thousands of affordable housing units, and growing numbers of ill-housed and impoverished renters.

From 2000-06, the number of families with housing costs exceeding 50% of their income increased by 2 million, or 34%. Because of a lack of funding, however, federal housing assistance programs serve only one in four of eligible low-income families.

Preserving affordable housing must become central to a new federal housing agenda. Fully recognizing the growing importance of rental markets, such an agenda should also include tax credits to low-income renters, similar to Earned Income Tax Credits, and assistance to local governments to buy and fix up foreclosed property for affordable housing.

While planning for new housing needs, the federal government must continue to respond to the home foreclosure crisis and worst U.S. housing slump in more than a quarter century.

Two-thirds of U.S. adults still own their own homes, but nearly one in five mortgage borrowers is upside down -- owing more than their homes are worth. More than 4 million of them -- a record 9% -- were either in foreclosure or behind on payments as of this summer, the Mortgage Bankers Association reported.

This year alone, foreclosures will probably exceed 1 million. Subprime loans made in 2005 and 2006 will eventually push more than one in 33 home owners into foreclosure.

The resulting vacancies affect more than individual home owners. Empty houses lower neighborhood property values, aggravate blight, deepen the credit crisis, and undermine the economy. Government must take innovative and accountable measures to refinance or reduce mortgages, enable bankruptcy courts to restructure mortgage debts and even permit distressed home owners to become temporary renters.

Even so, the foreclosure crisis will push more people into multi-family rental units. That could result in long-term social benefits, given new energy and environmental pressures that will encourage population density.

"Across the country, the trend had become home ownership, but the idea of rental needs to be revived as part of an urban agenda that finds creative ways to preserve and build more affordable multi-family housing," said Denise Notice-Scott, managing director of Local Initiatives Support Corporation in New York City. LISC, the nation's largest community development support organization, has helped build more than 230,000 units of affordable housing.

Public housing preservation

Preserving public, including Section 8, housing is the cheapest and most environmentally sensitive way to meet America's low-income housing needs. It stabilizes neighborhoods and tax revenues. By curbing sprawl, housing preservation also promotes sustainable regional growth. It is more practical than building in areas with restrictive zoning regulations, hostile public attitudes and little access to mass transit.

"Public housing is an investment and a national asset," said Shaun Donovan, commissioner of the Department of Housing Preservation and Development in New York City, where two-thirds of residents rent. "It is also an economic development strategy. What keeps people -- intellectual capital -- and young, creative entrepreneurs or artists coming to New York City is the vitality and diversity of its neighborhoods."

The nation has already lost an estimated 350,000 of its 2 million units of subsidized housing over the last decade. They either deteriorated or owners converted them to market-rate housing.

Making matters worse, over the next five years, contracts between the government and landlords on more than 900,000 Section 8 units will expire, reports the National Housing Trust. That means owners can opt out of a federal program that uses federal subsidies to keep the rents of poor families to about 30% of their income.

Tens of thousands more affordable apartments with mortgages subsidized by the U.S. Department of Housing and Urban Development could disappear when mortgages mature over the next 10 years.

Some losses in public housing can be made up by expanding federal low-income tax credit programs. Such programs enable nonprofit developers to build housing with lower debt, resulting in lower rents.

But tax-credit programs alone won't cover all of the losses in public housing. Equally important, rents on tax-credit projects are generally too high for the poorest Americans, especially in high-rent markets like New York City. Elderly people and those with disabilities make up nearly half of those in federally subsidized housing.

The federal government, therefore, must find ways to retain units of low-income housing programs after HUD contracts expire or federally subsidized mortgages mature. It ought to offer financial incentives for original or new owners to stay in the programs, or even consider requiring them to do so. If an owner wants to sell, tenant associations or the developers they designate should get first rights of purchase.

Options for affordability

One simple way to preserve permanent affordability is to provide reliable, long-term contracts with landlords. HUD must become a steady and dependable partner.

The federal government should also encourage developers to set aside a portion of tax-credit projects for Section 8 housing. Now, it actually discourages Section 8 units in such projects by lowering the subsidies. Local governments can help, too, by allowing developers zoning variances for more units if some are set aside for Section 8 tenants.

HUD must again become an able advocate and strong voice for housing and urban issues, instead of a dysfunctional, outdated department that appears to have lost its mission. After assessing the nation's housing stock, it should develop a coordinated national housing plan.

"We can't just invest in physical infrastructure -- we have to invest in human and social infrastructure," said Deborah Younger, executive director of LISC in Detroit. "What good is building a house for Mrs. Jones if she doesn't have employment, or if she can't stay in her job because she doesn't have day care for her kids, health care or transportation?"

New York's example

In developing a new housing agenda, the federal government can draw energy, inspiration and ideas from the hundreds of community development corporations, advocacy and tenant groups that have, sometimes with little government help, done much to meet the nation's housing needs over the past three decades.

In New York City since 1980, more than 50,000 units of housing were redeveloped by community groups such as the Abyssinian Development Corporation, working with governments and nonprofit financial backers like LISC.

Formed in 1989 with a \$50,000 grant, the Abyssinian Development Corporation owns or has developed about \$500 million worth of property in Harlem, including a 65,000-square-foot grocery store, the Thurgood Marshall Public School, an \$85-million retail and office complex, and more than 1,100 rental units, mostly for low-income residents.

The nonprofit development arm of the Abyssinian Baptist Church sits in modest offices on 125th Street in the central Harlem neighborhood it helped bring back from despair and disinvestment.

In the 1980s, following a period of decline that included an epidemic of crack, AIDS and homelessness, New York City, through foreclosures, controlled more than half of Harlem's residential property. More recently, Harlem residents faced new challenges in a hot real estate market, with luxury apartments pushing up rents.

Moreover, the entire city continues to lose affordable housing. From 1990 through 2007, 30% of the city's nearly 120,000 apartments in subsidy programs were lost, reports the Community Service Society of New York.

Harlem could have lost hundreds more low-income housing units in 2004, when the Ennis Francis Houses on Adam Clayton Powell Jr. Boulevard were threatened with foreclosure.

The heating system in the rat-infested building failed to work and the ceilings leaked. A pit of raw sewage stood in a community room. The complex had peeling lead paint and 228 building code violations, including 29 deemed immediately hazardous.

In November 2004, HUD, under tenant pressure, wrested control from the landlord and appointed the Abyssinian Development Corporation administrator for the Ennis Francis Houses.

In 2005, with \$6.7 million in loans, including \$2 million from LISC, Abyssinian bought the property and continued cleaning it up. It has maintained the 231 units as Section 8 housing and plans to add 60 affordable housing units. If the property had been sold to a for-profit developer, it likely would have been converted to market-rate condos.

Today, the rebuilt 11-story high-rise -- along with nine renovated three-story buildings -- has remade a community, instilling pride and hope in its tenants, who led the fight to clean up Ennis Francis and keep its rental subsidies. Tenants formed an association in 2003, after enduring a week without hot

water and the collapse of an underground sewage pipe.

"This is about not only preserving affordable housing but also making it quality housing," said Kim Smith, 39, a tenant leader. "Just because it's low-income does not mean it should be substandard."

A promise fulfilled

The federal government, working with local governments, tenant agencies and nonprofit development corporations, can preserve more affordable housing and avert a prolonged housing crisis that could undermine cities and the national economy.

New housing policies will not replicate the top-heavy programs of the 1930s and 1960s, also decades of great social change. With creative partnerships between government, the private sector and the people, they should seek to fulfill a 75-year-old promise to make adequate housing a right and reality for all.

Additional Facts

About this series

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