

The Rental Breakdown

MONICA POTTS JANUARY 28, 2010

The sub-prime crisis put a spotlight on homeowners -- but renters have suffered from declining housing stock and slashed federal supports.



*Editors' Note: This piece has been **corrected**.*

In the 1990s, federal homeownership policy shifted from making homeownership available to the middle class to subsidizing homeownership for almost everyone. In the process, renters were implicitly denigrated and federal spending allocated to support them fell. The push for homeownership began under President Bill Clinton and reached a crescendo under President George W. Bush and his **ownership society**. Bush's Department of Housing and Urban Development ostensibly **continued** Clinton-era goals for homeownership, with an added emphasis on closing the racial gap.

In Bush's America, homeownership was not only an unalloyed good but was imbued with a sense of moral imperative; good Americans owned homes. Policies included government-backed home loans that required no down payments for people with good credit and down-payment assistance for those who did not qualify. It also included a tax-credit program that encouraged single-family home construction. Homeownership reached its peak in 2004. We're all familiar with what happened next.

In the wake of the housing crash of 2007 and 2008, the most immediate concern, both among policy-makers and the media, was stemming the tide of foreclosures and keeping people in their home. But a longer-term problem also needed addressing: the shrinking stock of affordable rental housing and the growing number of low-income renters who needed assistance.

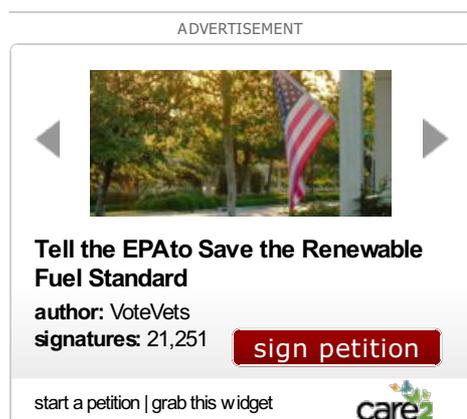
Many rental programs at HUD were cut to make way for homeownership initiatives. Rental assistance for vulnerable populations, like people living with AIDS and disabilities, decreased by 5 percent in 2005 after holding steady during Bush's first term. HUD also froze new construction projects to save about \$119 million and prevented needed units for the disabled from opening. The Section 8 program, which provides rental assistance to low-income families, shifted from a funding approach in which public-housing authorities were given money for each rental unit needed, to one in which the funding was held to a certain percentage of the annual budget. New formulas also lowered what the government would spend toward an average apartment in several cities, forcing many families to pay more out-of-pocket for their apartments or move. For construction of new low-income rental housing, HUD increasingly relied on public-private partnerships and faith-based initiatives. Sheila Crowley, president of the **National Low-Income Housing Coalition**, says it was a near dismantlement of federal supports for renters: "They weren't successful in doing that, but we spent a lot of time playing defense."

Efforts to increase homeownership are partly fueled by the idea that it makes communities more stable. But eliminating and underfunding rental programs in favor of homeownership did the exact opposite. "The very best homeownership program is a robust and stable ... group of renters," Crowley says. "A renter who is able to afford where they're living, able to pay their rent on time, develop a good credit record, and actually have some money to save ... that sets people up for success in homeownership."

In addition to families who might not be quite ready to own a home but can hold homeownership as a realistic goal, there are families at such low income levels that renting may always be their best option. Crowley says her group estimates that the gap between the need for low-income housing and the supply for it now stands at about 3 million units. From 2007 to 2008 alone, the number of units affordable for extremely low-income renters decreased by about 100,000, and the number of renters at that income level increased by about 3.5 percent. Under pressure from groups like Crowley's, Congress passed and Bush signed a law creating a **National Affordable Housing Trust Fund** in 2008. Most of the money must be used for rental housing and be reserved for helping families living with incomes at no more than 30 percent of the area's median income. Apartments that would be affordable for those groups are not the kinds of moneymakers that would draw private investment on their own.

Crowley says there are signs the Obama administration is more in line with advocates of affordable rental housing. Shortly after the 2008 election, Barack Obama tapped Shaun Donovan, former commissioner of the New York City Department of Housing Preservation and Development, to be secretary of the Department of Housing and Urban Development. From 2004 to 2009, Donovan ran the affordable-housing program under Mayor Michael Bloomberg, which aimed to build or preserve 165,000 units of affordable housing in the city.

ADVERTISEMENT



Tell the EPA to Save the Renewable Fuel Standard
author: VoteVets
signatures: 21,251

[sign petition](#)

start a petition | grab this widget

care2

Last February, Donovan returned to New York to give a speech at New York University's law school. In it, he emphasized the importance of rental housing as one of the five critical areas through which HUD could turn the country around, according to *The New York Times*.

Dr. Raphael Bostic, HUD's new assistant secretary for policy development and research, says the Obama administration recognizes that the balance between rental housing and homeownership is off, primarily because the role of owning a home in building personal wealth was overemphasized. Bostic says the wealth component is important, but only when weighed against the value of a home as a place to live. The agency is working to address that, he says. "[Once] we get back to housing [as a place] to be lived in, then we're hopeful there will be a bunch of people for whom there won't be a

mad dash to buy a house and renting is an OK option," he says. The agency has increased the amount it spends on Section 8 vouchers by about 10 percent and has changed the tax-credit program that encourages building low-income housing to address developers' concerns about the current economy. (The change allows developers to exchange the prospect of a future tax credit, which might not be as useful in an era of decreased profits, for upfront cash to build multifamily units earmarked for affordability.) "We feel that the ownership/rental dichotomy is a false one, and what we're trying to do is get people housed," he says.

Though these are laudatory goals, they remain only that. The National Housing Trust Fund remains uncanceled. More than \$1 billion was included for the National Housing Trust Fund in the jobs bill the House passed in December, but it is still **awaiting passage** in the Senate. Crowley's organization is urging the Senate to include the funding in its version, and a few senators are urging Obama to request money for the effort in his upcoming budget for fiscal year 2011.

Just how much the Obama administration wants to revitalize other initiatives in low-income rental housing will only be clear when it presents its budget, which **is scheduled** to happen Feb. 1. "Last year's was the president's first budget, on a very tight time frame," says Eileen Fitzgerald of NeighborWorks, an organization that provides grants to homeownership-counseling organizations. "They made some adjustments. I think we'll see much more purposeful, intentional shifts with this budget."

Fitzgerald notes that even without total funding, the Obama administration has signaled some clear shifts in priorities. The administration has linked housing initiatives with transportation, education, and green projects, Fitzgerald said. Low-income housing that's near transit centers and schools reduces sprawl and makes it less expensive for the residents to get around. And of the \$5 billion weatherization funds in the stimulus bill, about \$2 billion was targeted for multifamily housing financed by the Federal Housing Administration, which Fitzgerald believes shows a willingness on the administration's part to concentrate on rehabilitating existing stock. "The most green thing you can do is not knock down a building and replace it all," she says.

There are other ideas floating around. As Alyssa Katz wrote in the *Prospect's* January/February issue, some cities are looking at buildings full of unsold condominiums and asking why they shouldn't be turned into affordable housing units instead of high-end

housing. But all of those empty condominiums, and the images of empty houses in foreclosure, can create the false sense that there is a lot of housing to go around. "There may be a surplus of housing overall, but that doesn't mean there isn't a shortage for people for whom there's been a structural shortage for a very long time," Crowley says. "That shortage has been exacerbated by the fact that more people are low-income now and because people are being foreclosed on are now competing with them in the rental market."

Budget problems amid the crisis and competing priorities may stall some of the efforts. But for now, rental-housing advocates believe the administration has its priorities right.

Correction: Shaun Donovan ran New York City's affordable-housing program from 2004 to 2009, not 2004 to 2005, as the piece previously stated.

[Like](#) 0 [Tweet](#) 0 [Pin it](#) [Share](#) [Instapaper](#) [Pocket](#)
[Email](#) [Print](#)

You might like:



MY SHINY NEW BRAIN.



The Trouble with Moore's Law Determinism



Krugman Boots One



The New Pornographers



How Romney Brilliantly Summed Up GOP Ideology in a Single Sentence

You need to be logged in to comment.

(If there's one thing we know about comment trolls, it's that they're lazy)

E-mail *

Password *

[Log in](#)

[Create new account](#)

[Request new password](#)

About the Author



Monica Potts is a senior writer for *The American Prospect*. Her work has appeared in *The New York Times*, the *Connecticut Post* and the *Stamford Advocate*. She also blogs at [PostBourgie](#).

[Follow @monicapotts](#)

[ARTICLES BY MONICA POTTS](#) ▶

[RSS FEED OF ARTICLES BY MONICA POTTS](#) ▶

SUPPORT
INDEPENDENT
JOURNALISM

THE AMERICAN PROSPECT

**Subscribe and
save 58%**



Benefits include:

- 1 year (6 issues)
- Companion digital edition
- Access to the digital archives

Subscribe today!

SUPPORT
INDEPENDENT
JOURNALISM

THE AMERICAN PROSPECT

**Subscribe and
save 58%**



Benefits include:

- 1 year (6 issues)
- Companion digital edition
- Access to the digital archives

Subscribe today!

