

THE BUZZ

The Housing Policy Revolution

By Buzz Roberts, Local Initiatives Support Corporation

If you have ever wondered when someone would write a book documenting the emergence, success and significance of the low-income housing tax credit (LIHTC) as the centerpiece of federal affordable housing production policy, your wait is finally over.

David J. Erickson's newly released book, "The Housing Policy Revolution: Networks and Neighborhoods" (The Urban Institute Press, 2009), is simply the best and most important book on the history of modern federal housing and community development policy. That he has relatively little competition does not diminish Erikson's achievement. The book is a chronicle of both politics and practice, scholarly and entertaining, historical and forward-thinking, bold and nuanced.

Erickson is director of the Center for Community Development Investments at the Federal Reserve Bank of San Francisco, where he also edits the *Community Development Investment Review*, a cutting edge journal. He has worked in the public, not-forprofit and for-profit sectors. The book is based on his doctoral dissertation in history at the University of California at Berkeley.

The Housing Policy Revolution might even make some people unhappy because it challenges conventional wisdom in many respects.

According to popular lore, the federal government abandoned the responsibility for building affordable rental housing years ago. A 1996 cover story for the *New York Times Magazine* described housing as a political issue that had "evaporated." The federal government had stopped producing affordable housing. Given the general public

identification of affordable housing with high-rise public housing, well publicized demolitions appeared to be a sad but inevitable concession to reality. The affordable housing surrender fit into a more general, popular narrative about the failure of social policy, in which the Reagan Revolution routed the New Deal and the Great Society.

But, as Erickson writes:

"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. These units were built by for-profit and nonprofit housing developers and funded largely with tax credits and federal block grants. 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. 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 million versus 2.7 million) ... To say that the federal government has been out of the affordable housing business since the Reagan administration is simply wrong." [Emphasis in original]

Erickson describes "the rise of a stealth housing program," driven by a "decentralized housing network" that emerged during a period of tremendous institution building in the 1980s. He explains that although it took place

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at the local level and often went unnoticed, this network grew in sophistication, became politically active and lobbied successfully for more federal resources. He lists the important new funding programs as the Community Development Block Grant in 1974, the low-income housing tax credit in 1986 and HOME funds from National Affordable Housing Act in 1990. These three resources alone contributed nearly \$12 billion to affordable housing in 2006, far more than is generally recognized. Meanwhile, the Community Reinvestment Act encouraged bank participation.

This new housing broke stereotypes. "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)," Erickson writes, "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 ...

Even so, the new programs managed to serve tenants who were poorer than the statutes required."

Using case study analysis, Erickson finds advantages where others have sometimes seen only excessive complexity and inefficiency. One typical project was a joint venture between two nonprofits, the East Bay Asian Local Development Corporation and BRIDGE Housing, involving two city agencies and seven sources of financing. "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," he writes. "The multiple financing programs were strings that brought the different players into a web of mutual support and supervision."

Erickson explains that each lender and equity partner in the Frank G. Mar project had to underwrite the project separately but says that 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

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of a mistake diminished,” he said. “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 senior citizens and families (mostly Asian Americans), commercial spaces for new businesses and social service providers (child care, 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.”

Indeed, such cases illuminate an entirely new and well organized delivery system, itself a kind of institution. In the book, Erickson says, “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”

He writes that this network “displayed an amazing capacity for adaptation.” He notes that the network also aggressively disseminated best practices, and how over time, technical problems were solved and bad actors were weeded out. The result, Erickson writes, is that the network had the ability to self-correct, self-police and learn. He posits that in this regard, the actions of the decentralized institution have a flexibility somewhat like the market.

Beyond the housing that is produced, this network is itself an important policy outcome. “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,” he writes.

Finally, Erickson describes how such networks are already addressing other housing and community development challenges like the recycling of foreclosed homes; their potential utility for addressing education, economic development and environmental needs; and flaws and gaps in the system, including its absence in some very poor communities.

David Erickson’s book could not come at a better time. As practitioners and policy makers struggle to cope with the national financial crisis and recession, it’s important to recognize the creativity, collaboration, discipline and resiliency that have brought the LIHTC generation of affordable housing this far and will help it find new ways forward. ❖



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