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**CARING CAPITALISM:
HOW HOUSING ADVOCATES JOINED GOVERNMENT
AND THE PRIVATE SECTOR TO CREATE NEW
LOW-INCOME HOUSING POLICY, 1968-1993**

By

David J. Erickson

October 2004

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**CARING CAPITALISM:
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Abstract

Some scholars argue that the state jealously guards its power and budgets, slowly adding to them over time. Recent U.S. public policy history offers a challenge to this interpretation. Since the 1970s, the government has been shedding capacity. Government increasingly has relied on a new incentive structure to build institutional capacity outside of government. Low-income housing policies were the vanguard of this change. The federal housing bureaucracy grew from the 1930s to the 1960s but was bypassed in the 1970s in favor of a network of new players—state and local government, private and nonprofit corporations, and consultants. This new network has been effective in delivering housing producing more than 1 million subsidized homes in the 1980s and 1990s. This article outlines the political debates of over the evolution of this network - from a re-commitment to low-income housing production in the 1960s, to attacks on government housing programs in the 1980s, and finally to a new consensus in the late 1980s over the decentralized housing development network infused with federal dollars.

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When Edith and Archie sat down at the piano to sing the “All in the Family” TV show theme song, they were unambiguous about their feelings about the good life in the early 20th century when “girls were girls and men were men.” They were clear too on the welfare state: “didn't need no welfare states, everybody pulled his weight, gee our old Lasalle ran great, those were the days!” Of course the Lasalle didn't run that great and the welfare state is not simply a tool to help those who “don't pull their weight.” It is a much more expansive concept incorporating a set of government programs that reduce the risks of modern life. Welfare states spend to alleviate poverty, maintain health, support families, the elderly, and veterans. They guard against the swings in economic fortune by supporting unemployed and injured workers and spend to smooth out the booms and busts of the business cycle.¹ Because welfare states pool risk across generations, different classes, and racial groups, they are a powerful source of social integration in modern society.²

The commonly accepted story is that the U.S. welfare state was built up between the 1930s and the late 1960s and then suffered a series of policy and political setbacks during the 1970s, which triggered a backlash. Conservative politicians from Richard Nixon to Ronald Reagan successfully harnessed white middle-class anger over government programs in order to roll back the welfare state. In other words, Archie Bunker won. Ira Katznelson, for example, in *Was the Great Society a Lost Opportunity?*³ argues that the pro-welfare state Democratic Party lost ground in the 1970s because Keynesian fiscal policy exacerbated the stagflation of that time and urban political machines withered, losing their ability to incorporate white ethnics into the party, while the white South defected.⁴ Thomas and Mary Edsall echo many of the same points

as Katznelson. For the Edsalls, the labor-dominated Democratic Party reached a political high point with the Civil Rights Act of 1964, but the increased focus on minority rights pushed them too far to the left while the Republicans moved to the political center.⁵ Recent books on the welfare state including Michael Katz, *The Price of Citizenship* (2002), and Neil Gilbert, *Transformation of the Welfare State: The Silent Surrender of Public Responsibility* (2002), reinforce the interpretation that the welfare state and the coalition that supported it withered from the 1970s onward.⁶

The standard story seems partly correct. But what happened to the welfare state since the 1970s is more complicated. In my research on subsidized housing programs, I found that *both* liberals and conservatives were frustrated with the programs of the Great Society and while they disagreed on emphasis, both looked to change the delivery of social services. Some aspects of the welfare state weakened since the 1970s but others innovated and grew. At the same time that *The New York Times* was describing affordable housing as a political issue that had “evaporated”⁷ and that the *Washington Post* was reporting that “HUD is about as popular as smallpox,”⁸ billions of new federal dollars were flowing into new subsidized housing programs. Liberals such as House Ways and Means Chairman Charles Rangel joined with conservatives to increase block grants and tax expenditures to affordable housing at the same time they were cutting HUD's budget. Even more interesting was that increased funding to subsidized housing through programs such as tax credits seemed to demonstrate a “willingness to walk away from ideology” in the words of George H.W. Bush’s HUD Secretary Jack Kemp.⁹

The paradox in affordable housing mirrors the changing dynamics of the welfare state. The most dramatic change from the 1970s was not scaled back funding—although that was true for key programs for the very poor—but a shift in how the federal government delivered welfare

state services.¹⁰ Partly this is a result of the more energetic use of an array of policy tools: tax policy, regulation, loans and loan guarantees.¹¹ These incentives were designed to induce nongovernment players—nonprofit corporations and for-profit firms—to participate in delivering services. Recent scholarship from Lester Salamon, Steven Rathgeb Smith, Michael Lipsky, Jacob Hacker, Julian Zelizer and Jennifer Klein show that when these other funding mechanisms are taken into account, the welfare state appears larger and more comprehensive than one would surmise by simply looking at the more traditional bureaucracy-led and direct expenditure-funded welfare state.¹² Christopher Howard refers to the services that are encouraged by the less obvious tools—especially the tax code—as the “hidden welfare state.” Because government-sponsored incentives were used with increasing frequency in the 1980s and 1990s, it certainly challenges our understanding of a withering welfare state.

What is missing in the recent scholarship is a sense of how the use of the “new tools of government” contributed to the creation of new institutions. I argue that a new type of decentralized institution has developed around supplying low-income housing. The model has been replicated in other areas of policy too. Despite the fact that this new type of decentralized institution was an amalgam of participants from the private sector, nonprofit corporations and all levels of government (federal, state, and local), it shared an ideology and a culture (complete with its own practices, terminology, and norms of conduct). It was an institution with shared interests that demonstrated considerable political acumen in organizing and promoting itself. The marriage of federal resources to a network of service providers in sub-national government and civil society has created the beginnings of a twenty-first century decentralized welfare state.

The history of subsidized housing policy from 1964 to 1996 shows the transition to the decentralized welfare state. Decent housing is one of the many areas of market failure in modern

times—quality housing that meets minimum standards is beyond the means of many wage workers.¹³ In this sense, affordable housing is similar to unemployment insurance, subsidized health care, public transportation, and the other services that the welfare state provides to ease the economic burden of citizens. In addition to being a standard welfare state service, affordable housing policy was on the vanguard of using multiple partners in a new approach to deliver social services.

The federal government's large-scale efforts at subsidized housing began during the Depression with the Wagner-Steagles Housing Act of 1937. The Taft-Ellender-Wagner Housing Act of 1949 expanded the federal role in housing, as did the so-called urban renewal programs of the 1950s. The 1960s brought even more federal resources to housing with programs such as Model Cities and the creation of the Department of Housing and Urban Development in 1965. By the 1980s, however, Ronald Reagan was drastically cutting the federal government's direct support for housing programs.

There were legitimate problems with subsidized housing policy in the 1970s. Bad design and shoddy construction left a physical legacy of many high-rise apartment buildings that suffered from skyrocketing maintenance costs. Many began to agree with Oscar Newman, who in his influential book, *Defensible Space* (1973), argued that apartment towers were inherently unsafe because they promoted anonymity, lacked adequate supervision, and encouraged criminal behavior.¹⁴ The view gained wide popularity.

A shift in property management approach exacerbated the design and construction problems. Less oversight and more desperate tenants fueled the perception—inside and outside public housing—that government-subsidized projects had become a hopeless holding pen. “Once scrupulously careful about admitting tenants,” writes Roger Biles, “local housing authorities

became less discriminating and relaxed screening procedures.”¹⁵ The problems were real, but the public perception of them was much worse. Most public housing, in fact, was managed well and not of the high-rise design. Rachel Bratt is particularly convincing on this point in her essay “Public Housing: The Controversy and Contribution.”¹⁶ But the problems in troubled projects were so severe and high-profile, they cast the entire program in a negative light.

At first glance, the history of subsidized housing appears to follow the standard story in which the federal government adopted welfare-state responsibilities in the 1930s, adding to them through the 1960s. In the 1970s, political discord over social service programs, a series of high profile public relations gaffes, and genuine policy mistakes (e.g., construction and management of Pruitt-Igoe and Robert Taylor Homes) culminated in a backlash in the 1980s. The story would make sense for affordable housing programs too—that is, if you could hear it over the din of construction of upwards of 1,000,000 federally subsidized apartments in the 1980s and early 1990s.¹⁷ These units were built primarily by for-profit and nonprofit housing developers and funded largely with tax credits and federal block grants.¹⁸ The number of subsidized apartments was still a fraction of the need, but by the mid 1990s there were almost as many homes built under the decentralized program as there were subsidized apartments surviving from all the previous periods of government building (1937 – 1986).¹⁹ To say that after Reagan, the federal government was out of the affordable housing business is simply wrong.

Another way to look at this phenomenon is that during the 1980s two simultaneous policy revolutions took place (or perhaps a revolution and a counter-revolution). On the national level, Reagan’s Revolution dramatically cut back the role of the federal government in housing; the revolution from above eliminated funds. At the local level, a revolution from below was taking shape; community groups, local and state governments, and elements of the private sector pulled

together to find ways to build housing for low-income tenants without federal help. The effort started small and did not build many subsidized housing units at first. But it did demonstrate how a decentralized housing network might work.

The different players (subnational governments, nonprofit and for-profit firms, community groups and housing activists) experimented with new ways to work together to build housing. The results were similar, but nearly every community mixed and matched their resources in different ways. Successes at the local level demonstrated that these networks could be an effective force for policy implementation. In time, the networks would grow in their sophistication, become politically active, and lobby successfully for more federal resources. The housing network, made stronger with federal funds, is the prototype for the decentralized welfare state.

Three Eras in Housing Policy

There have been three important eras in housing policy since the mid-1960s. The first era was a renewed commitment to building affordable homes that came out of the Great Society and dates roughly from 1968 to 1981. Within this period, there was an important moment in 1973 when President Richard Nixon stopped all new federally-subsidized housing production, only to restart it a year later with diminished resources. Housing policy under Nixon and Jimmy Carter would make some important new experiments with housing allowances (also known as vouchers) and block grants. However, in general, there was less money for housing in the 1970s, and despite some experimentation, no radical break from past policies. The second era came with the arrival of Ronald Reagan, who attempted to shut down government housing programs entirely during a period from 1981 to 1988. The third era occurred with the development of a

new consensus around a decentralized approach to delivering affordable housing. While we are still in this period, I will focus on its early development, from 1988 to 1996.

Three seminal reports by influential presidential committees on housing and urban problems set the tone and programs for these three periods.²⁰ The first was the voice of the Great Society in *A Decent Home: The Report of the President's Committee on Urban Housing* (1968), chaired by Edgar F. Kaiser. The Kaiser report was an analysis concurrent with, and in the spirit of, the Kerner Commission report on race. It sounded a warning and called for a spirited government response to solve social problems that affected the inner city and low-income tenants. The second, *The Report of the President's Commission on Housing* (1982), chaired by William F. McKenna, was a direct attack on the housing programs of the late 1960s. A third report that in some ways synthesized the previous two is *A Decent Place to Live: The Report of the National Housing Task Force* (1988), chaired by David Maxwell and Jim Rouse. The Maxwell/Rouse Report argued for the federal government to get back into the subsidized housing business but in a different mode, as the coordinator and partial funder of a new network of service providers.

Housing and the Great Society

Perhaps the most striking feature of the 1968 Kaiser report was the sublime confidence in government capabilities that pervaded nearly every page. President Lyndon Johnson charged the committee to:

find a way to harness the productive power of America—which has proved it can master space and create unmatched abundance in the market place—to the most pressing unfulfilled need of our society. That need is to provide the basic necessities of a decent home and healthy surroundings for every American family now imprisoned in the squalor of the slums.²¹

The committee analyzed the problem and came to the conclusion that in the next ten years, the country would have to build 26 million new housing units, six million of which needed to be subsidized for low-income tenants. “Attainment of this goal should eliminate the blight of substandard housing from the face of the nation’s cities and should provide every American family with an affordable, decent home.”²² However, production of 600,000 units of subsidized housing in each year of this period would have been quite an achievement, since the peak new production year up to this point was 71,000 units in 1952.²³

More than confidence, the report reflected a sense of obligation. Housing was considered a matter of economic right, as well as an important national investment in the future. The report stated: “We strongly believe that the goal is necessary and justified for these reasons: [1] Decent housing is essential in helping lower-income families help themselves achieve self fulfillment in a free and democratic society [and 2] Public expenditures for decent housing for the nation’s poor, like public expenditures for education and job training, are not so much expenditures as they are essential investments in the future of American society.”²⁴

To fulfill this obligation, the report suggested that the federal government join “private enterprise, organized labor, and state and local governments in creative and affirmative partnerships.”²⁵ The report was unequivocal about the fact, however, that the federal government would be the leader and coordinator of the effort to eradicate slums. The report warned that if the new partnerships failed to materialize, the federal government would have to become the “houser of last resort,” using its resources, organizational capacity, and legal tools—e.g., eminent domain—to build the millions of necessary housing units. “Unquestionably, a direct Federal program of land acquisition, public construction, and public ownership and management of

subsidized housing would produce the millions of dwellings needed by low-income families within any determined timespan.”²⁶

This housing policy call-to-arms reflected the larger problems of LBJ’s War on Poverty. Confidence, commitment, and aggressive goal-setting alone were not sufficient to solve social problems. The report stated that “Within urban slums, there are the knotty sociological relations between rundown housing, human behavior, environmental conditions of total neighborhoods, and the disadvantaged life of the poor.”²⁷ The bulk of the report wrestles with the logistics of ramping up a huge investment in housing, an investment that could reach as high as five percent of GDP.²⁸ Linking housing to the “knotty” problems of slums made sense then. It makes sense today. But framing the problem in this way meant that a policy success required a triple win against the material, social, and economic conditions of urban poverty.

Victories on so many fronts would have been difficult under ideal circumstances. But the late 1960s and 1970s were not ideal. The economic assumptions underlying the report were wildly optimistic. It assumed an annual GDP growth rate of 5.5 percent with a 4 percent unemployment rate. The analysts admitted that the models did not hold if there were problems of inflation. In fact, the 10-year period from 1969-1979 had an average level of unemployment rate of 6 percent²⁹ and average annual inflation of 7 percent.³⁰ Economic growth was sluggish too. From 1970 to 1976 the growth rate for Real GDP was 2.3 percent, picking up by the end of the decade with a growth rate of 4.7 percent up to 1979.³¹ With the economic rug pulled out from under this plan, it became increasingly difficult to sell the idea of a massive new government investment in housing for the urban poor.

Another weak spot in the Kaiser plan was that the partners in local government and private sector never quite materialized. It is one thing to invite everyone to a party, but quite

another for them to show up. In the 1960s, the federal government invited participation from other levels of government, the private and nonprofit sectors, but they were not ready. Subnational government and community-based groups distrusted each other and lacked the expertise to implement new programs. But the early efforts to develop this capacity paid off in later years. It created an expectation that locals would play a larger role in the decentralized welfare state and started embryonic organizations and programs that grew more capable over time. In 1969, for example, no state had a housing finance agency. By 1990, 48 states did. And in 1969, there were 112 nonprofit community development corporations that built affordable housing. By 1990, over 1,760 did.

Experiments in the 1970s

The political scientist Theodore Lowi considers Richard Nixon to be the last Democratic president of the 20th century.³² Given the subsidized housing production numbers of his HUD appointee, George Romney, you might agree. The only period when significant numbers of housing units were built was between 1969 and Nixon's 1973 moratorium. In 1970, HUD came as close as it ever did to the Kaiser report's 600,000 per year goal, with 431,000 new subsidized homes that year.³³

Numbers failed to solve the problems of distressed urban areas. New units were being built in center cities when vacancy rates skyrocketed because so many nearby homes were simply abandoned. Not only were homes built in the wrong places, but higher productivity created bureaucratic inefficiency at best and outright corruption at worst. One effort at improvement involved the federal government partnering with the private sector to build housing with programs such as 236(d)(3), which provided federal insurance for mortgages, and the

Section 8 New Construction program. The most important innovation, however, was the Community Development Block Grant program of 1974 (CDBG). The CDBG program, created in 1974, consolidated multiple narrowly-targeted funding programs from the Great Society, and provided federal funds in unrestricted block grants to local government.

Block grants and “federalism” are associated with Nixon and conservative politics, but liberals who were disillusioned by earlier urban renewal programs and perceived HUD inefficiencies were eager for it too. David Garrison worked on the CDBG legislation in the early years as legislative counsel to the Office of Federal Relations for the National League of Cities and the U.S. Conference of Mayors and later as a budget analyst for the House Committee on the Budget. He said that efficiency and building capacity at the local level was a concern across the political spectrum, it “was hard to argue then that you get a better result if you had a HUD bureaucrat in some regional office hundreds of miles away making that decision instead.”³⁴ Both Republicans and Democrats saw block grants as an improvement. Garrison said, “there was broad agreement to the basic idea” and the “concept of a block grant was not seen then as a device to do away with the program long term. No one suggested that at all—ever.”³⁵

Ronald Reagan’s Approach to Subsidized Housing

The Report of the President’s Commission on Housing (1982), chaired by William F. McKenna criticized the Kaiser Committee’s approach to housing policy as one that contributed “to deterioration rather than renewal.”³⁶ McKenna’s report, rather than putting its faith in government, based its optimism “on an entirely different belief: that the genius of the market economy, freed of the distortions forced by government housing policies and regulations that swung erratically from loving to hostile, can provide for housing far better than Federal

programs.” The fundamental conclusion to this report was that the market was the answer to the housing problem—a problem created by naïve government meddling. “The 1970s taught not only the limits of the good that can be done by government action, but also the depths of the harm that can be wrought by ill-thought or ill-coordinated government policy.”³⁷

From the vantage of the early 21st century, the faith in market forces that this commission held dear also seems naïve. The McKenna report proposed that an entirely deregulated Savings and Loan industry that was “empowered to solve its own problems without legal handcuffs and regulatory restrictions will generate more money for housing than could be hoped for from institutions seeking to recapture a past that is gone forever.”³⁸ In addition to giving private industry a free hand, the report recommended reducing federal oversight of housing authorities and making federal park land available to low-income housing developers. Years later, the unregulated Savings and Loan industry required a federal bailout that was conservatively estimated to cost \$325 billion by the General Accounting Office (GAO)³⁹ in addition to other incalculable depositor losses.

The McKenna report stated that the “Commission seeks to create a housing sector that functions in an open environment with minimal government participation.”⁴⁰ It opposed new federally-subsidized construction and vowed to shrink, or eliminate, the government housing bureaucracy. The commission envisioned proposed replacing existing federal programs with unrestricted block grants to states and more importantly, vouchers paid directly to low-income tenants who could exercise their consumer sovereignty in the housing marketplace. Moving to vouchers would be less expensive, according to the report, and “relatively simple and straightforward.”⁴¹

Anticipating the argument that the federal government could try to improve existing service delivery systems, the McKenna report said the federal government was incapable of reform. “Officials in government agencies and organizations often perceive change as a threat to competing public concerns or to their own personal interests.”⁴² More bureaucracy could not solve the “knotty” problems of the inner city slums identified by the Kaiser report, only the market could do that. Entrepreneurs, not bureaucrats, would rebuild slums once they were unleashed from government red tape and provided tax breaks in so-called enterprise zones. “In enterprise zones the approach is to relax governmental controls, reduce taxes, modify regulations, and remove other inhibitions on business investment.”⁴³

McKenna’s report, like the Kaiser report, saw a role for state and local governments to play in providing housing. Unlike Kaiser, however, McKenna could look back on a decade of innovation and institution building on the state level and affirm that states rather than the federal government could play a more important role in solving housing policy problems. The report urged creative use of both general obligation bonds and tax-exempt revenue bonds to generate capital for subsidized apartment buildings in addition to below-market interest rate mortgages for first-time homebuyers. “There is now in existence both a network of marketing channels for tax-exempt housing bonds and a corresponding set of institutional arrangements for using the bond proceeds in the production of multifamily housing for low- and moderate-income households and the financing of single-family homes.”⁴⁴

Since the main thrust of the McKenna report was for a government retreat from housing, the most important changes to federal housing policy that followed were reduced budgets. The Reagan administration cut appropriations for federally assisted housing programs dramatically from \$31.9 billion to \$9.4 billion between 1981 and 1987.⁴⁵ But by 1987, the

political climate that inspired the market-only approach of the McKenna report began to wane. Democrats once again controlled the Senate, and even George H.W. Bush acknowledged a need for government to take a stronger role in social welfare services, particularly when new approaches appeared inexpensive and squared with the conservative political tenets of local control and faith in markets.

Subsidized Housing's 1988 "New Wave"

The economic and physical health of cities did not improve in the 1980s and it became increasingly clear that the market and local government were not up to the challenge of housing the nation's low-income tenants. In 1988, Congressional leaders recruited another commission to re-examine the nation's housing problems. The National Housing Task Force was a group of 26 individuals drawn "from business, banking, community service, and state and local government"⁴⁶ and was led by James W. Rouse, a successful real estate developer-turned-philanthropist, and David O. Maxwell, Chief Executive Officer of the Federal National Mortgage Association (Fannie Mae).⁴⁷

The 1988 report, known as the Maxwell/Rouse report, was cautiously optimistic. Growing confidence came from the fact that state and local government, along with nonprofit and private corporations, managed to do innovative and important work during the difficult financial times of the early 1980s. It advocated a renewed federal government commitment to housing that could invigorate "new alliances among the public, private and community sectors" in what the report described as a "new wave" for housing policy. The new alliance, according to the report, would be "Vigorous and diverse, it raises new possibilities and new hope for housing low- and moderate-income families."⁴⁸

The report forcefully argued that as promising as the new approach to housing was, it never would succeed without a new infusion of federal money and leadership. “The 80 percent decline in HUD funds for new housing commitments over the past decade has hindered the growth of this new system to deliver affordable housing.” If this approach ever were to be comprehensive and effective, however, it would need new energy, leadership, and financial support from the federal government.

Policy makers proposed a variety of financing tools to make this approach more effective. “We have learned, over the last quarter century, that housing problems are varied and complex. To be effective, housing assistance must assume different forms.”⁴⁹ These different forms included boosting the consuming power of low-income tenants with vouchers and a variety of housing construction finance strategies that included low-interest loans, loan guarantees, tax incentives, and federal insurance. One of the most important new financing tools proposed was a new block grant program, which eventually became the HOME Investment Partnerships (HOME) program. HOME, in some respects, was modeled on CDBG. The block grant program was meant to have few strings attached, but it did have specific performance goals, a requirement for local government to contribute matching funds, and dedicated funds for nonprofit CDCs.⁵⁰

The report concluded that nonprofits brought new perspective and commitment to low-income tenants and their communities: “... they offer more than just numbers. They know local housing needs and are committed to serving them. They are determined to serve low-income residents on a long-term basis. They are willing to take on projects that are considered too risky or too small by financial institutions and other developers.”⁵¹ Recognizing that this multitude of nonprofits needed outside expertise, the report suggested building on the model established by existing nonprofit capacity-building organizations such as the Local Initiatives Support

Corporation (LISC) and the Enterprise Foundation. Both groups were founded to help build institutional capacity for smaller nonprofits. Larger regional nonprofits, like LISC, the report claimed “play a critical capacity-building role, help structure project financing, identify ways to cut construction costs, and encourage alliances between local nonprofit developers and state and local governments.”⁵²

The report concluded that new government agencies, in combination with dedicated nonprofit and for-profit developers along with capacity-building consultants, would develop a creative and vigorous housing development network, which would be adaptive, innovative, and capable of combining new tools “in hundreds of different ways in hundreds of different places.”⁵³

“New Wave” Politics: The Move Toward Decentralizing, 1988 – 1996

The Maxwell/Rouse report shaped the debate over two pieces of federal legislation that became the financial foundation for the decentralized approach to housing: the National Affordable Housing Act of 1990 (NAHA) and the Low-Income Housing Tax Credit (LIHTC) program. These policy debates took place against the backdrop of several other events and trends of the late 1980s that promoted the decentralized welfare state. These trends included: (1) the ideology of “kinder and gentler” conservatism and a growing confidence—even among liberals—in market-based models for social policy; (2) the budget-balancing efforts of the late 1980s, including statutory, formula-driven budget balancing requirements; (3) the increasingly visible problem of homelessness and the rising cost of housing, even for the middle class; (4) Democratic political control of both houses of Congress after 1986, and; (5) the high-profile HUD and Savings and Loan corruption scandals. The country was disgusted by the multi-billion

dollar bailout of the Savings and Loan industry. And public policy professor and former HUD undersecretary Michael A. Stegman observed that public confidence in HUD plunged after “periodic ethical lapses at the highest levels of HUD—including the criminal indictment during the Reagan administration of a sitting HUD secretary who reportedly was so bored that he spent some afternoons watching soap operas....”⁵⁴

President Bush promised "a kinder and gentler nation" at the same time as he promised "no new taxes." However, even if the spirit was willing, the budget was weak. As the *Congressional Quarterly* wrote, no one “in Congress has figured out how Bush can reconcile the conflicting imperatives of increased social spending and the steady deficit reduction required by the Gramm-Rudman-Hollings law.” On the other hand, even though there were those who would doubt the ability to achieve this mix, there were few who would doubt its political effectiveness. *Congressional Quarterly* wrote that by pursuing compassionate conservative themes “Bush moved to close both the ‘compassion gap’ and the ‘gender gap’ with a single stroke.”⁵⁵

While the Senate banking committee was debating the bill that would ultimately become NAHA, Republican and Democrat leaders from the House, Senate, and White House were engaged in the so-called “budget summit.” The behind-closed-doors negotiations were designed to facilitate the tough decisions on spending reductions and tax increases necessary to balance the federal budget. All programs are limited by budget constraints, but there was added uncertainty during this debate. Senator Kit Bond (R-MO) said, “the amount of money we are going to have to spend on housing ultimately, apparently, is going to be determined by our colleagues and those in the administration who are in the budget summit.”⁵⁶ Interestingly, in this debate there was a considerable amount of discussion on direct expenditures and their budgetary

effect, but relatively little discussion of the fiscal impact of indirect expenditures such as tax credits. The Senators' debate made it sound as though tax credits were free money.⁵⁷

The House sponsor of housing legislation, House Banking Committee Chairman Henry Gonzales (D-TX), disagreed with the decentralized approach to housing. He said "the patchwork system of tax credits and piecemeal funding from states, local governments and the federal government, as innovative as it may be, often results in significant leakage of subsidy funds. This makes the system less efficient and more complicated to the direct spending approach."⁵⁸ Despite Gonzales' objections, however, the final bill emerged from the conference committee largely unchanged from the Senate version. The compromise bill passed in the Senate 93-6 and in the House by a voice vote. The National Affordable Housing Act of 1990 was signed into law by President George H.W. Bush on October 27 and authorized \$27.5 billion in fiscal 1991 and \$29.9 billion in fiscal 1992. These amounts represented a direct expenditure increase of \$3 billion. The centerpiece of the legislation was the new HOME Investment Partnership program.⁵⁹

The increase in direct-expenditure dollars for low-income housing programs was achieved thanks to an unprecedented ideological consensus over new directions for housing policy. The consensus was anti-bureaucratic, enthusiastic about using market mechanisms whenever possible, and interested in an expanded role for nonprofits in service delivery. This approach allowed for an amazing amount of overlap of diverse ideologies, which one Senator called a "marriage" of philosophies.⁶⁰

Despite the fact that there was massive federal funding of local initiatives, there was something about local groups meeting their own housing needs, even with this increased federal funding, that seemed to fit the Republican affinity for individual initiative. George H.W. Bush's

HUD director, Jack Kemp, observed, “As I go across our Nation, I see non-profits, neighborhood groups, and community housing efforts taking the boards off vacant and foreclosed property, rehabilitating that property . . . often through sweat equity . . . and turning thousands of dilapidated houses to decent, quality housing for low-income people.”⁶¹ Here was a multibillion-dollar subsidized housing program that had a Horatio Alger feel to it.

Both conservatives and liberals embraced nonprofits because they were perceived as incorruptible, caring, and efficient. Senator Robert Kasten (R-WI) contrasted funding for nonprofits favorably to more funding for HUD, which he said would only “expand HUD programs and policies which are the same magnets for the waste, fraud, abuse, and influence peddling that we all claim to deplore.”⁶²

Most Senators agreed with the Maxwell/Rouse report describing nonprofits as rooted in and rooting for their communities. Senator Connie Mack (R-FL) explained that “nonprofits are of, by and for the people of the community.” Mack said, as opposed to “HUD's massive, distant bureaucracy, nonprofits consist largely of local people who care about their communities and who are sensitive to local needs.”⁶³

Most Senators also agreed that corporations—both for profit and nonprofit—responding to market signals would be the saviors of the inner city. Senator Grassley (R-IA) said, “We have the opportunity to say no to excessive Government bureaucracy. We have the opportunity to vote for a piece of legislation that will unleash the free market system toward providing affordable housing for areas of the country that are being restricted from this goal.”⁶⁴ Confidence in the anticipated efficiency and equity of this new decentralized approach to delivering housing ran high. Consider Senator Boschwitz’s (R-MN) comments: “The private sector will also create and

rehabilitate low-income housing cheaper than the Federal Government can, and without the potential for corruption or mismanagement.”⁶⁵

Compromise is at the heart of legislative process, but what made NAHA easy to pass was that every faction could see its view represented. Like a Rorschach test, legislators saw what they wanted to see in the final NAHA legislation. Missouri’s Conservative Senator Bond⁶⁶ said, “For my colleagues who have reservations about housing, who look at Government from a more conservative point of view, I would say philosophically this is sound.”⁶⁷ Jack Kemp claimed that capitalism’s triumph over communism in Eastern Europe must have a similar victory in high poverty areas of American cities. “As Berliners tear down the wall that has kept them from freedom for 28 years, so too must we tear down the walls that are keeping America's poor from the blessings of freedom and democracy in our own country.”⁶⁸ Winning the Cold War will not be complete if there is no win in the inner city, according to Kemp: “I can't help but feel that history has linked the cause of freedom abroad with the cause of freedom, dignity, and justice right here in America's ghettos and barrios in one great cause for good.”⁶⁹

All the pro-NAHA comments above came from Republicans and while Democrats may have taken issue on emphasis, they agreed on policy. Connecticut’s Democratic Senator Dodd was drawn to the new approach since it was “consolidating several rigid categorical programs into a more flexible block grant approach. Home [HOME] requires cities and states to identify their housing needs, and then channels Federal money to them to be used in ways that they—not Washington—think best.”⁷⁰ Maryland’s Democratic Senator Paul Sarbanes also agreed with Dodd and acknowledged the important role of the Maxwell/Rouse report in shaping the new HOME program. Sarbanes said that HOME “is really a partnership with State and local governments, nonprofit groups, and others who are best suited to develop housing solutions in

each area of our country.”⁷¹ Even an ardent housing advocate like Barry Zigas, of the National Low Income Housing Coalition, could call the measure "a good step forward," adding, "It's not enough, but it's a substantial step forward from the last decade."⁷²

Perhaps the greatest achievement and legacy of the act was that it acknowledged and provided fresh resources to the decentralized network of housing delivery to help it evolve as an institution. Don Campbell, staff director of the Senate Housing Subcommittee said that in the past, too much attention was given to particular programs—their rules and regulations, the target groups, outcomes measures, etc. Campbell said that focus was misplaced. The individual programs were too rigid. What NAHA provided was a new network of more nimble institutions. “Institutions can survive because their program design is an ongoing adaptive process. That’s what the Cranston-D’Amato bill [NAHA] proposes, the creation not of a new program but of a new institution offering one-stop shopping for states and localities, tailoring the best approaches to changing needs.”⁷³

Low-Income Housing Tax Credits

The use of tax credits for low-income housing was first introduced in the Tax Reform Act of 1986 (TRA 86).⁷⁴ It appeared that real estate interests, including affordable housing, were going to fare poorly under TRA 86 after relatively generous treatment under the prior revenue bill, the Economic Recovery Tax Act of 1981. In this debate, affordable housing advocates had a broad base of support that included real estate developers, bankers and state and municipal housing agencies. These groups claimed that “tax benefits - such as the passive-loss allowance - virtually are the only reasons investors put money into low-income housing.” Ronald F. Poe, president of the Mortgage Bankers Association of America, said "If you turn real estate into a

purely cash-flow, economic-oriented investment, that's fine, but you just don't use those words with respect to low-income housing.”⁷⁵

As a hoped-for corrective measure, Congress included the Low-Income Housing Tax Credit (LIHTC) program in TRA 86 as a three-year demonstration project. However, many housing advocates saw the tax credit as an insufficient trade-off for the generous tax depreciation rules in the prior revenue act. But support for the tax credit grew. “At the time, I don’t think many people thought this program was going to amount to much because it had been done on the quick with little research,” William Apgar, acting director of the Joint Center for Housing at Harvard, remarked. “But the states and the nonprofits and others have learned how to take this credit and make it into housing.”⁷⁶ *The New York Times* editorialized that although “the housing industry originally doubted the effectiveness of the tax credit plan, results have surpassed even optimistic predictions.”⁷⁷

The LIHTC is a tax coupon to corporate investors who provide equity capital to build apartment buildings that are rented to low-income tenants. To be considered “low income” one must earn less than 50 to 60 percent of the local area median income as measured by an annual county-by-county survey by HUD. The amount of tax equity that goes into a project can vary but it rarely is more than 60 percent of the necessary funds for construction. Additional funds typically come from federal block grants – HOME and to a lesser extent, CDBG. The final piece of financing is a mortgage loan from a private credit provider (usually a bank) that is sized to the limited cash flow coming from tenants’ reduced rents.

As with NAHA, conservatives joined liberals in support of the tax credit. A 1989 column in the conservative-leaning *Wall Street Journal* called on HUD Secretary Jack Kemp to support the credits.

...if experience has taught us anything, it is that government-built and controlled housing is fraught with fundamental weaknesses, not the least of which is the basic inefficiency of the bureaucracy in maintaining properties and the frequent failure of such housing to provide safe, or even humane places to live. Mr. Kemp shares that view. The looming question, then, is whether in spite of his aversion to tampering further with the tax code, he will swallow a broad program of tax incentives in order to inspire an alternative.⁷⁸

Kemp did indeed swallow the tax credit program. In the hearings of the tax law-writing Housing Ways and Means Committee, Kemp urged the Committee Chairman Charles Rangel to “rise above the left-right debate and find consensus as to what our Nation can do to fight poverty.”⁷⁹ Kemp went on to praise both liberals and conservatives on the committee for their “willingness to walk away from ideology.”⁸⁰ Liberals on the committee, like Rangel, could voice their opposition and still embrace Kemp’s proposals. Rangel said, “I am outraged at some of the things that have happened to my country in the last eight years, but you have to play the hand that is dealt you.”⁸¹ True to his statement, Rangel spent a great deal of time during the hearing to see how to make the credit more attractive to corporate investors. “We are just here to make certain that we can provide the incentives that are necessary to the investors.”⁸²

Rangel and Kemp received ample feedback from the business community. Several of the country’s largest financial and real estate industry firms also testified in the LIHTC hearings, including Lehman Brothers, Boston Capital and a representative of the Association of Home Builders, a lobbying group that represented 157,000 home builders nationwide.⁸³ A *Wall Street Journal* article in 1992 explained that the LIHTC provided much needed help during the recession of the early 1990s. The tax credit program “staved off a lot of bankruptcies in the industry that would have occurred without the program,” said Martin Flounoy, chairman of the builders committee at the National Apartment Association.⁸⁴ The article concluded that a “broad coalition of real estate industry and not-for-profit groups are lobbying the president to sign the bill” to extend the tax credit program permanently.

Another *Wall Street Journal* article explained that many Fortune 500 companies were eager to purchase housing credits. James H. Ross, president of BP America (a subsidiary of British Petroleum) said the return on investment for tax credits were “reasonably competitive” with other corporate investments. The returns on capital invested in the late 1980s and 1990s in this program averaged 20 percent—a return higher than junk bonds.⁸⁵

Affordable housing advocates also made their voices heard. One advocate who managed to generate considerable press coverage was Paul Grogan, president of the Local Initiatives Support Council. In a 1991 press conference with U.S. mayors, Grogan said that LIHTC was “directly responsible for the creation of 120,000 homes for the poor annually in this country. This program has only been in existence since 1987, but we believe it to be the most successful federal housing program in history.”⁸⁶

In a *Washington Post* op-ed, Grogan compared the advantages of tax credit program with those of the Great Society housing programs. “While the Great Society programs of the 1960s had many positive results, they also showed the limitations of the top-down approach. But the federal government does have a role, mostly through flexible programs that support and encourage community initiative.”⁸⁷

It is not often that one thinks of not-for-profit groups and major corporations as political allies, but it dramatizes the fact that moderates and liberals came together over tax expenditure programs. It was not simply that liberals were “playing the hand they were dealt” as Rangel saw it. Housing advocates like Patrick Clancy, Executive Director of Greater Boston Community Development, Inc., a community-based development corporation, thought the tax code was the best vehicle for housing subsidy. Clancy wrote, “Those producing affordable housing can

achieve more direct access to assistance with less bureaucratic inefficiency through investment incentives than if the same assistance is provided through direct expenditures.”⁸⁸

Fight For Permanent LIHTC Extension

It was clear that the tax credit program had broad support, but it still had to fight for resources during a period of belt-tightening. In 1991, when Charles Rangel introduced legislation to extend tax credits permanently, he went to great lengths to explain how the program had been improved with new oversight to guard against graft and corruption in the program. Looking back on five years of the program, Rangel said:

the credit has also fulfilled one of the original goals of its framers; to encourage additional government and private sector support for housing. It has successfully created a partnership with state and local governments and nonprofit groups who have supplemented the credit with additional assistance. States and local governments are providing subsidies, low interest loans, land, tax abatements among other forms of assistance. Nonprofits are organizing tenant and community groups to empower people on their way to providing housing for themselves and their neighbors.⁸⁹

By 1991, the network of housing providers understood their connection to one another and lobbied effectively as a group. Rangel included a letter in the *Congressional Record* that was signed by over 500 community-based housing nonprofits from across the nation. The letter both urged Congress to extend the tax credit and praised the role of for-profit corporations as part of the network of affordable housing providers. Affordable housing “requires the kinds of creative solutions and especially the private sector involvement that the Credit has stimulated.”⁹⁰ Left in the wild, these groups are natural enemies, but by 1991, they recognized that their political and economic futures were linked.

The Los Angeles riots in the spring of 1992 also gave weight to efforts for new urban relief initiatives including the permanent extension of the tax credit. In an editorial, the *Los*

Angeles Times argued that the “riots changed the political climate and put the problems of cities back on the national agenda.” The urban initiative did pass in the House and going into the debate in the Senate, over 80 Senators were on record in support of permanent LIHTC extension.⁹¹ Echoing sentiments in editorials in *The New York Times*, *Washington Post*, and *Wall Street Journal*, the *Los Angeles Times* wrote: “The tax break deserves renewal because it remains the primary federal resource for financing additional new and affordable housing. It also forms the cornerstone of the numerous public/private partnerships that are increasingly the salvation of cash-short cities and states.”⁹²

The permanent extension passed in 1993, but that was not the end of the story. Cutting government programs and taxes were the rallying cries of the “Republican Revolution” spearheaded by Newt Gingrich in 1994, a year where conservative majorities were elected to Congress. The new chair of the House of Representatives Ways and Means Committee, Bill Archer (R-TX), vowed to cut the housing tax credit in order to save government money and simplify the tax code.⁹³ To strengthen his case, Archer claimed the credits were an inefficient use of federal money. He cited a critical report by the IRS as justification for doing away with the program. The IRS estimated that “fraud in the amount of approximately \$6.0 billion could be associated with alleged abuses of the program.”⁹⁴ The report, however, was withdrawn by the IRS, which admitted that it was flawed.

As Archer’s evidence evaporated, so did his political allies in Congress. Moderate Republicans flocked to LIHTC. Jack Metcalf (R-WA) founded a Republican affordable housing caucus and was joined by others members including Nancy Johnson (R-CT), Rick Lazio (R-NY), Jerry Weller (R-IL), and Phil English (R-PA).⁹⁵ The goals of the caucus were “to encourage the development of innovative, cost effective and efficient approaches to providing affordable

housing.” Their charge was to “blend the energy and capital of industry with the public spirit of government and the incentives we can offer through law,” Metcalf said.⁹⁶ Among those who made up this caucus’ advisory committee were Paul Grogan of LISC, John McEvoy of the National Council State Housing Agencies, and F. Barton Harvey III, CEO of the Enterprise Foundation. The advisory committee was also staffed by representatives from Boston Capital, the National Association of Home Builders, and the National Association of Realtors. Lazio, who was also the chair of the House Banking Committee's housing subcommittee, said, "The tax credit does everything that we Republicans say we want to do with housing. It puts private capital at risk. It leverages public dollars. It ensures income mix."⁹⁷

As we have seen before, when the interests of the decentralized housing network were challenged, the coalition to save the program proved to be a formidable opponent. In the fall of 1995, LISC and the Enterprise Foundation rallied the supporters of tax credits—mayors and governors, Wall Street investors, consultants, CDCs, banks, and corporations—to oppose House Ways and Means Committee Chair Archer’s efforts. Activists also strongly supported the anti-Archer efforts. John Taylor, president of the National Community Reinvestment Coalition, said that Archer’s attack “just reveals the absolute lack of commitment by this Congress to housing the poor. There is just no excuse for attacking this program.”⁹⁸

In the fight against Archer, banks were an important ally. “Dozens of banks” rallied to protect LIHTC, “including First Chicago Corp., Chemical Bank, and Wachovia Corp,” according to an article in the *Journal of Housing and Community Development*. The executive vice president at Bank of America, Donald Mullane, said, "We believe people should have safe, clean, and affordable housing. As a matter of social policy, it is a good thing. This program [LIHTC] is a win for the community, a win for us, and it is a win for our shareholders."⁹⁹ Banks

also had extra incentive to invest in credits because they were able to make a good tax-saving investment and get Community Reinvestment Act credit. The *Journal of Housing and Community Development* wrote, “The combination of CRA compliance credit, attractive effective yields and goodwill created from investing in the local community makes the investment in tax credit projects increasingly popular for many banking institutions.”¹⁰⁰

Part of the argument coming from the for-profit business community was that housing tax credits were good for business. According to the *National Real Estate Investor* magazine, out of 250,000 apartment buildings that began construction in 1994, 100,000 were financed with the help of LIHTC. And corporations were now the biggest purchasers of the tax credit, investing over \$8 billion from 1987 to 1996.¹⁰¹

The coalition to save the tax credit was broad and diverse, but it was also demonstrating growing sophistication. As an example, the *Wall Street Journal* reported that tax credit advocates were making donations to political allies of Archer’s in an effort to sway him on LIHTC. “Directing the effort is Herb Collins, a top executive at Boston Capital Corp,” according the *Journal*. “Mr. Collins took the lead in setting up the Oct. 2 meeting between Mr. Archer and investors anxious to preserve the housing tax credit.” According to a tax credit investor, Carmela Laurella, Collins instructed those with a stake in the program to make contributions to the congressional campaign of Archer’s son-in-law.¹⁰²

Archer’s sunset proposal was part of the House version of the Revenue Reconciliation Act of 1995 that was famously vetoed by President Clinton. The political tug-of-war lead to the temporary shutdown of the U.S. government, a situation that voters largely blamed on Republicans in Congress. A CNN/USA Today/Gallup poll found that 48 percent blamed the Republican Congress as opposed to 26 percent who blamed Clinton.¹⁰³ Bipartisan lobbying

removed the sunset provision from the compromise budget legislation, the Balanced Budget Down Payment Act (Part II), that Clinton signed on April 26, 1996. Archer had tried to reintroduce the sunset proposal to kill LIHTC in the compromise legislation, but according to the *National Real Estate Investor*, “he backed off after the credit received a strong endorsement from both Republican and Democratic members of his committee.”¹⁰⁴ After this legislation was passed, the *Journal of Housing and Community Development* wrote, “There appears to be no imminent threat to the tax credit program, and it would not be surprising to see additional growth in affordable housing through investment spurred by the program.”¹⁰⁵

Archer backed down from any further attacks on the LIHTC program after 1996. In April of 1997, the General Accounting Office published a highly positive report on LIHTC. Many saw this as a vindication of the program that had come so close to termination. Archer said, “After reviewing the GAO report, it appears that the housing projects using the credit are benefiting the right people -- households with very low incomes -- but we have also learned that compliance and enforcement need to be strengthened.”¹⁰⁶

The Network Matures: Snapshot of the Current System

The number of housing units built under the decentralized housing approach is hard to measure. There is some double and triple counting since HOME, CDBG, and the tax credit programs all can claim credit for the same apartment. However, if we consider only the apartments funded under the LIHTC program, a survey by the National Council of State Housing Agencies (NCSHA) estimates that number to be 1.3 million. According to NCSHA’s web site, “The Housing Credit induces about \$6 billion of private investment each year to produce more than 115,000 apartments with rents affordable to low-income families....”¹⁰⁷ Congress increased

federal tax expenditures for LIHTC by 40 percent in 2001, and future allocations are indexed to inflation. HOME funds also have been an effective tool for building housing, and a political winner as well. HUD estimates that this program has financed nearly 400,000 affordable housing units since the funds first started flowing in 1992.¹⁰⁸

The percentage of those units built by nonprofit CDCs also is remarkably high. A survey by the Urban Institute and the National Congress for Community Economic Development estimated that by 1997 the total number of CDC-built units was 550,000.¹⁰⁹ Thousands of new housing-related CDCs came into existence during the 1980s and 1990s. The report estimated there were 2,850 CDCs in the nation building affordable housing as of 1997.¹¹⁰ Almost all these CDCs received some federal funding, and most received the majority of their financial support from three programs: LIHTC, HOME and CDBG.¹¹¹ The greatest concentration of CDC activity has been in the Northeast, the Great Lakes region, and the West Coast. But as early as 1990, 95 percent of U.S. cities reported having active CDC housing developers.¹¹²

State and local governments were also innovating. At the time of the Kaiser report, no state had a housing finance agency capable of either making low-interest loans or executing other subsidy programs for affordable housing developers. Now all 50 have them, along with Washington, D.C., Puerto Rico and the U.S. Virgin Islands. According to the National Council of State Housing Finance Agencies' web site, these agencies "have provided affordable mortgages to more than 2.2 million families to buy their first homes through the MRB [Mortgage Revenue Bond] program. Housing Finance Agencies also have financed more than 1.9 million low- and moderate-income apartments."¹¹³ Don Turner, the founder of BRIDGE Housing, the country's largest nonprofit housing developer, wrote that states had become the new engine for housing policy innovation in a paper that became part of the Maxwell/Rouse report. "In the last

six years [1984-1990], states have responded with more than 300 new housing programs, which run the gamut from emergency homeless shelters to rural housing rehabilitation to builder incentives for affordable housing.”¹⁴ Cities and counties became more sophisticated too, since they were now distributing block grants from Washington in addition to local funds from local taxes (e.g., property tax).

Capacity-building and consulting nonprofits continued to provide increasingly varied sophisticated financial products, consulting to structure new types of transactions, and real estate development strategies. LISC and Enterprise are now joined by scores of similar smaller for-profit and nonprofit firms that operate on a local or regional level.

All the major banks developed community-lending groups that specialized in subsidized housing loans, motivated by business opportunities, public relations, and the requirements of the Community Reinvestment Act of 1977. Most major Wall Street financial firms along with philanthropy-chartered public purpose financial firms developed expertise in how to use the housing tax credit, tax-exempt bonds, and other financial tools for low-income housing transactions.

* * *

Even though there were many positive developments in affordable housing policy in the 1990s, many housing advocates saw the 1990s as a retreat and failure for the plight of low-income Americans. Certainly some statistics supported that conclusion. The rent burden paid by the poorest Americans, for example, grew more onerous in the 1990s. In 1990, at least one third of renters in every state paid more than 30 percent of their incomes on rent, according to a Center

for Budget Priorities report. Rent burdens on the poor were bad and getting worse. A 1990 report on national housing conditions by the Joint Center for Housing Studies at Harvard University showed that the median rent for poor households rose 49 percent between 1974 and 1987 measured in 1989 dollars.¹¹⁵ Part of this development had nothing to do with federal politics, however. Any subsidized housing program would have struggled against three larger trends that contributed to increasing rent burdens: (1) the declining wages of lower income workers, (2) increasing immigration of very low-income people, and (3) local efforts to limit the supply of affordable housing (the so-called not-in-my-back-yard syndrome). Yet, housing expert and advocate Peter Drier in 1997 put much of the blame of worsening trends on the political vulnerability of affordable housing: “the political constituency for housing policy is weaker and more fragmented now than it has been in decades.” Drier lamented the loss of the old housing coalition that pushed access to housing as “part of the broad social contract.”¹¹⁶

It is true that affordable housing failed to achieve the status of an economic right, but it had come to be defended by a network of interests that scored many more victories than the old system ever did. The old system built large numbers of homes for one four-year period—1969 to 1973. The new system, by contrast, has been churning out smaller numbers of units than those peak years, but has been doing so at a steadily rising rate for nearly 20 years.

Three reasons explain why the new system developed the way it did and the paradox of why there has been a renaissance of subsidized housing programs at a time when social services in general seemed to be politically unpopular. First, the decentralized housing network had a more effective political coalition. HUD was a massive federal bureaucracy whose biggest constituency was made up of extremely low-income tenants. Bureaucrats and the poor hardly

make a winning lobbying team. The decentralized network, by contrast, had many friends in the public and private sectors.¹¹⁷ In a 1997 article in the *Journal of the American Planning Association*, the housing scholar Avis Vidal noted, “These new partners in housing production have changed the political climate surrounding affordable housing in subtle but critical ways. At the federal level, the fact that the banking industry and a diverse array of major corporations support the low-income housing tax credit gives it unusual breadth of support.”¹¹⁸ It appeared that even this strong coalition might have trouble when a conservative Congress vowed to cut back on government expenditures after 1994. But subsidized housing programs emerged from that time stronger than ever.¹¹⁹ By 1996, the decentralized housing network was an established institution and today, nearly 10 years later, its shape and function is virtually unchanged. In 2001, low-income housing proponents won increases in the housing tax credit program and future increases were guaranteed because they were indexed to inflation.

The second advantage was a winning ideology that allowed for cross-party coalitions. The ecumenical nature of the decentralized approach allowed politicians of all ideological stripes to support the program. LIHTC, for example, could be billed as tax relief for conservatives, an efficiency measure for moderates, or as a way to empower local activists with federal resources for liberals. It appeared to be “above the left-right debate” as Jack Kemp observed.¹²⁰

Finally, the program succeeded because it had many successes. Consider the praise heaped on LISC’s Paul Grogan by New York Senator Alfonse D’Amato, Republican co-chair of the NAHA legislation. In the hearings, D’Amato said, “Mr. Grogan, let me say to you that I have had an opportunity to see firsthand the results of the work that you have loaned yourself to, and I would hate to think of how much more desperation there would be in the neighborhoods of New York and our city were it not for your undertaking.”¹²¹

Part of this success was based on the network's ability to adapt to changing circumstances. Historians have argued that the old subsidized-housing system had a one-size-fits-all philosophy, exemplified by the monotonous apartment buildings it built. The new system, with its multiple players, seemed to understand its "customers" better, and therefore was able to modify its designs, procedures, and products to better serve local communities with a higher-quality and lower-cost "product." To some extent, this was true because every new transaction (i.e., every new apartment building) required many partners who shared financial and real estate risk. With each component engaged in its own due diligence, all the players were constantly evaluating each other. The competition between all the atomized components of the system tended to keep costs—salaries, overhead, construction—under control without the cumbersome cost regulations and sloppy enforcement common in the old system. And this network innovated its product type and delivery approach—e.g., building architecturally interesting buildings, shifting between large-family and single room units depending on changing demographics, targeting smaller niche housing projects that were part of larger urban redevelopment efforts, and mixing low-income with market rate units in projects designed to bring the middle-class back to downtown locations.

The new system also had a stealth quality that provided political cover. For the most part, the network was not subject to annual federal budget show downs. Most of its funding was hidden in the tax code or block grants. Its machinations and decisions took place at the local level and out of the public eye.

However, as impressive as the decentralized approach gains were, some of its legacies are not positive or well understood. The decentralized program is unmonitored and confusing; most people do not understand it, even many working in the field. In this sense, the

decentralized approach to housing resonates with the larger trend where Americans increasingly misunderstand their relationship to their government and its programs. An example of the growing disconnect was typified by an elderly focus group participant who said “I want the government off my back. . . I don’t want the government messing around with my Medicare.”¹²² This disconnect generates problems of accountability and also makes it hard to build enthusiasm and broad-based political support. Very few Americans know that nearly every city in this country is dotted with high-quality, government-subsidized apartment buildings. It is hard to rally voters around such a shadowy program. In other words, it lacks the focus of FDR’s fourth freedom—the Freedom from Want—that gave rhetorical weight to the New Deal coalition’s efforts to establish a more comprehensive welfare state based on the ideas of economic citizenship.¹²³ The decentralized approach also may not have staying power if it is only understood by technocrats, advocates for the poor, and a few savvy business leaders.

Housing in this decentralized system was well-built amenity-rich, and expensive (averaging over \$100,000 per apartment in high-demand areas such as California, New York and New England).¹²⁴ So, it was unlikely that any resident would feel the sting of living somewhere called “the projects.” However, the decentralized system still builds too few units; as in earlier periods, only a fraction of eligible tenants land a subsidized apartment. And currently almost no apartments are built for the very poor. A supply shortage combined with larger economic trends that make all housing more expensive relative to average wages exacerbates the dismal housing options for very low-income Americans. According to HUD, the number of American families that spend over half of their income for housing or live in substandard housing has increased from 7.2 million in 1980 to 13.7 million households in 2000; an increase from 9 to 14 percent of all households.¹²⁵

Local networks can vary in their effectiveness depending on local characteristics – skill, drive, organization, etc. Some are energetic and effective and others lag. Some nonprofit CDCs fully express the lofty ideals articulated by the senators in the NAHA debates, and others are parochial, myopic, poorly capitalized and ineffective. As a result, whether or not a community has access to quality low-income housing rests on the luck of the draw. So while the decentralized approach to low-income housing has been politically popular and achieved many impressive results, it is not yet clear how this network ultimately will evolve and whether or not it will become sufficiently effective, efficient, and equitable.

The decentralized housing network does demonstrate how a new type of institution developed out of the changing political realities of the 1980s and 1990s. It helps explain that one of the most important trends of the last 30 years of welfare state history has not been its dismantling as many studies suggest. There is no doubt that the welfare state has suffered some setbacks and some reductions of resources. It has also maintained its mean distinction between relatively generous subsidies for the middle class—social insurance programs, mortgage interest deduction, etc.—and miserly ones for the poor. The most dramatic change of the last 30 years, however, has not been over funding, but in how services are delivered. The blurring lines between government, the private sector and nonprofits exemplified in the decentralized housing network has created a puzzle—in many ways, the welfare state is more present around us and harder to see. Given that, it seems certain that the future Ediths and Archies will continue to misunderstand their relation to the welfare state.

ENDNOTES

¹ There is near-consensus that industrialization and urbanization are necessary, but perhaps not sufficient conditions to establish a welfare state—see Harold Wilensky, *Rich Democracies*, 61. Another helpful book is Gosta Esping-Anderson, *The Three Worlds of Welfare Capitalism* (Princeton: Princeton University Press, 1990). Anderson contends that there are three types of welfare states: liberal, corporatist, and social democratic. From that base, however, there is quite a bit of disagreement over what drives welfare state development. Some scholars argue that countries such as Sweden are different from others, such as the United States, because they have different national values. Others explain the difference on the relative strength of labor organizations versus capital in a given country—see James Weinstein, *The Corporate Ideal In The Liberal State, 1900-1918* (Westport, CT: Greenwood Press, 1981), Olivier Zunz, *Making America Corporate* (Chicago: University of Chicago Press, 1992). Some argue that the state itself – along with other institutions – drives the differences in approach to welfare state services—see *Bringing The State Back In*, edited by Peter B. Evans, Dietrich Rueschemeyer, Theda Skocpol (New York : Cambridge University Press, 1985); Steven Steinmo, Kathleen Thelen, and Frank Longstreth, eds., *Structuring Politics: Historical Institutionalism in Comparative Analysis* (Cambridge, U.K.: Cambridge University Press, 1992). Regardless of the debate over reasons behind it, there is some agreement that the U.S. differs from other wealthy modern nations in that it has a two-tiered approach to its welfare state —one based on the ideas of social insurance for the middle class and another focused on the poor that was under-funded and carried the stigma of a handout—see Frances Fox Piven and Richard A. Cloward, *Regulating the Poor: The Functions of Public Welfare* (New York: Pantheon Books, 1971), 444-446. In housing policy, this point is made well by Gail Radford in her book, *Modern Housing for America: Policy Struggles in the New Deal Era* (Chicago: University of Chicago Press, 1996).

² Harold Wilensky, *Rich Democracies: Political Economy, Public Policy, and Performance*, (Berkeley, CA: University of California Press, 2002), 211 and 66 where Wilensky argues that the welfare state keeps the peace within a given society. “In the early 1990s there were about 120 shooting wars going on in the world, 90 of which involved states that were attempting to suppress ethnic minorities. None were among our rich democracies. In fact, economic development at above-average levels and democratization together always channel such movements into nonviolent politics. One reason for this is that weak states at a low level of economic development find it difficult to redistribute resources to pacify potentially violent ethnic protesters.”

³ Ira Katznelson, “Was the Great Society a Lost Opportunity,” in *The Rise and Fall of the New Deal Order, 1930 – 1980*, eds. Steve Fraser and Gary Gerstle (Princeton, NJ: Princeton University Press, 1989).

⁴ Katznelson, 204.

⁵ Thomas Byrne Edsall with Mary Edsall, *Chain Reaction: The Impact of Race, Rights, and Taxes on American Politics* (New York: Norton, 1991), 4. However Arnold Hirsch in *Making the Second Ghetto: Race And Housing in Chicago, 1940-1960* (Chicago: The University of Chicago Press, 1998) and Thomas Sugrue in *The Origins of the Urban Crisis: Race and Inequality In Postwar Detroit* (Princeton, NJ: Princeton University Press, 1996) argue convincingly that the divisions in the liberal ranks were already apparent before the Civil Rights Movement.

⁶ There are many books that make this claim including Edward and Kim McQuiad Berkowitz, *Creating the Welfare State: The Political Economy of Twentieth-Century Reform*, 2nd ed. (New York: Praeger, 1988), Daniel Levine, *Poverty and Society: The Growth of the American Welfare State in International Comparison* (New Brunswick, NJ: Rutgers University Press, 1988), Michael Katz, *In the Shadow of the Poorhouse: A Social History of Welfare in America* (New York: Basic Books, 1986), James T. Patterson, *American’s Struggle Against Poverty, 1900-1985*, Walter I. Trattner, *From Poor Law to Welfare State: A History of Social Welfare in America*, 4th ed. (New York: Free Press, 1989). Critics shrank the welfare state in favor of allowing markets to have a greater sway in distributing goods according to Michael Katz, in *The Price of Citizenship* (New York: Henry Holt, 2002) and Neil Gilbert, *Transformation of the Welfare State: The Silent Surrender of Public Responsibility* (New York: Oxford University Press, 2002). To Katz this development starkly contrasts British sociologist T.H. Marshall’s classic 1950 characterization of the welfare state as “the subordination of market price to social justice.” Katz writes, “While the tension between capitalism and equality remains as powerful as ever, today it is social justice that is subordinate to market price.” [Katz, 1].

⁷ Jason DeParle, “Slamming the Door,” *New York Times Magazine*, October 20, 1996, 52.

⁸ *The Washington Post*, “Saving HUD: One Department’s Risky Strategy for Radical Change,” February 6, 1995, A4.

⁹ *Low-income housing tax credit: hearing before the Subcommittee on Select Revenue Measures of the Committee on Ways and Means*, House of Representatives, 101 Congress, May 23, 1989 (Washington, DC: U.S. Government Printing Office, 1989), 6.

¹⁰ The federal budget numbers also challenge the standard story. Direct expenditure spending did dip in the 1980s (see chart below) and some programs—especially for the poor—have been eliminated or scaled back since the Great Society. But overall tax expenditures and direct expenditures continued to grow throughout the 1980s, albeit at a slower rate than the preceding 20 years. [see Christopher Howard, *The Hidden Welfare State: Tax Expenditures and Social Policy in the United States* (Princeton, NJ: Princeton University Press, 1997), 35.]

Federal Spending on Welfare State Services As percentages of GDP					
	1970-1975	1976-1980	1981-1985	1986-1990	1991-1996
Human Resources	9.1	11.22	11.8	10.7	12.3

Source: compiled from the 2002 Federal Budget, Historic Tables (Table 3.1)

¹¹ Christopher Howard, *The Hidden Welfare State* and Julian Zelizer, *Taxing America: Wilbur D. Mills, Congress, and the State, 1945-1975* (New York: Cambridge University Press, 1998).

¹² Lester M. Salamon, ed., *The Tools Of Government: A Guide To The New Governance* (New York: Oxford University Press, 2002); Steven Rathgeb Smith and Michael Lipsky, *Nonprofits for Hire: The Welfare State in the Age of Contracting* (Cambridge, MA: Harvard University Press, 1993); Jacob Hacker, *The Divided Welfare State: The Battle Over Public And Private Social Benefits in the United States* (New York: Cambridge University Press, 2002), and Jennifer Klein, *For All These Rights: Business, Labor, and the Shaping Of America's Public-Private Welfare State* (Princeton, NJ : Princeton University Press, 2003).

¹³ The housing activist Edith Elmer Wood articulated this basic point during the Progressive Era.

¹⁴ Oscar Newman, *Defensible Space: Crime Prevention through Urban Design* (New York: MacMillan, 1973).

¹⁵ Roger Biles, "Public Housing and the Postwar Urban Renaissance, 1949-1973," in *From Tenements to the Taylor Homes: In Search of an Urban Housing Policy in Twentieth-Century America*, eds. John F. Bauman, Roger Biles and Kristin M. Szylvian (University Park, PA: The Pennsylvania State University Press), 152.

¹⁶ Bratt, Rachel G., "Public Housing: The Controversy and Contribution," in *Critical Perspectives on Housing*, eds. Rachel G. Bratt, Chester Hartman, and Ann Meyerson (Philadelphia, PA: Temple University Press, 1986), 335-361.

¹⁷ Katherine O. Reagan and John M. Quigley, "Federal Policy and the Rise of Nonprofit Housing Providers," *Journal of Housing Research* 11, no. 2 (2000): 305.

¹⁸ The Low-Income Housing Tax Credit is a tax coupon to corporate investors who put equity capital in apartment buildings rented to low-income tenants. To be considered "low income" one must earn less than 50 to 60 percent of the local area median income as measured by an annual survey by HUD. Since income is tied to the local wage level, it varies from county to county.

¹⁹ Measured in 1993 dollars, the median monthly gross rents paid by poor households living in unsubsidized housing jumped from \$366 in 1974 to \$408 in 1993. Meanwhile, the number of low-cost apartments had dwindled, many of them lost to the urban renewal bulldozer, condominium conversion, and gentrification. Between 1973 and 1983, the number of unsubsidized low-rent apartments (\$300/month in 1993 dollars) fell from 5.1 million to 3.6 million; by 1993, the number had fallen to 2.9 million. At the same time, the number of families in poverty increased significantly. Peter Dreier in his article, "The New Politics of Housing: How to Rebuild the Constituency for a Progressive Federal Housing Policy," *Journal of the American Planning Association* 63, no. 1 (Winter 1997): 34.

²⁰ An interesting subtheme of these three presidential reports is that their chairmen represented the ethos of their times. Kaiser was the master builder of prefab wartime housing (Greg Hise's book *Magnetic Los Angeles* has a good chapter on Kaiser Family Homes). McKenna was an ideologue who pushed the market as the solution for everything. And James Rouse and David Maxwell represented the decentralized approach to housing. Rouse founded a capacity-building nonprofit intermediary and Maxwell was the CEO of Fannie Mae, another important facilitator of the decentralized housing network—especially through its purchases of low-income housing tax credits.

²¹ *A Decent Home: The Report of the President's Committee on Urban Housing*, Edgar F. Kaiser, chair, (Washington, DC: Government Printing Office, 1969), 1.

²² Kaiser, 3.

²³ Charles J. Orelebeke, "The Evolution of Low-Income Housing Policy, 1949-1999," *Housing Policy Debate* 11, no. 2 (2000): 495.

²⁴ Kaiser Report, 3.

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- ²⁵ Kaiser Report, 5.
- ²⁶ Kaiser Report, 5.
- ²⁷ Kaiser Report, 2.
- ²⁸ Kaiser Report, 22-23.
- ²⁹ Calculated from information from the U.S. Bureau of Labor Statistics web page: http://www.bls.gov/cps/prev_yrs.htm#content [visited 3/25/03].
- ³⁰ John J. McCusker, "What Was the Inflation Rate Then?" Economic History Services, 2001, URL : <http://www.eh.net/hmit/inflation/> [visited 3/25/03].
- ³¹ Louis Johnston and Samuel H. Williamson, "The Annual Real and Nominal GDP for the United States, 1789 - Present." Economic History Services, April 2002, URL: <http://www.eh.net/hmit/gdp/> [visited 3/25/03].
- ³² I heard Theodore Lowi mention this at a Cornell University Reunion presentation that he gave, June 7, 2002.
- ³³ Orelebeke, "The Evolution of Low-Income Housing Policy, 1949-1999," 496.
- ³⁴ Interview with David F. Garrison, Senior Fellow and Deputy Director, Greater Washington Research Program, Brookings Institution (August 15, 2003).
- ³⁵ Interview with David F. Garrison, (August 15, 2003).
- ³⁶ *The Report of the President's Commission on Housing*. William F. McKenna, Chair (Washington DC: United States Government Printing Office, 1982).
- ³⁷ McKenna Report, xvii.
- ³⁸ McKenna Report, xviii.
- ³⁹ GAO, *Reports and Testimony: April 1990* (Washington, DC: Government Printing Office, 1991), 17. [Citing "Resolving the Savings and Loan Crisis: Billions More and Additional Reforms Needed," by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on Banking, Housing and Urban Affairs. GAO/T-AFMD-90-15, April 6, 1990.]
- ⁴⁰ McKenna Report, xvi.
- ⁴¹ McKenna Report, 17.
- ⁴² McKenna Report, 223.
- ⁴³ McKenna Report, 107.
- ⁴⁴ McKenna Report, 171.
- ⁴⁵ Steve Blakely, "House Panel OKs \$17.7 Billion Housing Plan," *Congressional Quarterly*, May 2, 1987, 843. This oft-cited drop in appropriations could be misleading. Actual outlays did not drop as dramatically because of appropriations from prior years.
- ⁴⁶ *A Decent Place to Live: The Report of the National Housing Task Force*, chaired by James Rouse and David O. Maxwell (Washington DC: United States Government Printing Office, 1988), ii.
- ⁴⁷ Also important in the Task Force's evaluation was a series of 20 draft reports prepared by scholars and practitioners under the direction of Professors Langley C. Keyes and Denise DiPasquale of the Massachusetts Institute of Technology. Each of the papers was examined and several authors appeared as speakers before the task force. That collection of papers was made into a book: *Building Foundations: Housing and Federal Policy*, eds. Denise DiPasquale and Langley C. Keyes (Philadelphia: University of Pennsylvania Press, 1990).
- ⁴⁸ Maxwell/Rouse Report, 10.
- ⁴⁹ Maxwell/Rouse Report, 11.
- ⁵⁰ Maxwell/Rouse Report, 19.
- ⁵¹ Maxwell/Rouse Report, 24.
- ⁵² Maxwell/Rouse Report, 28.
- ⁵³ Maxwell/Rouse Report, 19.
- ⁵⁴ Michael A. Stegman, "The Fall And Rise Of Public Housing," *Regulation* 25, 2 (2002): 68.
- ⁵⁵ By Julie Rovner, Macon Morehouse, and Phil Kuntz, "Bush's Social Policy: Big Ideas, Little Money" *Congressional Quarterly* Dec. 10, 1988, 3459.
- ⁵⁶ Senator Kit Bond (MO) *Congressional Record Senate* - S8198.
- ⁵⁷ Even though my research of the Senate debates over tax incentives for housing seemed to reveal a tremendous amount of ignorance in how tax expenditure worked, there were clearly Congress members who knew exactly what they were (cf: Christopher Howard, *The Hidden Welfare State*).
- ⁵⁸ Skip Kaltenheuser, "Housing's Moment on Capitol Hill," *Mortgage Banking*, March 1990, 29.
- ⁵⁹ Jill Zuckman "PROVISIONS: Housing Authorizations" *Congressional Quarterly* Dec. 8, 1990, 4091.
- ⁶⁰ *Congressional Record Senate* - S13253.

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- ⁶¹ Jack Kemp - Senate Hearing: *Hope: Homeownership And Opportunity For People Everywhere* (Senate - November 17, 1989) *Congressional Record Senate* - S15944.
- ⁶² Senator Robert Kasten (WI) Senate Hearing: *Hope: Homeownership And Opportunity For People Everywhere* (Senate - November 17, 1989) *Congressional Record Senate* - S15942.
- ⁶³ Senator Connie Mack (FL) Senate Hearing: *Hope: Homeownership And Opportunity For People Everywhere* - *Congressional Record Senate* - S8881.
- ⁶⁴ Senator Grassley (IA) Senate Hearings for the National Affordable Housing Act (Senate - June 27, 1990) *Congressional Record Senate* - S8851.
- ⁶⁵ Senator Boschwitz's (MN) *Congressional Record Senate* - S8852.
- ⁶⁶ Bond's official web site says that he believes "government and taxes should be no bigger than necessary." <http://bond.senate.gov/biography/history.cfm> - [visited March 21, 2003].
- ⁶⁷ Senator Bond (MO) *Congressional Record Senate* - S8198. Senator Bob Graham (R-TX) agreed: "Most important, Mr. President, is the recognition in the structure of the bill that each and every community in America has different needs, different resources, and different populations to serve. No longer will the Federal Government mandate its solution to the perceived problems of States and localities." *Congressional Record Senate* - S8872.
- ⁶⁸ Jack Kemp - Senate Hearing: *Hope: Homeownership And Opportunity For People Everywhere* (Senate - November 17, 1989) *Congressional Record Senate* - S15943.
- ⁶⁹ Jack Kemp - Senate Hearing: *Hope: Homeownership And Opportunity For People Everywhere* (Senate - November 17, 1989) *Congressional Record Senate* - S15944.
- ⁷⁰ Senator Dodd (CT) *Congressional Record Senate* - S13253.
- ⁷¹ Senator Sarbanes (MD) *Congressional Record Senate* - S13254.
- ⁷² Joe Davidson, "House Clears Bill That Would Result in Big Boost in U.S. Housing Support" *Wall Street Journal*, Oct 26, 1990, A16.
- ⁷³ Skip Kaltenheuser, "Housing's Moment on Capitol Hill," *Mortgage Banking*, March 1990, 29.
- ⁷⁴ Cathie Martin, *Shifting the Burden: The Struggle Over Growth and Corporate Taxation* (Chicago: University of Chicago Press, 1991), 159. TRA 86 was an attempt by Congress to expand the base of taxpayers, reduce the number of tax expenditures and loopholes, and lower tax rates for all income groups and corporations.
- ⁷⁵ Paul Starobin, "Real Estate Seeks Some Easement On Tough Tax Shelter Restrictions," *Congressional Quarterly*, July 12, 1986, 1568.
- ⁷⁶ Iver Peterson, "Prospects Rise For Housing Legislation: Federal Measure Seeks To Help Home Buyers," *The New York Times*, June 11, 1989, R1.
- ⁷⁷ *The New York Times*, editorial, "Best Vehicle For Affordable Housing," Nov 18, 1989, A26.
- ⁷⁸ Richard Cravatts, *Wall Street Journal*, January 18, 1989, A16.
- ⁷⁹ *Low-income Housing Tax Credit: Hearing Before the Subcommittee on Select Revenue Measures of the Committee on Ways and Means*, House of Representatives, 101 Congress, May 23, 1989 (Washington, D.C.: U.S. Government Printing Office, 1989).
- ⁸⁰ *Ways and Means Hearing, 101 Congress*, 6.
- ⁸¹ *Ways and Means Hearing, 101 Congress*, 177.
- ⁸² *Ways and Means Hearing, 101 Congress*, 235.
- ⁸³ As an example, Edwin Feiler, a for-profit developer and president of the National Association of Home Builders, said he represented 157,000 builders in his testimony. "Affordability is the key word in housing today because prices have gone up, interest rates have gone up, costs have gone up, and incomes have not gone up to the same degree. I feel like the low income housing credit is an effort to meet that problem head on." (*Ways and Means Hearing, 101 Congress*, 185).
- ⁸⁴ Mitchell Pacelle, "An Expected Bush Veto of Tax Bill Poses Threat to Building Low-Income Rentals," *Wall Street Journal*, October 19, 1992, C17.
- ⁸⁵ Jean L. Cummings and Denise DiPasquale, "The Low-Income Housing Tax Credit: An Analysis of the First Ten Years," *Housing Policy Debate* (1999) 10, no. 2: 294. This type of return was common for tax equity investments I underwrote as a tax-credit acquisitions analyst for Edison Capital in the mid-1990s.
- ⁸⁶ *News Conference With Coalition Of U.S. Mayors Who Are Urging Congress To Vote An Extension Of Low Income Housing Tax Credits*. Moderator: Paul Grogan, Room 2222, Rayburn House Office Building (Federal Information Systems Corporation Federal News Service, October 2, 1991).
- ⁸⁷ Paul Grogan, "Points Of Urban Light" *Washington Post*, July 19, 1992, C3.
- ⁸⁸ Patrick Clancy, "Tax Incentives and Federal Housing Programs: Proposed Principles for the 1990s," MIT Housing Policy Project (Cambridge, MA: MIT Center for Real Estate Development, 1988), 9.

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- ⁸⁹ Extension of Remarks Thursday, January 3, 1991, 102nd Congress 1st Session 137 *Congressional Record* E 58, 137, No. 1.
- ⁹⁰ Extension of Remarks Friday, November 1, 1991, 102nd Congress 1st Session 137 *Congressional Record* E 3640.
- ⁹¹ Senate Wednesday, July 22, 1992, 102nd Congress 2nd Session 138 *Congressional Record* S 10070, 138 No. 104.
- ⁹² *Los Angeles Times*, editorial, "Housing Credit Extension Is A Must -- And Riots Tell Us Why," June 2, 1992.
- ⁹³ A. R. Shashaty, "Archer VB. Clinton: The Rematch." *Affordable Housing Finance* 5 (May/June 1997): 4. Cited in Steven Rathgeb Smith, in *Nonprofits and Government: Collaboration and Conflict*, eds. Elizabeth T. Boris and C. Eugene Steuerle (Washington, DC: The Urban Institute Press, 1999), 202-203.
- ⁹⁴ Julian A. McQuiston, "Tax credits fuel growth of affordable housing," *Journal of Housing and Community Development* 53, 6 (Nov/Dec 1996): 14-19.
- ⁹⁵ "New Republican caucus formed to promote affordable housing," *National Real Estate Investor* Dec 1996: 38, no. 13, 74.
- ⁹⁶ "New Republican caucus formed to promote affordable housing," 74.
- ⁹⁷ Jaret Seiberg, Bankers Join in Bid to Rescue Low-Income-Housing Credits Series: 1 *American Banker* 160, no. 243 (December 19, 1995): 1.
- ⁹⁸ Seiberg, 1.
- ⁹⁹ Seiberg, 1 -- "The San Francisco-based giant announced a \$100 million tax credit investment in early December, raising its total investment to \$316 million."
- ¹⁰⁰ Seiberg, 1.
- ¹⁰¹ McQuiston, "Tax Credits Fuel Growth of Affordable Housing," 19.
- ¹⁰² Rogers, David and Ingersoll, Bruce, "Two GOP Insurgents for House Seats in the South Cash in on their Ties to Patrons in Washington," *Wall Street Journal*, Nov 1, 1996, A14.
- ¹⁰³ http://www.cnn.com/US/9511/debt_limit/11-15/poll/poll_gfx2.html – [viewed June 29, 2004].
- ¹⁰⁴ Barry G. Jacobs, "Archer abandons plan to sunset LIHTC," *National Real Estate Investor* 39, no. 8 (Aug 1997): 30.
- ¹⁰⁵ McQuiston, 19.
- ¹⁰⁶ Upendra Mishra, "Using Tax-Exempt Bonds To Finance Affordable Housing," *National Real Estate Investor* 39, no. 6 (June 1997): 64.
- ¹⁰⁷ <http://www.ncsha.org/uploads/HsgCreditFactSheet.pdf> [visited 5/1/03].
- ¹⁰⁸ <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/index.cfm> [visited April 20, 2003].
- ¹⁰⁹ *Coming of Age: Trends and Achievements of Community-Based Development Organizations*, 4th National Community Development Census (Washington DC: NCCED, 1999), 5.
- ¹¹⁰ *Coming of Age*, 11.
- ¹¹¹ *Coming of Age*, 16.
- ¹¹² Goetz, Edward, "Local Government Support for Nonprofit Housing: A Survey of U.S. Cities," *Urban Affairs Quarterly* 27, no. 4 (1992): 420-35.
- ¹¹³ <http://www.ncsha.org/section.cfm/8/28> [visited April 8, 2003].
- ¹¹⁴ Ian Donald Turner and Thomas B. Cook, "New Directions for Federal Housing Policy: The Role of the States" *Building Foundations: Housing and Federal Policy*, eds. Denise DiPasquale and Langley Keyes (Philadelphia: University of Pennsylvania Press, 1990), 115.
- ¹¹⁵ Measured in 1989 dollars, the median rent for low-income renters went from \$253 to \$376. The median rent for all rental units, meanwhile, increased only 16 percent from \$353 to \$411. [*Housing and Development Reporter* 18, no 10 (July 23, 1990): 178.]
- ¹¹⁶ Peter Dreier, "Philanthropy and the Housing Crisis: The Dilemmas of Private Charity and Public Policy," *Housing Policy Debate* 8, no. 1 (1997): 273.
- ¹¹⁷ It also serves tenants who are not as poor as the older HUD programs, such as Section 8.
- ¹¹⁸ Avis C Vidal "Can community development re-invent itself?" *Journal of the American Planning Association* 63, no. 4 (Autumn 1997): 429-438.
- ¹¹⁹ Steven Rathgeb Smith, in *Nonprofits and Government, Collaboration and Conflict*, eds. Elizabeth T. Boris and C. Eugene Steuerle (Washington, DC: The Urban Institute Press, 1999) citing A.R. Shashaty, "Archer vs. Clinton: The Rematch," *Affordable Housing Finance* 5 (May/June 1997): 4.

¹²⁰ *Low-income housing tax credit: hearing before the Subcommittee on Select Revenue Measures of the Committee on Ways and Means*, House of Representatives, 101 Congress, May 23, 1989 (Washington, DC: U.S. Government Printing Office, 1989), 6.

¹²¹ *National Affordable Housing Act, Hearings before the Subcommittee on Housing and Urban Affairs of the Committee on Banking, Housing, And Urban Affairs*. United States Senate, 100th Congress, 2d session, September 14, 21, and 28, 1988, p. 340.

¹²² Wilensky, 608.

¹²³ David M. Kennedy, *Freedom From Fear: The American People in Depression and War, 1929-1945* (New York: Oxford University Press, 1999), 469.

¹²⁴ Jean L. Cummings and Denise DiPasquale, "The Low-Income Housing Tax Credit: An Analysis of the First Ten Years," 272.

¹²⁵ Michael A. Stegman. "The Fall and Rise Of Public Housing," *Regulation* 25, no. 2 (2002): 64-65.