

Housing - Ideas

May 31, 1994

MEMORANDUM FOR CHRIS EDLEY & STEVE REDBURN

SUBJECT: HOUSING POLICY
FROM: PAUL DIMOND
CC: GALSTON, REED, WEINSTEIN
CASHIN, SEIDMAN, SPERLING
CUOMO, KATZ, RETSINAS, STEGMAN

With respect to your Spring Housing Review, may I suggest consideration of the following transformation of housing policy:

1. Off-Budget, Middle-Class Home Ownership Campaign. We should set a goal to raise the home ownership rate by 0.5% - 1.0% per year for the next seven years, from 65% to 70% by the year 2000. This can be done--almost entirely off-budget--through creative leadership and partnerships between HUD, FHA, Fannie Mae, Freddie MAC, FHLBS, CDFIs, the private mortgage and insurance companies, and the banks and thrifts. This will create a broadened middle class and make market rate (and, hence, any subsidized) rental housing more affordable than it would be if the home ownership rate held steady at 65% or decreased. Such an increase in home ownership is a major promise of the President in making the American Dream once again available to more Americans, including young families.

2. Time-Limit Non-Elderly Affordable Housing Assistance. We should transform the current "lottery" of housing assistance from a way of life in dependency for the minority who "win" into a time-limited transition to self-sufficiency. Each non-elderly voucher and renter with any federal rent subsidy (e.g., through PHAs or project-based vouchers) should be limited to a maximum of five years, at which point the voucher or rental unit should be made available to another eligible family. This is consistent with the historic purpose of public and subsidized housing and the President's reform of welfare; and it would provide a means to provide a new edge to the Secretary's campaign for upward mobility.

3. Replace High-Rise Ghettoes with Vouchers and Mixed-Income Communities. We should embrace the thrust of HOPE VI and consolidate all modernization efforts to tear down impacted, high rise public housing ghettoes and replace them with (a) metropolitan vouchers and (b) mixed income garden apartments, with non-elderly rental assistance time-limited as set forth above. At the same time, we should insure that any new project-based assistance (including LIHTC) is based on the same mixed-income principle and does not recreate new low-income ghettoes. By creatively leveraging federal budget dollars with the types of partners described in #1 above, we should also explore whether we can make more mixed-income, multi-family housing available for low and moderate income families at a lower budget cost than we now do.

4. Restrict Home Mortgage and Property Tax Deductions to the value of a home

with a non-jumbo mortgage and transfer budget savings to business and community development incentives. By restricting home mortgage and property tax deductions to the dollar value of a home with a non-jumbo mortgage, we will act consistent with the first principle of a new housing policy -- support for increased home ownership rates in an expanding middle class. The substantial budget savings could be used for any purpose, including deficit reduction, health care, GATT, or other investments. If the purpose of such a targeted reduction is economic and community development, however, then the range of options could include: an expanded SBIC deferral of gain/ Bumpers exclusion to support business expansion that supports EZ/EG round two; a new incentive (as suggested by LISC) for neighborhood grocery, drug, and retail stores; and, more generally, an expanded ITC for small business or a reduction in capital gains taxes.

5. Consolidate HUD Programs Around a Few Priorities. Finally, we should take advantage of the budget caps and diverse anxieties within and between the Senate and House Banking Committees to consolidate all HUD programs around such a finite set of priorities, plus a bold new regional urban policy built around a second EZ/EC round, "Building Communities, Building Regions: Together," as set forth in the attached memo. HUD must transcend its long history of special interest representation and multitude of programs to become the catalyst for a few major initiatives: to build home-ownership; to provide pathways to upward mobility, from homelessness and poverty to self-sufficiency and the middle class; and to contribute to the growth of dynamic neighborhoods, cities, and regions.

[N.B.: With the many jobs that will be created by such an increase in home-building, by such demolition of high rises and construction of garden apartments, and by such region/community building initiatives, HUD should work cooperatively with the home-builders and trade unions to ensure that low-income youth are connected with mainstream construction jobs, apprenticeship, regional job networks and other meaningful school-to-work options. Along with relevant components of the broadened regional community building initiative described in the attached memo, this could provide HUD's major contribution to the component of a National Campaign for Youth targeted to providing the disadvantaged with new opportunities to join the economic mainstream.]

File:
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NOV 29 REC'D

Bruce Reed

-Plz call me
on this - CR

DEAR CAROL -

I HOPE YOU ARE ENJOYING
BEING IN DC. ITS NOT LITTLE
PARK BUT WHAT AN OPPORTUNITY
TO CHANGE THIS WORLD.

I AM WRITING BECAUSE I
AM INTERESTED IN DOING A PROJECT
WITH THE YOLS. CURRENTLY I
AM WORKING FOR THE STATE OF MICH.
"MICHIGAN WORKS" PROGRAM. I AM
CONVINCED THAT UNTIL WE ADDRESS
THE HOUSING ISSUES IN CONJUNCTION
WITH EMPLOYMENT WE ARE NOT GOING
TO MAKE MUCH OF A DENT IN
THE POVERTY PROBLEM.

I HAVE INITIATED DIALOGUE
WITH THE DESIGN STUDENTS AT
MICHIGAN STATE TO ADDRESS AFFORDABLE
HOUSING. HOPEFULLY WE WILL HAVE
SOME PLANS BY SPRING.

MY QUESTION IS HOW DO
I COORDINATE STATE + FEDERAL
PROGRAMS WITH PRIVATE BUSINESS LIKE
KELLOGG OR KROGER TO CREATE A
PARTNERSHIP. IT SEEMS TO BE HAPPENING
WITH THE CAR MAJORS HERE IN
MICHIGAN + THE GOVT.

I would appreciate any
help you could be. Maybe
a name at HUD & one at HUD
would be enough or maybe
we need to get Bill to
create another commission "Partnership"

My work # is 517-279-4245
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As ever

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