Nobody Home: The Housing Crisis Meets the Nineties

Peter Dreier and Richard Appelbaum

During the 1980s, a striking new ingredient was added to the landscape of America's cities—millions of people sleeping in alleyways and subways, on park benches and in cars. The contrast of homeless Americans living in the shadow of luxury condos and yuppie boutiques epitomized the decade: it was a period of both outrageous greed and outrageous suffering. The media brought us "Lifestyles of the Rich and Famous," but it also offered cover stories about homeless families. And while the 1980s were justifiably referred to as the "me decade," more Americans in that period volunteered to work with the poor (in shelters and soup kitchens) than at any time in recent memory. What will the 1990s bring?

Everyone from President Bush to the late homeless advocate Mitch Snyder has agreed that homelessness is a national tragedy and an embarrassment to the United States in the court of world opinion. And public opinion polls show that a vast majority of Americans now put solving the homeless problem at the top of the national agenda. According to these polls, Americans are even willing to pay higher taxes, *if* the funds would go to assist those in need. It is entirely clear to almost everyone but the president that volunteerism alone—"a thousand points of light"—cannot stem the rising tide of homelessness.

But there the consensus ends. Politicians, housing activists, and academic experts disagree about how many people are homeless, who they are, and why, during the 1980s, America suddenly found itself with an epidemic of people living on the streets.

The Crisis

The growing epidemic of homelessness is only the tip of the iceberg. The United States now faces its worst housing crisis since the Great Depression. The underlying problem is a widening gap between what Americans can afford to pay and what it costs to build and maintain housing. This has always been a problem for the poor; now it is a growing problem for the middle class. The "American Dream" of home ownership is fading fast for many middle-income Americans.

Thanks to postwar federal housing programs, the rate of home ownership rose steadily for three decades, from 43.4 percent in the late 1940s to 65.6 percent in 1980. Since then, however, the home ownership rate has steadily declined, particularly for young families. Among twenty-five- to thirty-four-year-olds, for example, the rate dropped from 52.3 percent in 1980 to 45.1 percent in 1987. The median price of a new single-family home has climbed from $69,300 in 1982 to about $120,000 today. While in 1973 it took roughly one-quarter of the median income of a young family with children to carry a new mortgage on an average-priced home, today it takes over half of a young family's income.

Skyrocketing rents make it impossible for most young families to save money for a down payment. As a result, about the only people who can afford to purchase a home are those who already own one or those whose parents help them out. Among those who do manage to buy a home, a growing number are in danger of losing it to foreclosure by banks.

At the same time, rents have reached a two-decade peak, according to a recent Harvard University study. This is especially a problem for the poor, who are now competing with the middle class for scarce apartments. Some 85 percent of low-income renters—5,800,000 households—pay at least 30 percent of their incomes for housing. The typical young single mother pays over 70 percent of her meager income just to keep a roof over her kids' heads.

Perhaps the most shocking statistic is this: only one-quarter of poor households receive any kind of housing subsidy, the lowest level of any industrial nation in the world. The long waiting lists for even the most deteriorated subsidized housing projects attest to the desperation of the poor.

Is it any wonder that the ranks of the homeless are growing?

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Mitch Snyder 1943–1990

The death of Mitch Snyder occurred while Congress was debating a housing bill that, by any standard, is inadequate to solve the problem Snyder spent over a decade challenging. On the day Mitch died, the Bush administration decided against waging a major antipoverty effort, despite glaring evidence of the need for such action. Our nation's leading homeless advocate, Mitch Snyder, will be sorely missed at the front lines of these battles.

Snyder abandoned a life as a Madison Avenue advertising man to live and work with the poor. He lived simply in the thousand-bed shelter he helped establish, but also knew how to raise money for his cause among the Hollywood elite. He risked his own life with lengthy hunger strikes and weeks-long sleep-ins on the cold grates of the nation's capital. In doing so, he became a media celebrity, attracting sufficient publicity to mobilize citizens and lawmakers to respond to the needs of the homeless.

Mitch knew that the housing crisis was not a problem for the poor alone, and he worked hard to build alliances between church groups, labor unions, mayors, and others with mainstream constituencies. He also realized that you can't fight a war on homelessness and poverty with an all-volunteer army. Mitch frequently said that more and better soup kitchens and shelters were not the real solution to homelessness; what was needed was a renewed commitment by the federal government to build more affordable housing and help fill the gap between what the poor can afford and what housing costs to build and operate.

Let Mitch's legacy be our renewed dedication to reordering our nation's priorities, solving the problems of economic and social injustice, and waging peace.

—*Peter Dreier*

The Origins of the Crisis

The initial stereotype of the homeless was of an alcoholic or mentally ill middle-aged man or "bag lady," many of them victims of deinstitutionalization resulting from the Community Mental Health Act of 1963. But when more low-rent housing was available—including many rooming houses that have since been lost to gentrification—people on the margins of society could afford a shelter. Clearly, and despite what Presidents Reagan and Bush might tell us, the homelessness crisis is a symptom of some fundamental shifts in the nation's economy.

The most important shift involves the deindustrialization and gentrification of our urban areas. The past fifteen years has been characterized by a tremendous flight of previously high-wage industries to low-wage countries. Since the early 1970s, the electronics revolution has hastened the development of a global economy. Footloose firms have moved their manufacturing operations to more favorable locations, whether these be in suburbs, rural areas, or Third World countries.

As a result of this geographic realignment, it is unlikely that American industry will soon again enjoy the privileged postwar position that enabled our standard of living to rise steadily for almost three decades; many American cities still have not recovered from the loss of blue-collar industry and jobs. As factories closed down, tax bases declined, waterfronts were left vacant, downtown department stores went out of business, and some cities began to resemble ghost towns.

During the past decade, a number of observers hailed the "services revolution" as the savior of cities. It is true that many cities have now shifted from what University of North Carolina sociologist John Kasarda calls "centers of production and distribution of goods to centers of administration, finance and information exchange." Cities sought to revitalize their downtowns with new office buildings, medical and educational complexes, hotels, urban shopping malls, convention centers, and even sports complexes. But such efforts—even when successful—do not stem the growing tide of poverty only blocks away from the glittering glass and steel. In the shadow of its downtown skyscrapers, Los Angeles resembles a Third World city, its streets teeming with economically precarious low-wage workers and homeless men, women, and children.

Why? The services economy is predominantly a low-wage market, and most of its jobs offer no career ladder or upward mobility. According to economists Ben Harrison and Barry Bluestone, in *The Great U-Turn* (1988), the majority of jobs created since the 1970s have provided poverty-level wages. Working full time is no longer a guarantee of escaping poverty.

Even relatively low levels of unemployment—4 percent in Boston, for example—mask the deepening crisis. As Harvard economist Robert Reich has noted, the American economy has two escalators—a small one moving upward and a much larger one moving downward. More than thirty million Americans—one out of seven—now live below the poverty line. The figure for children is even more alarming: one out of four (and one-half of all Black children). Today's poor people are poorer and likely to be poor for longer periods of time, for *more and more of the homeless are families with kids and people with jobs*. A recent survey by the U.S. Conference of Mayors found that almost one-quarter of the homeless *work* but have wages too low to afford permanent housing. Apart from those who live on the streets or in shelters, there are millions more who live doubled-up or tripled-up in overcrowded apartments and millions of others who pay more than they can reasonably afford for substandard housing. As a result of this situation, tens of millions of low-income Americans are only one rent increase, one hospital stay, one layoff away from becoming homeless.

Things are getting worse for the middle class as well. In recent years, the average middle-class American has seen family income stagnate. In 1960 the typical thirty-year-old head of a household could expect family income to increase by 50 percent during the next decade. Today, he or she can expect family income (real buying power) to decline. According to a recent Children's Defense Fund report, families headed by someone under thirty have seen their incomes erode by one-quarter over the past fifteen years; among Hispanics, the decline has been one-third; among Blacks, one-half.

For a small but very visible segment of the population, however, these new economic forces have led to the up-escalator. The services economy has created a stratum of highly educated, well-paid management- and professional-level workers. They, along with top-level executives and holders of capital, did well during the decade of corporate takeovers and leveraged buyouts, and the share of national income now going to the wealthiest 20 percent of the population is the highest it has been since World War II. The share going to the poorest 40 percent is the lowest since that time. By dramatically lowering tax rates of the affluent and big business, the Reagan administration exacerbated these trends and redistributed income from the working class to the wealthy.

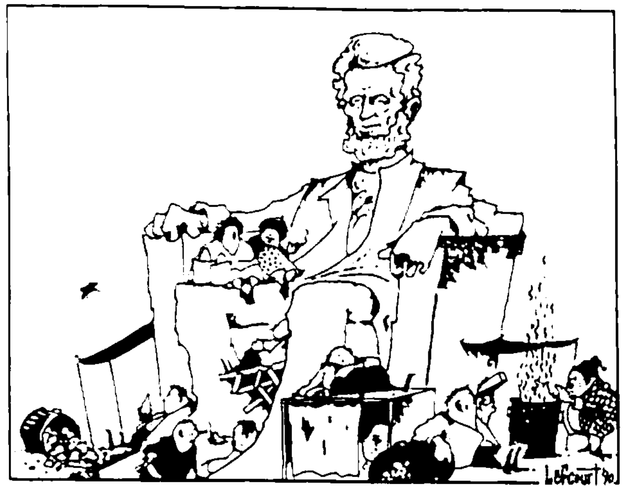
The following are some of the major housing advocacy organizations that work at both the national and the grass-roots levels for more progressive housing solutions:

The National Low Income Housing Coalition
1012 14th Street N.W.
Washington, DC 20005

The National Housing Institute
(Shelterforce Magazine Publishers)
439 Main Street
Orange, NJ 07050

ACORN
522 8th Street S.E.
Washington, DC 20003

The Right to Housing:
A Blueprint for Housing the Nation (a booklet)
Community Economics
1904 Franklin Street
Oakland, CA 94612
$5.00



All this pertains directly to housing. While we were increasingly becoming a nation of haves and have-nots, the affluent began viewing housing less as a home than as an investment, equally valuable for its tax benefits as for its Victorian details. As yuppies and the poor competed for scarce inner-city housing, prices skyrocketed, and low-rent apartments were converted to high-priced condos. The situation was made worse when the Reagan administration removed the two props that once served to entice some private investors into providing low-rent housing—subsidies that bring housing costs and poor people's income into line, and tax shelters that indirectly produce the same result.

The Role of Government

Under the Reagan budget ax annual housing assistance was slashed from about $33 billion in 1981 to less than $8 billion in 1989; the number of new federally subsidized apartments built each year dwindled from over 200,000 in the 1970s to less than 20,000 last year. To put this in perspective, in 1981 the federal government was spending seven dollars for defense for every dollar it spent on housing. In 1989 it spent over forty dollars on defense for every housing dollar.

The increase in homelessness parallels these federal housing cuts. And although President Bush and Department of Housing and Urband Development (HUD) Secretary Jack Kemp have promised to address the nation's homelessness scandal, the Bush administration actually proposed *further* housing cutbacks in its 1991 budget proposal.

Not surprisingly, the one housing subsidy that did *not* fall to the Reagan budget ax is the one that goes to the very rich. The federal tax code allows home owners to deduct all property tax and mortgage interest from their taxable income. In 1990 alone, this cost the federal government $34 billion—*more than four times* the HUD budget for low-income housing. Over three-quarters of the forgone tax revenue goes to the 15.1 percent of taxpayers who earn over $50,000 annually; one-third of this subsidy goes to the 3.1 percent of taxpayers with incomes over $100,000. Over half of all home owners do not claim deductions at all. Tenants, of course, don't even qualify. In other words, our nation's housing subsidies disproportionately benefit home owners with high incomes, often those with two homes.

In addition to addressing the gap between incomes and housing costs, the federal (and state) government can regulate lenders to guarantee a supply of credit for builders and home owners. The government can control interest rates, require banks to meet community credit needs, and regulate Savings and Loans to guarantee credit for the average homeowner. The Reagan administration, however, dismantled most of the federal policies designed to regulate lenders. Reagan's policies resulted in a frenzy of speculative lending, mismanagement, and corruption by the nation's Savings and Loan industry during the past decade. President Bush has proposed a taxpayer bail-out of failing Savings and Loans that now looks like it will swell to over $500 billion!

State and local governments can also regulate land use to promote affordable housing development. Instead, most localities, particularly suburbs, use so-called snob zoning regulations to keep out the poor. Enforcement of health and safety codes and enactment of rent control also get low political priority from most politicians unwilling to challenge the powerful real-estate industry.

The Politics of Housing

In the past, the major force for housing programs was the real-estate industry—developers, mortgage bankers, landlords, and brokers. They, of course, wanted Congress to enact policies to help build more housing for the middle class or to provide subsidies that make it lucrative for them to house the poor. Developers and Realtors have been the most generous contributors to congressional and presidential candidates, and their national associations have strong political action committees, deep pockets, and effective local networks. In turn, many members of Congress have ties to developers and have lobbied the Department of Housing and Urban Development (HUD) on their behalf.

But even the housing industry's clout couldn't offset the Reagan offensive to slash federal housing funds. Americans were rightly skeptical of programs that offered big profits to politically connected developers in the name of housing the poor. The corruption scandal at HUD has only confirmed this view. As one wag observed, the Reagan administration cut the HUD budget by 75 percent and gave the remaining 25 percent to its Republican friends.

Working full time is no longer a guarantee of escaping poverty.

Recently, some conservative politicians and editorial writers have begun using the HUD scandal as an excuse to further dismantle federal housing programs. House of Representatives minority whip Newt Gingrich (R-Georgia), the *Wall Street Journal,* and the *New Republic* have called for folding up HUD's tent and replacing it with a voucher program—an approach long advocated by HUD secretary Jack Kemp. But rent vouchers on their own won't solve the problem. Already some one million low-income households receive such vouchers, which are intended to help them pay rent for apartments in the private market. But in cities with low rental vacancy rates, handing out vouchers is like providing food stamps when the grocery shelves are empty. About half of the low-income tenants who now receive vouchers return them unused because apartments are so scarce. Clearly, we must increase the overall *supply* of low-income housing.

But the Bush administration has not acknowledged that more affordable housing is the only workable solution to homelessness. The proposed federal budget significantly reduces funding for new housing while providing minimal increases for emergency shelters and vouchers.

Ironically, one hopeful sign is that Jack Kemp's political ambitions have made him the most vocal and visible HUD secretary in memory. In sharp contrast to his predecessor, "Silent Sam" Pierce, Kemp has been a high-profile cabinet member—he visits shelters, meets with advocates and builders, and testifies before Congress. Although his approach to urban housing problems (vouchers, selling off public housing, creating "enterprise zones" in inner cities) and his budget proposals are woefully inadequate, history suggests that social movements and social reform are best sown in the soil of "rising expectations." Kemp's rhetoric is setting the stage for a revolt against broken promises.

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HOMELESSNESS MEETS THE NINETIES

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Long before President Bush called for "a thousand points of light," millions of Americans participated in grass-roots activism on the housing front. These forces gained momentum in the 1980s, in part as a result of the growing visibility of the homeless. The fledgling grass-roots movement is composed of tenant groups, homeless advocacy organizations, shelters and soup kitchens, church-based institutions, community-based nonprofit developers, neighborhood associations, senior citizen groups, women's organizations, and civil rights groups.

These groups have spent much of the past decade working—primarily on the local level—to plug some of the gaps left by the federal government's withdrawal from housing programs. They renovate abandoned buildings and construct new homes for the poor; they put pressure on local governments to protect tenants against unfair evictions; they lobby for stricter enforcement of health and safety codes, for "linked deposit" and "linked development" policies; they persuade banks to open up branches in minority neighborhoods and increase available mortgage loans for low-income consumers; they publish reports to dramatize the plight of the homeless, the widening gap between incomes and housing prices, and the continuing practice of bank redlining (discriminating against minority neighborhoods); they pressure and work with city and state housing agencies to expand available funds for affordable housing and to target more assistance to community-based groups.

But these have been primarily defensive efforts—brushfire battles to keep things from getting worse. Only the federal government has the resources needed to significantly address the housing and homelessness problem. And for the housing issue to move to the top of Congress's agenda, advocates must organize more effectively and broaden their constituency. The history of this century has shown that the housing agenda made the most headway when the concerns of the poor and the middle class were joined. At the turn of the century, and during the Depression and postwar years, such a coalition saw to the improvement of health standards in teeming slums, subsidized housing for the working class, and better housing opportunities for the middle class. The labor movement, once a formidable advocate for federal housing policy, is only starting to recognize that a renewed federal housing agenda would provide jobs, as well as homes, for its members and for those it seeks to recruit. Some sectors of the business community are also beginning to recognize the importance of the housing problem for their own bottom lines. Like health care and child care, high housing costs are increasingly becoming a barrier to business profits.

The key to a successful housing policy is to increasingly remove housing from the speculative market and transform it into resident-controlled housing, funded through direct capital grants rather than long-term mortgages that increase each time a home is sold. A significant segment of the housing industry in Canada, Sweden, and other social democratic countries is organized in this fashion. In the U.S., the nonprofit (or "social") sector is relatively small.

Congressman Ron Dellums (D-California) has already sponsored legislation tailored to this goal. The National Comprehensive Housing Act, drafted by an Institute for Policy Studies task force, calls for an annual housing expenditure of $50 billion. The federal government would make direct capital grants to nonprofit groups that would build and rehabilitate affordable housing. These groups would also purchase existing, privately owned housing for transfer to nonprofit organizations. The homes would remain in the "social" sector, never again to be burdened with debt. Occupants would pay only the maintenance costs—which would dramatically lower what poor and working-class families currently pay for housing.

The Dellums bill is clearly a visionary program—a standard for judging our progress—but it is not yet a winnable bill in the current political climate. In fact, the major housing bills now pending in Congress call only for minor additions to current spending levels. Each of