Introduction

Revolutionary Change in Housing Policy, 1964–2006

In the public imagination, the idea of government-subsidized housing conjures up thoughts of a hopelessly inefficient Department of Housing and Urban Development (HUD) or high-rise "projects" where crime and drugs are rampant. That impression, however, bears little resemblance to subsidized housing today. As a practical matter, HUD has been out of the housing construction business since 1978. While it plays a big role in providing Section 8 housing vouchers, it does not build much housing other than small projects for senior citizens and people living in rural areas.[1] Few people, however, are aware of HUD's current role, even those who care deeply about low-income communities. In a recent op-ed article in the *New York Times* (July 2008), for example, Columbia Professor Sudhir Venkatesh criticized HUD as an ineffective tool for alleviating poverty and advocated its elimination.[2] The reality is that for more than 20 years HUD has taken a back seat to the new network of players now driving affordable housing policy; the network includes HUD but also local advocacy organizations, nonprofits, and for-profit corporations, as well as local, state, and federal government agencies and others. This network builds well-designed, high-quality homes.

A Flexible, Decentralized, and Well-Integrated System

The recent history of government-subsidized housing should bring to mind architecturally significant apartment buildings that add value to their neighborhoods. These new government-subsidized programs have helped empower thousands of local communities through new institutions such as community development corporations (CDCs) and have helped revitalize many places that seemed hopeless a generation ago. Benson Roberts, senior vice president for policy and program development for the Local Initiatives Support Corporation, describes the current state of affordable housing production:

> Over the past 20 years, a cluster of federal policies has supported a flexible, decentralized, and well-integrated production system. The system is distinctively market driven, locally controlled, and performance based. It builds sustainable partnerships among nonprofit and for-profit developers, private lenders and investors, as well as among all levels of government. (Roberts 2008b, 36)

While the current approach to housing policy in America is producing better homes for low-income individuals and families than ever before, it is doing more than that: it is in the vanguard of how government delivers social services. This new approach to building housing demonstrates that multiple, disparate groups can form problem-solving networks and deliver high-quality housing and services. This change has contributed significantly to the much-acclaimed "comeback" of the American city. The influence of this model, first developed in the delivery of affordable housing, is even greater, however, because it is now providing an inspiration for policy areas as diverse as economic development, education, health, and the environment.

At first glance, this volume might appear to be another book on how public policy today often involves contracting outside of government and relying on public-private partnerships. That approach first captured widespread attention with David Osborne and Ted Gaebler's *Reinventing Government* (1992) and much of the so-called third-way literature that was inspired by the Bill Clinton–era policy changes. This literature also includes more recent works such as Stephen Goldsmith and William Eggers's *Governing by Network* (2004). But what these other books do not do is follow closely the formation of these partnerships—how they operate, cooperate, and execute over time. Brief treatments of public-private partnerships do not capture the complexities of these new policy-implementing structures.

The Housing Policy Revolution chronicles, through a historical analysis of political debates and detailed case studies, how a network approach to policy implementation developed in the 1970s, 1980s, and 1990s. It provides an in-depth history of who was involved, how they worked together, and what they built.

Evolution of Federal Housing Programs

In 1996, the *New York Times Magazine* ran an article that described affordable housing as a political issue that had "evaporated" (DeParle 1996, 52). The *Washington Post* reported that HUD was seen as a "scandal-ridden, regulatory rat's nest." [3] HUD survived calls for its dismantling, but only barely. HUD, which had once spearheaded all production of low-income housing, saw its production programs whither. HUD produced 248,000 housing units in 1977, but by 1996 that number had dropped to 18,000 and has remained low since. Housing scholar and advocate Peter Dreier concluded in 1997 that recent history was a period of political retreat for low-income housing programs: "The political constituency for housing policy is weaker and more fragmented now than it has been in decades." Dreier (1997, 273) lamented the loss of the old housing coalition that pushed access to housing as "part of the broad social contract." Other studies on recent housing policy, including Mara Sidney's *Unfair Housing: How National Policy Shapes Community Action* (2003), were severely critical of the federal government's abdication of responsibility for providing housing for low-income Americans. These critiques were published against the backdrop of significant need for affordable housing. The U.S. Census Bureau's "American Communities Survey" indicates that in 2006, 46 percent of all renters were paying more than 30 percent of their gross income on housing—a level generally considered a severe burden.[4]

The decline of federally built affordable housing closely follows the commonly accepted story about the U.S. welfare state generally—that it developed between the 1930s and the late 1960s and then suffered a series of setbacks during the 1970s, which triggered a political backlash. According to this interpretation, conservative politicians from Richard Nixon to Ronald Reagan successfully harnessed white middle-class anger over government programs to roll back the welfare state. At first glance, the fate of federal programs that subsidize apartments for low-income tenants confirms this narrative: the federal government created housing programs during the New Deal, added to them significantly during the 1960s, and in the 1980s cut them back in the wake of bad press, conservative attacks, and policy mistakes of the late 1960s and 1970s.The problem with this story is that you might have trouble hearing it over the din of construction of the more than 2 million federally subsidized apartments for low-income tenants built between 1986 and 2006 (NCSHA 2008). These units were built by for-profit and nonprofit housing developers and funded largely with tax credits and federal block grants.[5] The number of subsidized apartments met only a fraction of the need, but by 2008 there were nearly 33 percent more homes built under new government low-income housing finance programs (after 1986) than there were subsidized apartments built by all the HUD-sponsored programs dating back to the 1960s.[6] In fact, the number of homes built by the post-1986 programs compare favorably with *all* the existing subsidized apartments built since the beginning of federal programs in 1937 (2.0 million versus 2.7 million).[7]

The Rise of a Stealth Housing Program

Despite the lofty rhetoric of housing programs like the Housing Act of 1949, which promised every American family a “decent home and a suitable living environment,” the federal government never built many low-income apartments.[8] In fact, in some years, it destroyed more units than it built. Before the creation of the Department of Housing and Urban Development in 1965, the peak annual production of affordable housing through the public housing program was 71,000 units in 1954 (Orlebeke 2000). During the Great Society, the production numbers skyrocketed for a four-year period to nearly half a million units annually. This pace was short-lived, however.

In 1973, Richard Nixon imposed a moratorium on new construction, in part because there were many complaints that bad design and shoddy workmanship created instant slums. HUD had one more burst of building during the Carter administration, but since then the number of units it builds has remained low.

As HUD building programs fizzled, funding for low-income housing was on the rise. While a new housing finance program, the 1986 Low Income Housing Tax Credit (LIHTC), churned out fewer units than the peak HUD production years, it did so at a rate that was higher than the historic average and consistent for over 20 years. By 2005, the program was funding more than 130,000 apartments annually (NCSHA 2008). To say that the federal government has been out of the affordable housing business since the Reagan administration is simply wrong.

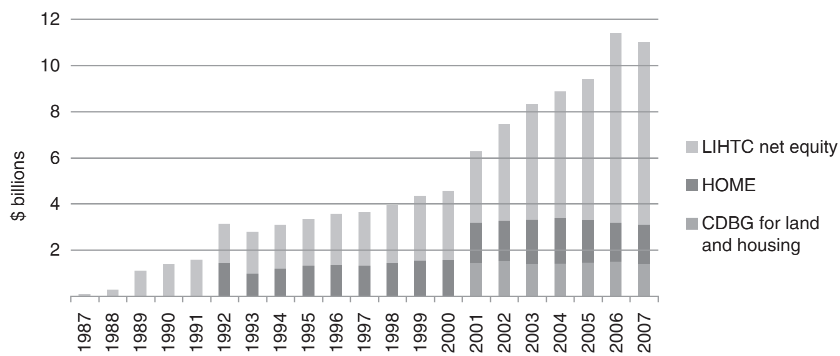
During the 1980s two simultaneous policy revolutions took place (or perhaps a revolution and a counterrevolution). Reagan dramatically eliminated funding for low-income housing and cut back the role of the federal government in housing. At the local level, though, a revolution from below pulled together community groups, local and state governments, and elements of the private sector to find ways to build housing for low-income tenants without federal help. In 1988, housing advocate Paul Grogan testified before Congress that

> the brute force of the federal cutbacks in housing in the last seven or eight years, while doing undeniable harm to many, have produced an unprecedented response in the housing arena at the state and local levels and have activated a staggering array of new involvements on the part of state and local government, the non-profit sector, the private sector, labor unions, churches, and the list goes on. (U.S. Congress 1988b, 332)

The local effort started small but demonstrated how a decentralized housing network might work. The 1980s were a period of tremendous institution building, although it took place at the local level and often went unnoticed. In time, the network grew in sophistication, became politically active, and lobbied successfully for more federal resources. The most important new funding programs were the Community Development Block Grant (1974), the Low Income Housing Tax Credit (1986), and HOME funds from the National Affordable Housing Act in 1990 (see figure I.1).[9]

The housing built through these programs was of higher quality than earlier low-income housing and was politically popular (a significant improvement over the old policies), but these programs did not solve the housing problem. The new network lacked the resources to build what was necessary for most of America's lowest-income families. The units built since 1986 were not for tenants who were as poor as those in projects built during the Great Society but instead targeted the working poor (tenants who earned less than 50 or 60 percent of the median income in their area).[10] Even so, the new programs managed to serve tenants who were poorer than the statutes required. A 1997 Government Accountability Office (GAO) report that surveyed projects built with funding from the 1986 LIHTC program—the largest of the new programs for subsidizing low-income housing—found that three-quarters

Figure I.1. Funds from CDBG (Land and Housing), HOME, and the Low Income Housing Tax Credit



Notes: The data on the HOME Investment Partnership Program (HOME) and the Community Development Block Grant Program (CDBG) come from the U.S. Department of Housing and Urban Development's Office of Policy Development and Research. The CDBG program has been around since 1974; it is a large program with many goals. I have only counted the CDBG dollars allocated to land acquisition and preparation for development (e.g., demolition or environmental remediation) and housing. Those figures are broken out for CDBG budgets back to 2001.

Data on net LIHTC equity are based on an estimate from Richard Floreani, senior manager at Ernst & Young's Tax Credit Investment Advisory Services. It is based on a combination of published data (e.g., the total amount of tax credit authority), statistical data (e.g., median tax credit pricing by year), and estimates (e.g., the percentage of the market invested on a guaranteed versus unguaranteed basis).

of the households earned less than 50 percent of the median income in their area (U.S. GAO 1997).

What Happened to the Welfare State

While the evolution of the decentralized housing network is important in its own right, it also sheds light on a larger story about recent public policy history, especially the history of the welfare state.[11] Historical scholarship on the welfare state maintains that this institution shrank in the face of deft attack and weak defense (Katznelson 1989; Edsall and Edsall 1991).[12] But what has happened to the welfare state since the 1970s and 1980s is more complicated. In subsidized housing programs, 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 have been weakened since the 1970s, but others innovated and grew. At the same time that the *Washington Post* was reporting that "HUD is about as popular as smallpox," billions of federal dollars began to flow into new subsidized housing programs.[13] Liberals like House Ways and Means Committee Chairman Charles Rangel joined with conservatives to increase block grants and tax expenditures for affordable housing at the same time they were cutting HUD's budget authority. Even more interesting, increased funding to subsidized housing through programs such as tax credits were enormously popular. These political debates lacked the sharp edge of prior eras and appeared to demonstrate a "willingness to walk away from ideology," in the words of Jack Kemp, George H.W. Bush's HUD Secretary (U.S. Congress 1989, 6).

This paradox in affordable housing policy illustrates many of the recent changes within the welfare state. The most dramatic change from the 1970s was not scaled-back funding—although that certainly affected key programs for the very poor—but a shift in how the federal government delivered welfare state services and who was served.[14] The federal government used an array of new policy tools (tax policy, regulation, loans, and loan guarantees) to induce nongovernment players (nonprofit corporations and for-profit firms) to participate in shaping new programs to deliver social services. Lester Salamon (2002), Steven Rathgeb Smith and Michael Lipsky (1993), Jacob Hacker (2002), Christopher Howard (1999), Julian Zelizer (1998), and Jennifer Klein (2003) have shown that when these other funding mechanisms are taken into account, the U.S. welfare state is larger and more comprehensive than one would conclude by looking only at the bureaucracy-led, and direct expenditure-funded, programs. The government used incentives for social services with increasing frequency in the 1980s and 1990s, challenging the popular conception of a withering welfare state.

Revolutionary Change in Housing Policy

To illuminate the revolutionary change in housing policy from the 1960s to the present, this book traces the historical events and larger forces that have shaped the options for politicians and activists over the past 40 years. The history is important because it shows that sometimes policymakers had few choices and that larger forces and trends often shaped the terrain on which this battle was fought. The history also demonstrates that many decisions and policies have had unintended consequences. What I lay out here suggests that for many years a current of many streams had been carrying us toward the policy we now have. The current was fed in part by history, in part by ideology, and in part by technology, but in all cases it was brought to life by policy actors—decisions made and not made along the way by individuals. Some of those decisions were made by powerful people on Capitol Hill and in corporate board rooms. Many of them were made by people who were less powerful—local activists and advocates hoping to improve communities. Together, they developed a new approach to building affordable housing.

Plan of the Book

To be clear, this book does not cover all housing issues. It focuses on how affordable rental housing has been built over the past 40 years, with a particular emphasis on subsidized multifamily development because since the War on Poverty, the effort to revitalize low-income communities has centered almost exclusively on developing safe and decent affordable rental housing.[15] In fact, in recent years, the terms *affordable housing* and *community development* are often used interchangeably. Lately, there has been an effort to broaden the strategies used to revitalize communities, an effort motivated partly by the re-recognition that all well-functioning communities need many ingredients to thrive, including jobs, good schools, safe streets, and the like.

In addition, programs that target individuals—including housing vouchers and income support programs (especially the earned income tax credit)—are crucial to helping low-income individuals and families afford shelter. While some important programs help low-income people buy homes, these programs are not within the scope of this book.

Directions in Housing Policy from Johnson to Reagan

Chapter 1 examines housing policy history from the mid-1960s to the mid-1980s over two distinct periods: (1) the rise and fall of federal bureaucracies, 1964–81; and (2) federal cutbacks 1981–86. The chapter outlines these broad policy shifts by examining two seminal reports that framed the debates and subsequent policies on housing and urban renewal programs. The first report was the voice of the Great Society in “A Decent Home: The Report of the President’s Committee on Urban Housing” (U.S. President’s Committee on Urban Housing 1969). The Kaiser Report, so named for the chairman of the committee Edgar Kaiser, 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 citizens. It called for dramatically increased funding for affordable housing, coordinated by the federal government. Yet in practice, federal efforts experienced real and perceived difficulties.

The public and policymakers alike had become disillusioned with the government's inability to meet the goals the Kaiser report had set out. After the first era—the rise and fall of federal housing bureaucracies, 1964–81, came the second, in which conservatives now in power tested their strong beliefs that market forces and not government would solve the nation's affordable housing problem. "The Report of the President's Commission on Housing" (U.S. President's Commission on Housing 1982), a study conducted by a committee headed by William McKenna, was a direct attack on the housing programs of the late 1960s and trumpeted free markets as the solution to the housing problem. This second era, lasting only from 1981 to 1986, was a social welfare experiment in shock therapy. What is particularly interesting about this era was the energetic local responses where communities—local government, businesses, advocates, and nonprofits—sought new ways to meet the needs of local low-income tenants without federal help.

Building the Decentralized Housing Network

Chapter 2 takes a detailed look at the components of what later became the decentralized housing network, which include CDCs, new government entities at the state and local levels, capacity-building intermediaries, new private sector participants, and other institutions, such as foundations and the government-sponsored enterprises, Fannie Mae and Freddie Mac. This chapter documents how elements in all these different areas grew in sophistication over the 1980s; a service delivery approach that started out in church basements and city council chambers grew in capacity. In the words of one observer at the time, "The movement has matured into an industry" (Vidal 1997, 429).

Fighting for Federal Resources

Once established, this network needed more resources if it were to become more than a skirmish in a new war on poverty. Chapter 3 outlines how this network advocated for, and won, new resources. It describes a third era, which starts in 1987, that appeared to be a synthesis of previous periods.[16] A third report, "A Decent Place to Live: The Report of the National Housing Task Force" (1988), was the work of a committee chaired by David Maxwell and Jim Rouse. It argued for the federal government to get back into the subsidized housing business but in a different mode: as the funder of a new network of decentralized service providers. The new synthesis was a marriage of local networks of community development corporations, local and state government, nonprofits, and private businesses with financial resources from the federal government. In this latest stage, the network had matured and secured more funding, influence, and production capacity. As it came into its own, the network not only built more housing than the Great Society programs did but also defended itself politically. The decentralized housing network built on the conclusions of the Maxwell-Rouse report and helped pass the National Affordable Housing Act of 1990.

The affordable housing network was also behind a major push to establish the housing tax credit in 1986 and keep it alive through a series of challenges in the 1990s and early 2000s. Congress increased funding to housing tax credits by 40 percent in 2000 and indexed future increases to inflation (U.S. Congress 2000).

Lessons Learned

Chapter 4 focuses on individual low-income apartments built by the new approach to affordable housing. The chapter outlines how the different participants in the network—CDCs, banks, local government, and the private sector—worked together to build housing, even in the face of fierce opposition by neighbors and other local organized interests. Every project was different, showing how diverse and eclectic the decentralized program could be. The approach also illustrated how participants developed expertise and relationships within the network that enhanced their capabilities over time.

Consider the example of the Frank G. Mar low-income apartments in the Chinatown area of downtown Oakland, California. Built in 1988, the 119-unit project catered to young families and elderly tenants. It also included commercial space and public parking. Instead of HUD financing a single private real estate developer, as was typical, these apartments were built by a coalition of actors led by a community development corporation (East Bay Asian Local Development Corporation) and a regional nonprofit housing developer (BRIDGE Housing). In addition, the project had two local government partners—the city redevelopment agency and the city parking authority. Seven separate sources provided the financing, which included a conventional mortgage from a bank, federal block grants, and equity contributed by a corporation in exchange for federal tax credits.

What appeared to be a confusion of too many players and too many sources of funds proved to be one of the great assets of this new approach to developing affordable housing. The multiple financing programs were strings that brought the different players into a web of mutual support and supervision. Each lender and equity partner in the Frank G. Mar project had to underwrite the project separately. While it was difficult to coordinate so many players, all participants were able to vet critical development decisions. With so many people checking each other's work and decisions, the likelihood of a mistake diminished. When the project did encounter trouble—toxic contamination found on the site, for example—the same group worked together to find solutions because they were all at risk if the project failed. In the end, the project was a spectacular success; it had an award-winning design and helped bring new life to Oakland's Chinatown, providing homes for seniors citizens and families (mostly Asian Americans), commercial spaces for new businesses and social service providers (childcare, counseling), and desperately needed parking for downtown.

This web of players, or network, built higher-quality housing that was better suited to clients' needs than the affordable housing that had been built in prior eras. The network proved to be nimble in overcoming local obstacles to development—whether they were related to market problems, construction difficulties, or local political opposition.

The Rise of a New Institution

Chapter 5 explores the significance of a new type of decentralized institution that developed to supply low-income housing. Despite the fact that this institution was an amalgam of participants from the private sector, nonprofit corporations, and all levels of government (federal, state, and local), it managed to share an ideology and a culture, complete with its own practices, terminology, and mores in a way that resembles the policy communities Julian Zelizer writes about in *Taxing America.*[17] The decentralized housing network saw itself as an institution with shared interests and over the years has demonstrated considerable political acumen in organizing and promoting itself.

Because elements of this institution combined for certain projects and then disassembled only to regroup later in a different configuration for another project, it displayed an amazing capacity for adaptation. It also aggressively disseminated best practices. As a matter of course, technical problems were solved, and bad actors were weeded out. As a result, it had the ability to self-correct, self-police, and learn. In this regard, the actions of the decentralized institution have a flexibility somewhat like the market. It also policed itself in ways that were more efficient than older approaches to government regulation. And now that it is established, the decentralized housing network seems to demonstrate some time-honored characteristics of institutions, including path-dependent development, policy feedback, and expanding access to resources.[18]

Changing Our Approach to Housing Policy

Chapter 6 raises questions about where housing policy should now head to be effective. Housing policies from prior eras, were criticized because they were too slow to adapt to changing circumstances. As this book shows, however, more recent housing policies did not create programs per se but rather a decentralized institution made up of a network of service providers with the ability to anticipate and correct problems. In other words, the "program" adapts. Housing developers' use of transportation subsidies for transit-oriented development, the early adoption of "green" building techniques, and a number of innovations that tap world capital markets to fund affordable housing mortgages are examples of such adaptations.[19]

Here I argue for a new perspective on how we analyze the success or failure of a decentralized institution. Simply measuring the number of apartments built, for example, is not sufficient to determine if this network is functioning to its potential. Despite the steady drumbeat for "outcome measures" for different programs and policies, measuring what is important is difficult with such a complicated web of players. Simply examining the outcomes of each participant of the network one by one is not helpful; in some ways, exploring the space between participants (the sinews of the decentralized institution) may be what counts.

As we go forward, how will we use this network to help solve current and future problems? Even now as the country is experiencing a housing downturn that is a catastrophe for low-income home buyers and their neighborhoods, we see that the decentralized housing network is being called upon to find solutions to these new problems. Consider the testimony of the CEO of Enterprise Community Partners to the Senate Banking Committee on January 31, 2008:

> By leveraging the capacity of local governments and highly capable nonprofit organizations as well as proven programs and models—in this case, Community Development Block Grants, the ACA [HUD's Asset Control Area] program and New Markets Tax Credits—we will stem the tide of foreclosures that threatens the stability and viability of neighborhoods nationwide.[20]

And several community development intermediaries described in chapter 2 will be the lead organizations to implement the federal government's National Community Stabilization Trust to help low-income communities caught in the foreclosure crisis (Tingerthal 2009).

This chapter also looks at the blind spots and weaknesses of the decentralized housing network. One of its most serious flaws, for example, is that some communities are incapable of generating a problem-solving network, leaving them unrepresented in this new policy order. Recent research on communities of concentrated poverty by the community affairs function of the Federal Reserve System and Brookings' Metropolitan Policy Program, for example, shows that poor neighborhoods lack access to community development networks. How will such communities advance in this new era?

Among other issues, this chapter tackles a number of questions facing the community development field in light of a network perspective:

- In a decentralized network, who provides the oversight to make sure the network operates as efficiently and equitably as possible?
- Should nonprofits "scale up" to become larger and more effective institutions, or should they become more specialized?
- Should nonprofits use for-profit activities to subsidize their nonprofit work?
- Is the network equipped to handle the changing demographics of its constituencies (such as aging or newly arrived immigrant tenants)?
- How might new technology (especially web-based social network and collaboration software) enhance network outcomes?

Finally, this chapter examines how the decentralized housing network provides an example for other policy fields, such as education, economic development, and the environment.

Conclusion

Housing Policy Revolution weaves the politics and policy into one story; it shows how national policies generate a matrix of government subsidy and information, and how some communities manage to nurture a network within that matrix to solve local problems. Understanding how these networks come together and evolve is essential to understanding how this new policy regime operates, whether it is effective and fair, and what its potential is in the future.

NOTES

1. Since the late 1970s, HUD's major programs included a small production effort for low-income elderly and rural tenants, a large housing voucher program (Section 8), an effort to undo past design and management disasters (HOPE VI), and a variety of insurance and grant programs.

2. Sudhir Venkatesh, "To Fight Poverty, Tear Down HUD," *The New York Times,* July 25, 2008.

3. Guy Gugliotta, "Report Suggests HUD Be Junked," *The Washington Post,* August 5, 1994, A19.

4. According to HUD's definition of worst-case needs, in 1978, 5.1 percent of all households fell in this category; in 2001, it was also 5.1 percent (HUD 2003, xix, 7). Another examination of how low-income renters were struggling during the economic boom years of the 1990s can be found in Nelson, Treskon, and Pelletiere (2004).

5. The Low Income Housing Tax Credit can be thought of as 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 or 60 percent of the local area median income as measured by an annual survey by HUD. Since income is tied to local wages, it varies from county to county. The Internal Revenue Service (IRS) distributes the tax credits to state allocating agencies (typically each state's housing finance agency). They are distributed on a per capita basis—$1.25 per person from 1986 to 2001 when they were increased to $1.75 per person and indexed to inflation. In 2008, the credit was $2 per person (http://www.ncsha.org/uploads/Housing_Credit_Fact_Sheet.pdf).

6. I am comparing the two major prior building programs, public housing and HUD-assisted projects (such as 221(d)(3), 236 and Section 8) to Low Income Housing Tax Credits only. There were other subsidized homes built in the later period without tax credits, but it is nearly impossible to track them all.

Public Housing is about 1.2 million units. "Since 1937, the public housing program has been one of the major federal vehicles for improving the housing conditions of low-income house-holds, currently aiding 1.2 million households or about one-third of all those receiving assistance" (U.S. Congress 1983, 1).

HUD-assisted units total 1.5 million.

> The U.S. Department of Housing and Urban Development's (HUD's) assisted project-based multifamily properties are privately owned properties representing a significant component of federally assisted housing for low-income families. This is in contrast to the public housing stock, which is publicly owned and operated. The HUD-assisted project-based multifamily housing stock includes more than 22,000 properties with more than 1.5 million units. They were developed under programs that were created in the 1960s and 1970s to supplement the public housing program, as part of a policy change that aimed to promote more privately owned development of affordable housing. (Finkel et al. 2006, vii)

7. See appendix A in chapter 5.

8. Housing Act PL 81-171. See also U.S. Housing and Home Finance Agency (1950). For a good background on the 1949 Housing Act, see Hoffman (2000).

9. CDBG funds are block grants to localities (counties and cities primarily) and local governments decide how to spend the money; therefore, how CDBG money is spent can vary considerable from locality to locality. CDBG money has been spent on affordable housing since the beginning of the program in 1975, but it has only been tracked as a separate category since 2001. (Reports on national disbursements of CDBG by program area are available at http://www.hud.gov/offices/cpd/communitydevelopment/budget/disbursementreports/.)

Richardson (2005, 12) notes that "The Housing and Community Development Act of 1974, as amended, established as the primary objective of the CDBG program 'the development of viable urban communities, by providing decent housing and suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.'"

10. To be fair, the old system also lacked the resources to fix the problem of housing low-income Americans, and the focus on very low-income residents was a relatively brief period of the housing program. "In 1950, the median income of public housing tenants was over 60 percent of the U.S. median; by 1975, it was only 30 percent of the U.S. median" (U.S. Congressional Budget Office 1983, 2).

11. The welfare state is a term that often summarizes the set of social services that provide citizens with a social "safety net" from their governments. Many types of social services can be considered part of the welfare state, including government-sponsored health care, education, unemployment and disability insurance, and retirement benefits. Some welfare states are extensive, such as the "cradle to grave" type we often associate with Scandinavia. Others are less comprehensive. For a good overview of the different types of welfare states, see Esping-Andersen (1990).

12. 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 it too far to the political left while the Republicans moved to the political center. However, Arnold Hirsch in *Making the Second Ghetto: Race and Housing in Chicago, 1940–1960* (1998) and Thomas Sugrue in *The Origins of the Urban Crisis: Race and Inequality in Postwar Detroit* (1996) argue convincingly that the divisions in the liberal ranks were already apparent before the Civil Rights Movement.

Many authors claim that the welfare state has withered since the 1970s, including Berkowitz and McQuaid (1988), Gilbert (2002), Levine (1988), Katz (1986, 2002), Patterson (1981), Trattner (1989).

13. Guy Gugliotta, "HUD Mans Its Lifeboats," *Washington Post National Weekly Edition*, February 13–19, 1995.

Table I.1. Federal Spending on Welfare State Services as a Percentage of GDP

	1970–1975	1976–1980	1981–1985	1986–1990	1991–1996
Human Resources	9.1	11.2	11.8	10.7	12.3

Source: 2002 Federal Budget, Historic Tables (table 3.1)

14. The federal budget numbers also challenge the standard story. Direct expenditure spending did dip in the 1980s (see table I.1) 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. On this point, see Christopher Howard (1997, 35).

15. While the War on Poverty was more holistic in its approaches to community revitalization (job training, infrastructure improvements, community organizing), efforts since the 1970s have almost all focused on housing. Only in the past several years has that begun to change with such programs as the New Markets Tax Credit (small business) and efforts to promote community development financial institutions (which fund a range of community needs including homeless shelters and charter schools). In fact, I think an argument can be made that it is time to bring back the 1960s approach in a more deliberate way, combining it with the new institutions that have been built over the past 40 years—something I call Model Cities 2.0.

16. An interesting subtheme of these three presidential reports is that their chairmen reflect their zeitgeist. 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 the Enterprise Foundation, 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.

17. Zelizer (1988, 8) describes the tax policy community that included "political party officials, leaders and experts from umbrella business and financial associations (such as the Chamber of Commerce), staff members of the executive and congressional branch, bureaucrats and administrators, university professors, independent specialists, editors and writers of the specialized policy media, and participants in think tanks."

18. On path dependency and policy feedback, see Pierson (2004); Steinmo, Thelen, and Longstreth (1992); and Skocpol (1992).

19. Securitization was one tool to tap capital markets, but as the recent calamity in world financial markets suggest, it has significant problems in how it distributes risk.

20. Testimony of Doris W. Koo, president and chief executive officer, Enterprise Community Partners, Inc., before the Senate Banking Committee, January 31, 2008, http://banking.senate.gov/_files/Kootestimony13108.pdf.