

Help Us Shape Future of Federal Housing Policy

BY ANDRE F. SHASHATY

Forget the incremental approach to affordable housing. With a new Congress and a new president scheduled to take office next January, advocates tell AFFORDABLE HOUSING FINANCE there's no point in tinkering around the edges anymore. They are calling for a complete rethinking of federal housing policy and how federal resources should be used.

"We need radical new thinking," said Richard Baron, chairman and CEO of McCormack Baron Salazar and a 2007 inductee into AFFORDABLE HOUSING FINANCE's Affordable Housing Hall of Fame.

He and others cited enormous problems with low-wage workers' ability to find affordable housing and the impact of rising foreclosures on failed homeowners and the neighborhoods where real estate markets are not strong enough to rebound from concentrations of foreclosed properties.

While federal government officials and the presidential candidates are talking about policy responses to rising foreclosures, industry leaders say they are responding in an inadequate and piecemeal fashion. They say the responses are just short-term fixes that do not deal with the nation's housing problems in a comprehensive way that will yield long-term improvements.

Several experts criticized the government response for continuing to focus on homeownership at a time when the pitfalls of promoting ownership to moderate-income families are obvious. They said the responses so far fail to recognize the need



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-Bart Harvey, former chairman, Enterprise Community Partners, Inc.

to enact policies to encourage production of more affordable rental housing.

"While the subprime crisis is getting so much attention now, people still seem unable or unwilling to focus on the broader crisis in affordable housing," said Deborah VanAmerongen, commissioner of the New York State Division of Housing and Community Renewal (DHCR). "The federal government has abandoned its commit-

ment to addressing the housing needs of the nation, and that lack of investment has had a devastating effect throughout the country."

Few would disagree about the need for a more aggressive and proactive federal approach to affordable housing, but as usual, the industry faces internal conflicts and political challenges to making progress.

A long-standing but controversial goal of legendary housing advocate Cushing Dolbear was to curtail the income tax deduction for interest on home mortgage loans. That idea has a new champion in Bart Harvey, former Enterprise chairman.

He is making speeches calling for limiting the home mortgage deduction and putting the resulting federal tax revenue toward affordable housing programs.

"We need to modify the mortgage interest deduction and related tax savings to more equitably allocate those scarce resources. We should phase out of those mortgage interest benefits above \$500,000 and have a Republican and Democratic agreement that the savings, which are literally tens of billions of dollars, would go into four different affordable housing initiatives," Harvey said.

Without any new taxes and without hurting our homeownership rates, Congress could take the recommendation from President George Bush's bipartisan panel on tax reform that we modify the mortgage interest deduction and more evenly share it, he added.

"It makes no sense to keep subsidizing larger, more expensive, less green housing when millions of people need assistance with basic shelter," said Harvey.

Harvey knows that the home building

and home sales industries would oppose any limits on the deduction, but he thinks change might be possible given the current crisis in housing—especially if home builders were offered a trade-off, such as a new tax credit for construction of homes for first-time buyers.

Reducing the revenue loss from the mortgage interest deduction is also advocated by Shaun Donovan, commissioner of New York City's Department of Housing Preservation & Development, because it is the only way to generate federal funds in sufficient amounts to address low-income housing needs.

One of Harvey's proposals is to use new revenue from curtailing the mortgage interest deduction to set up systems for the orderly intake of foreclosed properties in a way that would help stabilize affected neighborhoods. Strong federal intervention is needed so "we don't destroy all we've built over 20 years," he said.

In cities like Cleveland, he said large numbers of homes are being abandoned and will have to be demolished, and the aftermath is far-reaching on other homeowners who have not lost their homes. It has "a huge corrosive effect," Harvey said.

Another possible impact of rising foreclosures is the return of "redlining" in some areas, said Nicolas P. Retsinas, director of Harvard University's Joint Center for Housing Studies. Redlining was the term used to describe the refusal by banks to make loans to any property in certain low-income or minority neighborhoods.

Along with the Brookings Institution, the Joint Center has released a collection of papers intended to help policymakers see the value of rental housing. It is called *Revisiting Rental Housing Policy: Policies, Programs and Priorities*.

The papers are "a reaction to the demonization of rental housing over time," Retsinas said. They describe the results of research showing that rental housing helps revitalize neighborhoods and provides "a platform for access to jobs and services." He said the papers help "make the case for rental housing."

Another prominent theme among experts consulted by AFFORDABLE HOUSING FINANCE was the need for new policies that recognize the bigger picture of urban development issues.

"Part of the problem is that you can't look at rental housing for lower-income

individuals in isolation. There is a dire need to create and improve mixed-income and mixed-use communities," said Carol Galante, president and CEO of BRIDGE Housing Corp. in San Francisco.

She called for efforts to help neighborhoods have better schools and better access to health care, retail services, and job centers. She suggested bringing back a version of the old Urban Development Action Grant program, which provided flexible dollars for the neighborhood efforts needed.

That could help what she called the 21st-century challenge of "channeling where new growth occurs (into existing urbanized areas) and what types of homes and apartments are created (greener, denser, and serving a range of incomes)."

Baron echoed the call for a comprehensive approach, pointing out that large-scale redevelopments require too many different sources of funding or approval. He suggested creating a federal development bank to guarantee debt to finance major projects with repayment to come from increased tax revenue.

One of the areas of clear agreement is the need to make preservation of the exist-

Frank Answers: Legislative Leader Weighs In on Housing Policy

In response to inquiries by AFFORDABLE HOUSING FINANCE, the following statement was submitted by Rep. Barney Frank (D-Mass.), chairman of the House Committee on Financial Services:

"The committee has spent a great deal of time during the past session trying to improve the stock of affordable housing. I believe that the absence of affordable rental housing is a serious social and economic problem ... And that it contributed some to the subprime crisis because it pushed people into homeownership when there should have been other alternatives for them, in many cases more suitable to their economic situations.

"My three highest legislative priorities for the coming year are:

- Finishing work on the creation of an affordable housing trust fund;
- Adopting legislation that to the maximum extent preserves existing affordable housing in a way that continues to make it available for low- and middle-income people, in the face of expiring-use provisions;
- Fully integrating the housing programs based on federal appropriations with those that are supported by tax benefits.

"In the legislation we have passed this year, we fund the affordable housing trust fund not from appropriations—so we don't have to compete with other important public housing priorities—but from additional revenues generated from the Federal Housing Administration and from Fannie Mae and Freddie Mac. That is, we take profits that are generated in the housing area in general and put them to affordable housing. I



B. Frank

hope to finish work on that in cooperation with our Senate colleagues this year.

"As to the preservation issue, legislation adopted in the 1960s and '70s created affordable housing largely through federal subsidies to lenders but allowed the use restrictions to expire after 40 years. We face the loss of hundreds of thousands of affordable units if we do not adopt the legislation to prevent this, and that is a very high priority for me. This will cost some money, but dollar-for-dollar, money that we use to preserve existing affordable units gives us the best bang for the buck.

"There are a number of programs that are supported by state and federal appropriations processes, and there are also housing programs that are based in various tax preferences. Unfortunately, these two sets often have very conflicting rules and requirements, and people—especially in high-cost areas—seeking to put some of these programs together to get maximum return are frustrated by this. We intend to make this work together in a seamless fashion. I am working closely with Chairman Charlie Rangel of the House Ways and Means Committee in this regard.

"Finally, I will continue to argue that the goal of public policy should be to assist people into getting safe and decent homes, and that homeownership is a subset of this, but not the entirety of it. Reminding the country that a good supply of affordable rental housing is a critical aspect of our quality of life has, sadly, become easier because of the subprime crisis. I wish it had not taken such a disastrous event to help us make the point, but it is one of the things that we must do if we are to avoid a repetition." ■

—Andre F. Shashaty

ing stock of affordable housing a top policy priority.

Many sources blasted the current administration for failing to address this need.

“The federal government has not only failed to put forward funding to assist in these efforts—and in some cases, such as HOPE VI, has consistently proposed cuts or elimination—it also has not adopted laws or regulations to assist these private efforts, such as needed changes in the tax credit program to make it work better with transactions such as Sec. 236 decouplings or Sec. 202 refinancings,” said VanAmerongen of the New York DHCR.

“Preservation of existing affordable housing is critical, and that should be a top priority of any administration,” said Harvey.

A key preservation issue is how to deal with aging public housing.

There is strong support in Congress to reauthorize the HOPE VI program with substantial funding and new requirements for such things as green building. But several public housing officials told AFFORDABLE HOUSING FINANCE the program has become far too cumbersome and complex, adding so many layers beyond the provision of decent shelter that many housing authorities cannot hope to apply, let alone complete projects in a timely or economic way.

In New York City, half the residents of public housing are now earning income above the poverty level, and Donovan thinks that’s a goal all public housing agencies (PHAs) should strive toward. He advo-

cates scrapping today’s heavily regulated system of HUD subsidies to PHAs. He believes it would cut administrative costs and delays and give PHAs powerful incentives to improve management to provide funding by way of Sec. 8 rent subsidies.

(Congress has ordered HUD to deregulate public housing, but the agency has made very little progress doing so. For complete details, see “Fighting for the Future,” AFFORDABLE HOUSING FINANCE March 2007, page 36.)

Political battles loom

In this election year as in those past, housing leaders still struggle to put their issues higher on the political radar. This time, however, there is far more optimism that they might succeed.

“The good news is the bad news,” said Retsinas. The subprime mortgage mess and its “contagion effect” is very bad, but it creates an opportunity for policy change, he explained. The challenge is to use it as a way to enact a forward-looking housing policy, rather than reacting with policies that “just look out the rear window.”

“This gives us an opportunity to say we should not be obsessed with homeownership ... that we can meet shelter needs with rental housing,” he added.

Several industry leaders feel the best chance to win a higher political priority for housing is to emphasize the economic benefits of providing housing affordable to working people. “We have been beating the drum about helping the poor, but it’s starting to fall on deaf ears,” said R. Lee Harris, president and chief operating officer of

Cohen-Esrey Real Estate Services, LLC. The industry has failed to adequately promote the economic benefits of affordable housing development, he added. “You can absolutely prove the benefits of housing for the workforce.”

AFFORDABLE HOUSING FINANCE’s sources are placing their hopes on 2009 and the next president and Congress that takes office that January. But they are cautiously optimistic that 2008 might bring a few steps forward as the 110th Congress completes its second year.

There is plenty of housing legislation on our legislators’ plates. In 2007, under the leadership of Rep. Barney Frank (D-Mass.), the House Financial Services Committee cranked out 35 bills that had some provisions on housing, including a bill to create a national housing trust fund, a new affordable housing funding requirement for the government-sponsored enterprises and a bill to revamp the Federal Housing Administration programs. The Senate completed action on none of the bills that cleared the House in 2007.

In response to AFFORDABLE HOUSING FINANCE’s questions, Frank said he is dedicated to the task of helping Americans obtain affordable homes, and that “homeownership is a subset of this, but not the entirety of it.” (See full text of Frank’s response on page 25.)

On the following pages, AFFORDABLE HOUSING FINANCE presents a range of comments from industry leaders on the state of federal housing policy and what the next president should do. ■

State, Local Governments Fill Gap Left by Feds

In recent years, the federal government has fallen far behind state and local governments in addressing many public policy concerns, especially the need to deal with runaway housing costs.

Recognizing that trend, the Center for Housing Policy, the research affiliate of the National Housing Conference (NHC), has launched a major effort to disseminate information on successful state and local housing initiatives.

State and local governments are “stepping into a void” left by federal inaction but would benefit from sharing information about what they are doing, said Jeffrey M. Lubell, executive director.

Under Lubell, who took the helm in 2006, the center has gone beyond its traditional practice of documenting affordable housing needs



J. Lubell

to start disseminating information on solutions to housing problems.

In 2007, it came out with an analysis of the roles state and local governments can play to expand availability of rental and ownership homes for working families.

In January 2008, it launched a new online guide to state and local housing policy at www.housingpolicy.org. Lubell said it is a major platform for reaching state and local governments and helping them put together comprehensive housing strategies. The center will follow up with outreach, technical assistance, and conferences to further that goal.

Lubell succeeded Robert J. Reid, who served as head of the center since 1993. The center has three main strategic goals: to expand awareness of the nation’s housing challenges, develop programs to meet housing needs, and document connections between housing and other issues, such as education, health, and environment. ■

—Andre F. Shashaty

Industry Suggests Ideas for Change

Q How do you assess the results for housing of the first year of the 110th Congress? Which of the pending housing bills that have come out of the House Financial Services Committee have a high probability of enactment in 2008?

Charles L. Edson: The House passed a lot of bills. The Senate did not even pass water. With Sen. [Christopher] Dodd (chairman of the Senate Banking Committee) back in action (after dropping out of the presidential race), we can hope for action on government-sponsored enterprise and Federal Housing Administration reform and a housing trust fund. But passage of any legislation is iffy at best.

Patrick Sheridan: I was very encouraged by the attention affordable housing received by the committee last year. Unfortunately, there wasn't corresponding action in the Senate. The most likely bill to get enacted in 2008 is the tax credit modernization bill.

David Smith: Discouraging, because very little got enacted, and I am not confident of anything being enacted in 2008, with the presidential hoopla.

Q How can the housing industry get national politicians, including the presidential candidates, to pay more attention to the affordable housing shortage?

Laura Archuleta: There's no question in anyone's mind that there's a housing shortage, and that the need is extreme for low-income families and seniors. Where perspectives differ among political parties is

how to work to solve the problem. The housing industry needs to consistently publicize its successes and do a better job of explaining why a specific approach or solution worked. It's about advocacy through example.

Michael Bodaken: Housing should be placed squarely in the context of sustainable, healthy, diverse communities. Communities without affordable housing for their service workers, police, teachers, and elderly are less likely to be sustainable over time. For communities to be "home to everyone," housing must be provided to service workers, police, teachers, the elderly, the disabled, in short, all of us.



C. Galante

Carol Galante: By broadening the conversation to include both businesses (housing the workforce as an issue) and connecting the housing shortage to other issues (health and the environment as examples).

Jeffrey Lubell: Housing is a major issue for many Americans, but it doesn't translate into political action. First, most Americans can't relate to our existing set of housing programs; they're for "other" people, not for them. Second, when politicians do hear about housing issues, they hear many different messages, rather than one clear one. Third, the nation's housing challenges are very complex and often seem intractable. To change this dynamic and elevate housing as a national priority, the housing industry should work to get on the same page behind a broadly inclusive housing policy designed to ensure that all Americans have access to decent and affordable homes.

Roundtable Participants

- Laura Archuleta, president, Jamboree Housing Corp.
- Richard Baron, chairman and CEO, McCormack Baron Salazar
- Michael Bodaken, president, National Housing Trust
- James Buckley, president, Citizens Housing Corp.
- Charles L. Edson, Washington, D.C., attorney and housing policy expert
- Carol Galante, president and CEO, BRIDGE Housing Corp.
- Bart Harvey, former chairman, Enterprise Community Partners, Inc.
- Jeffrey Lubell, executive director, Center for Housing Policy
- Alexander Roberts, executive director and CEO, Community Housing Innovations, Inc.
- Patrick Sheridan, senior vice president of housing development, Volunteers of America
- David Smith, CEO, Recap Advisors

Alexander Roberts: Affordable housing should be linked to comprehensive land-use reform under the umbrella of "smart growth." By linking sustainable development principles, such as greater density in the downtowns, increased mass transit, walkable communities, affordable housing, and energy efficiency, many interests join forces to advance a common goal.



A. Roberts

Sheridan: I suggest the linkage between working families living in stable homes and voting needs to be promoted. We are already seeing record turnouts at the primaries. That would suggest that middle- and lower-income voters who may be occupants of affordable housing are voting this year versus past years. The ability to find affordable housing should continue

to be a hot button during this election, although the subprime fiasco and declining home prices may take some pressure off the issue.

Smith: Focus on the middle class, particularly workforce housing.

Q After 21 years, the low-income housing tax credit (LIHTC) has survived many political challenges. What are the three most important things Congress and the next president can do to make it more effective and to better target this limited resource?

Richard Baron: I would increase the amount going to states and give them more authority to offer increases in basis for certain projects ... make it more effective in financing mixed-income communities, which would serve people earning up to 100 percent of the area median income (AMI), but which would also have to serve very low income people.

Bodaken: Index the credit, eliminate the 10-year rule, and eliminate the prohibition of using tax credits on the refinancing of Sec. 8 mod-rehab properties.

James Buckley: Despite the great success of the tax credit program, production of low-income housing in the most impacted areas has become a patchwork of multiple sources piled on top of each other in order to bring housing costs down to the neediest households. Each part of this financing mix has its own rules and its own compliance regime, making operation of properties serving very low income people complicated and time-consuming.



J. Buckley

Edson: Pass the series of mainly technical corrections forwarded by the National Council of State Housing Agencies (NCSHA) and other concerned groups.

Galante: 1. Fix the credit amounts at 4 percent and 9 percent; 2. Make it easier to do mixed income; and 3. reform the complicated and detailed tenant compliance

aspects of the program, which are very costly and inefficient for little benefit.

Sheridan: Pass the tax credit modernization bill, which fine-tunes many of the problems we currently experience; and increase the tax credit to 9 percent for the preservation/acquisition price of Sec. 515 Rural Housing Service projects. These deals are so thin as it is, any increase in basis or rate would preserve more projects.

Smith: Streamline it. You could do the whole program in four pages of the Internal Revenue Code, with everything else in regulations: Repeal recapture bonding and the 10-year rule; and enact a tax credit specifically and exclusively for legacy public housing. As I discussed in my three-part series on public housing (*The Ghost of*



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—Charles L. Edson, Washington, D.C., attorney and housing policy expert

Christmas Yet to Come, The Gordian Knot, and The Essential Housing Authority), that would stimulate privatization, which is essential.

Q The political deck seems stacked in favor of homeownership at the cost of renewed federal assistance for rental housing development. In view of the collapse of the subprime market, how can the industry get federal leaders to dedicate more resources to benefit low-income renters?

Archuleta: The collapse of the subprime market is causing renewed focus on rental housing because families coming out of homes they can no longer afford will need a place to live. This creates an additional demand for rental housing.



L. Archuleta

Bodaken: The subprime mortgage catastrophe is a direct result of “one size fits all” thinking. Homeownership is indispensable to America’s housing policy. But it is not sufficient. As more and more Americans rent and homeownership rates inevitably decline, federal and state leaders need to better balance resource allocation for affordable rental housing.

Edson: While shoveling snow in the winter and mowing the lawn in the summer, I have always thought that efforts to get very low income folks into homeownership are designed to make the poor suffer like the middle class. Hopefully the subprime crisis will make it clear that it is a mistake to prescribe homeownership for all—lest the American dream turn into the American nightmare.

Sheridan: The story needs to be repeated that successful housing policy includes both homeownership and rental housing, in an appropriate balance. The misguided notion that everyone should be a homeowner resulted in the subprime market meltdown. The truth of the matter is that as young families form they most often need rental housing before they build up equity for a home. On the other end of the spectrum, ignoring the housing needs of seniors casts a blind eye to that fact that almost 50 percent of all renters in government-assisted housing are seniors who have moved out of homeownership.

Smith: We in the industry have become prisoners of our own sectoral and tenure divisions. We ought to be proposing rent-to-own programs, shared ownership, privatizing public housing into nonprofit ownership via United Kingdom-style stock transfer, and other innovations that bridge across tenures. We also ought to see both

income and tenure as continua. You may be extremely low income today, in which case you need income subsidy, secured tenure, and help to improve your lot. When you move up to very low income, you may need the same things. By the time you reach the LIHTC income cap, you're likely to be able to move to market rental, and in some cases into first-time homeownership. Meanwhile, properties developed as one tenure (for example, LIHTC rental) can attract residents, who in turn over time become a community, and eventually they can motivate a change in tenure (for example, to limited-equity co-operative or another ownership form). Change of tenure can thus parallel change in income status. We do very little of this in the United States, and because of that, people and properties tend to be pigeonholed and lose their social and economic mobility.

Q What are the top three things you would ask the next president and Congress to do to make existing federal programs more effective to expand the supply of affordable housing or the affordability of existing housing?

Baron: One way or another, low-income families need a rent subsidy. More money for existing housing vouchers is one possible answer.

Lubell: Establish a national housing policy that addresses the full range of critical housing issues facing Americans, including: the growing housing and services needs of the elderly; the housing needs of persons affected by disasters; the risk of foreclosure faced by today's homeowners; the increasing housing challenges facing working families; the environmental and livability challenges posed by sprawl and poorly coordinated housing and transportation policies; the need to improve the energy efficiency of residential housing without compromising housing affordability; and the housing challenges of veterans, people with a disability, the poor, and the homeless.

Edson: Reduce as much federal regu-



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—Richard Baron, chairman and CEO, McCormack Baron Salazar

lation as possible. The tax credit teaches that wholesale federal government regulation is not needed if significant penalties are imposed for violating the rules.

Sheridan: More deep tenant subsidy, either project-based Sec. 8 or vouchers or U.S. Department of Agriculture (USDA) Sec. 521 Rental Assistance needs to be provided from federal sources. I would suggest that in normal times, sufficient sources of capital exist to construct rental housing. The missing resource is the deep tenant subsidies needed to reach the low-income and very low income households for whom 30 percent of income is less than the operating cost of the typical LIHTC project. (For tax credit projects specifically), provide funds to assist in filling financing gaps and increase tax credit authority to states so that more credits are available to fund more projects.

Smith: Provide a general supremacy statute. For instance, anything specified in

the LIHTC statute overrides anything to the contrary in a Department of Housing and Urban Development (HUD) program. It would simplify using HUD loans at a single stroke.

Q What are the top three new federal programs the next president should propose to expand the supply of affordable housing or the affordability of existing housing?

Baron: Create a national development bank for major projects. It could provide a federal guarantee for debt instruments to be used for major regional redevelopment projects and repaid with increased tax revenue.

Bart Harvey: Use revenue from curtailed home mortgage interest deduction for: 1. Homeownership counseling for the subprime issue and a government-backed effort to take in foreclosed properties in an orderly way in those states and cities most impacted; 2. a new homeownership tax credit; 3. expansion of the LIHTC and expansion of credible modifications advanced by NCSHA; and 4. creating a fund for inclusionary zoning that would be allocated by state agencies to projects that encouraged and matched localities' efforts to deliver fair and equitable inclusionary zoning for developers.

Sheridan: A deep tenant subsidy program that is project-based that can be used with LIHTC or state programs without other HUD or USDA involvement; a preservation program for HUD, USDA, and LIHTC projects that would give preservation buyers resources such as grants or soft loans they need to compete with the market-rate buyers; and an expanded program of grants for construction, per diem or operating subsidies, and supportive service dollars to truly provide for the homeless.

Edson: Outside of the housing trust fund (now pending in Congress), we don't need new programs. Let's adequately fund and administer what we have now.



J. Lubell



P. Sheridan

Q What are the three most important policy initiatives needed to preserve the existing stock of affordable housing?

Bodaken: At the federal level, fully appropriate, on a 12-month basis, funding for renewals of all project-based Sec. 8 contracts; enact the omnibus preservation bills to be introduced by Rep. Barney Frank (D-Mass.) and Sen. Chuck Schumer (D-N.Y.) in the spring of 2008.

Galante: Create a tax incentive for existing owners to sell to entities that will preserve long-term affordability. We can't afford to keep recreating affordability. We are now redoing and rebuying tax credit deals.

Smith: Fund soft capital resources to facilitate sale to mission-oriented entities (nonprofit and for-profit). A national-level exemption from real estate taxes for permanently preserving affordable housing would be a useful tool.

Q What are the top three new federal housing-related tax law changes the new president should suggest?

Baron: Create a new tax incentive to encourage foundations to get more involved.

Bodaken: Eliminate the exit or recapture tax on investors of existing affordable, federally subsidized rental housing.

Sheridan: Exit tax relief to reduce the burden on owners agreeing to sell to preservation entities; increase the tax credit rate from 4 percent to 9 percent for the acquisition portion of a preservation project; and modify the method for setting tax credit project rents to rely on the Consumer Price Index rather than the area median income (AMI).

Q What can the federal leadership do to reduce the cost burdens imposed by our patchwork of local land-use regulation and the accompanying lack of local support for affordable housing development?

Archuleta: I don't think there's any



"The next Congress will face a tsunami of federal entitlements."

-Michael Bodaken, president, National Housing Trust

way local government will give up local control—that's something it holds close to its heart and is at its very reason for existence. On a federal level, we need to encourage and financially incentivize local governments to do the right thing by zoning land and appropriating local resources for the production of affordable housing.

Buckley: Put together a program that would reward smart, compact development at a local level (rather than try to be a super-regulator). (It could) provide infrastructure dollars to a metropolitan area if they use it in ways that will encourage denser, transit-oriented development that provides more affordable housing options for low- and middle-income folks. This is being done on a smaller scale in the housing bond money approved by California voters last year.

Edson: The feds have been trying to encourage reduction of local restrictions for 40 years to no avail. The only practical way is to deny HUD funding to communities with unreasonable or excessive restrictions. Don't hold your breath.

Lubell: Regulatory and other barriers

to development that prevent the market from responding efficiently to increases in demand in strong markets have driven up housing prices significantly, contributing greatly to shortages of homes affordable to working families. The federal government should provide financial incentives to encourage states and localities to expand opportunities for new development and rehabilitation of older homes, including increased density around current or planned transit stops, provided that a share of new housing in those areas is affordable to families with a range of incomes. The federal government should also educate states and localities on policies that can help to boost supply, rather than constrict it. HUD's Regulatory Barriers Clearinghouse is a step in the right direction, but it is a very small operation. The federal government should be investing much more in this effort.

Roberts: The Office of Fair Housing and Equal Opportunity must be emboldened to challenge exclusionary zoning on the grounds of disparate impact on minorities. The most segregated communities are now in the liberal Northeast because of "snob zoning." The next president should propose laws that encourage smart growth, of which affordable housing is a key component, and (they should) penalize communities that refuse to allow multifamily housing in their zoning.

Sheridan: There needs to be a federal incentive—or if that fails, a disincentive—to local, county, and state governments that "penalize" affordable housing by layering on impact fees, property taxes, and other costs that increase the cost and rents at affordable housing projects.

Q Does the federal budget deficit mandate slow or no growth in federal housing subsidies for the foreseeable future, no matter who controls Congress? What does that mean for housing policy?

Bodaken: The next Congress will face a tsunami of federal entitlements that will indisputably constrain the ability of the federal government to significantly expand federal housing subsidies. Congress should consider a set of matching

grants to states and localities that allocate their own limited resources to preserving or producing affordable rental housing.

Edson: Yes. No matter who wins the presidency, there will not be much more money for housing.

Sheridan: Unfortunately, this is a very real problem. With entitlement programs and defense eating up more of the budget every year, there is less flexibility available in discretionary programs. Housing policy will likely suffer until defense spending decreases or the looming shortfalls in Social Security are addressed.

Smith: Mandate? No. Make it very likely, yes. Housing policy is increasingly being driven bottom-up, from local, municipal, and regional government. That will continue.

Q What can the affordable housing community learn from welfare reform and Medicare reform?

Edson: Welfare reform was essential to preserve the program. Don't think that housing is in such dire straits.

Roberts: In the mid-1990s when welfare reform was debated, many on the left predicted it would increase homelessness. Just the opposite occurred. Any aid to the poor must be evaluated on whether it encourages or discourages personal responsibility. The Earned Income Tax Credit is successful because it reduces poverty while encouraging work. Welfare-to-Work Sec. 8 vouchers were a flop because they did not increase work because able-bodied recipients received the benefit whether they worked or not.

Smith: Get in front of change, be dynamic, don't have static views and a bunker



“[We should] show a linkage between receipt of assistance and moving toward self-sufficiency.”

—David Smith, CEO, Recap Advisors

mentality. Find ways to couple housing assistance with incentives to work and a family support system that makes it possible for people to work. Reduce or eliminate the “dependency trap” of means-tested assistance.

Q Several experts have said current housing programs would get much more support if they served a continuum of needs from the very low income to moderate-income working persons; and required some form of self-help and self-sufficiency from recipients of housing assistance so they eventually could give up federal aid. What's your view?

Edson: I think both would be a good idea, but it's politically difficult to raise income limits.

Galante: I absolutely agree that not only would housing programs get more support if they served a continuum, they would be more effective as a community and neighborhood building tool.

Sheridan: I agree that if federal programs were designed to be flexible enough to reach a full continuum, they would receive more support. I disagree with requirements to force residents to participate in self-help programs or self-sufficiency. There is much need for such programs in affordable housing, and they should be available, but not required. As to implementing a continuum of federal support, I would suggest that a new federal program is needed to replace many of the older HUD and USDA programs, the new program using a variety of assistance, from grants to loan guarantees to tax benefits, each of which could be blended to provide assistance to owners trying to reach targeted income groups.

Roberts: I agree, and the Earned Income Tax Credit for able-bodied recipients should be expanded and perhaps replace some housing programs for able-bodied recipients. Our nonprofit administers a county program in which homeless heads of household are required to work in order to receive a Sec. 8-like housing subsidy. It has been very successful.

Smith: Yes, a continuum is helpful. Otherwise housing just looks like welfare in disguise—and besides, it's better policy to have multiple tools for multiple income bands. We should provide matching funds or something analogous for states and localities that are targeting 60 percent to 90 percent of the AMI in workforce housing. For extremely low income residents, show a linkage between receipt of assistance and moving toward self-sufficiency. ■

Kemp-Cisneros Book Offers Examples

Another great resource for information on what state and local governments can do to address housing needs is *Our Communities, Our Homes*, a book co-authored by Jack Kemp, Kent Colton, Nicolas Retsinas, and Henry Cisneros. The book outlines a comprehensive approach to housing policy and lists a wide range of resources for further details and examples of state and local efforts in each policy area.

It is published by Harvard University's Joint Center for Housing Studies, www.jchs.harvard.edu.

Kemp and Cisneros are former secretaries of the Department of Housing and Urban Development (HUD). Retsinas is a former HUD assistant secretary and now heads the Joint Center. Colton was the CEO of the National Association of Home Builders from 1984 to 1999. ■