A Brief Historical Overview of Affordable Rental Housing

Affordable housing is a broad and complex subject intertwined with many disciplines, including finance, economics, politics, and social services. Despite this complexity, advocates can learn the essential workings of affordable housing and be prepared to advocate effectively for programs and policies that ensure access to safe, decent, accessible, and affordable housing for all.

This article provides a broad, though not exhaustive, overview of the history of affordable rental housing programs in the United States and describes how those programs work together to meet the housing needs of people with low incomes.

HISTORY

As with any federal program, federal housing programs have grown and changed based on the economic, social, cultural, and political circumstances of the times. The programs and agencies that led to the establishment of the federal department now known as HUD began in the early 1930s with construction and financing programs meant to alleviate some of the housing hardships caused by the Great Depression.

In 1934 Congress passed the "National Housing Act" and created the Federal Housing Administration (FHA), which made home ownership affordable for a broader segment of the public by establishing mortgage insurance programs. These programs made possible the low down payments and long-term mortgages that are commonplace today but were almost unheard of at that time. However, the FHA openly discriminated against households of color, particularly Black households, in issuing loans and in subsidizing housing construction. FHA further entrenched neighborhood segregation through a process called "redlining," refusing to issue mortgages in and near Black neighborhoods, and requiring homes constructed with an FHA subsidy only be sold to white households.

"The Housing Act of 1937" sought to address the shortage of affordable housing for people with low incomes through public housing. The nation's housing stock at the time was of very poor quality in many parts of the country, and inadequate housing conditions such as a lack of hot running water or dilapidation were commonplace for poor families. Public housing provided significant improvements, but primarily for low-income white families; Black families were confined to lower quality, segregated public housing. The federal government eventually opened all public housing to Black households, while at the same time subsidizing white families moving into more segregated suburbs, leading to disinvestment from urban cities. Federal programs were developed to improve urban infrastructure and to clear "blight," which often meant the wholesale destruction of neighborhoods and housing occupied by immigrants and people of color. These discriminatory practices were part of the foundation for the racial and social inequities in housing and economic opportunity our country continues to grapple with today.

The cost of operating public housing soon eclipsed the revenue brought in from resident rent payments, a reality endemic to any program that seeks to provide housing or other goods or services to people whose incomes are not high enough to afford marketplace prices. In the 1960s, HUD began providing subsidies to Public Housing Agencies (PHAs) that would help make up the difference between revenue from rent and the cost of adequately maintaining housing. In 1969, Congress passed the Brooke Amendment, codifying a limitation on the percentage of income a public housing resident could be expected to pay in rent. The original figure was 25% of a person's total income and was later raised to the 30% standard that exists today.

Advocates often refer to these as “Brooke rents,” for Senator Edward W. Brooke, III (R-MA), for whom the amendment is named.

In 1965, Congress elevated housing to a cabinet-level agency of the federal government by establishing HUD, which succeeded its predecessors the National Housing Agency and the Housing and Home Finance Agency. HUD is not the only federal agency that started housing programs in response to the Great Depression – the U.S. Department of Agriculture (USDA) sought to address the poor housing conditions of farmers and other people living in rural areas with the 1935 creation of the Resettlement Administration, a predecessor to the USDA’s Rural Development programs. USDA’s rural rental and homeownership programs improved both housing access and housing quality for the rural poor.

Beginning in the late 1950s and continuing into the 1960s, Congress created several programs that leveraged private investment to create new affordable rental housing. In general, these programs provided low interest rates or other subsidies to private owners who would purchase or rehabilitate housing to be rented at affordable rates. The growth in these private ownership programs resulted in a boom in affordable housing construction through the 1970s, but once the contracts between HUD and private owners expired, or if owners paid off their subsidized mortgages early, those affordable units were vulnerable to being lost from the stock.

The “Civil Rights Acts” of 1964 and 1968 included housing provisions to prevent discrimination against members of protected classes in public or private housing, banning discrimination on the basis of race, color, national origin, religion, sex (including gender identity and sexual orientation), familial status, and disability. Different administrations have prioritized fair housing provisions to varying extents, but their existence has provided leverage to advocates seeking to expand access to affordable, decent housing, particularly for people of color and other historically marginalized groups.

In January 1973, then-President Richard Nixon issued a moratorium on the construction of new rental and homeownership housing by major HUD programs. The following year, the “Housing and Community Development Act of 1974” made significant changes to housing programs, marked by a focus on block grants and an increase in the authority granted to local jurisdictions (often referred to as “devolution of authority”). This act was the origin of the tenant-based and project-based Section 8 rental assistance programs, and created the Community Development Block Grant (CDBG) from seven existing housing and infrastructure programs.

Structural changes in the American economy, deinstitutionalization of persons with mental illnesses without adequate supports for community integration and independent living, and a decline in housing and other supports for people with low income resulted in a dramatic increase in homelessness in the 1980s. The shock of visible homelessness spurred congressional action and the “McKinney Act of 1987” (later renamed the “McKinney-Vento Act”) created new housing and social service programs within HUD specially designed to address homelessness.

Throughout the 1980s and 1990s, waves of private affordable housing owners opted out of the project-based Section 8 program. Housing advocates, including PHAs, nonprofit affordable housing developers, local government officials, nonprofit advocacy organizations, and low-income renters, organized to preserve this disappearing stock of affordable housing using whatever funding and financing was available.

The Department of Treasury’s Internal Revenue Service was given a role in affordable housing development in the “Tax Reform Act of 1986” with the creation of the Low-Income Housing Tax Credit (LIHTC), which provides tax credits to those investing in the development of affordable rental housing. The same act codified the use of private activity bonds for housing finance authorizing their use in housing development intended for homeownership and multifamily rentals.

The "Cranston-Gonzales National Affordable Housing Act of 1990" (NAHA) created the Comprehensive Housing Affordability Strategy (CHAS), obligating jurisdictions to identify priority housing needs and determine how to allocate the various block grants (such as CDBG) they received. CHAS is the statutory underpinning of the current Consolidated Plan obligation. Cranston-Gonzales also created the HOME program, which provides block grants to state and local governments for housing. In addition, NAHA created the Section 811 program, which provides production and operating subsidies to nonprofits for housing persons with disabilities.

Housing advocates worked for more than a decade to establish and fund the national Housing Trust Fund (HTF), the first new housing resource in a generation. The HTF is highly targeted and is used to build, preserve, rehabilitate, and operate housing affordable to extremely low-income people. HTF was signed into law by President George W. Bush in 2008 as a part of the "Housing and Economic Recovery Act." In 2016, states received their first allocation of HTF dollars.

Outside of the HTF, no significant federal investment in new housing affordable to the lowest income people has been made in more than 30 years, and the shortage of deeply affordable, available housing has only gotten worse. Federal investments in housing have not increased at pace with the overall increase in the federal budget, and expenditures on housing go overwhelmingly to homeownership, not to rental housing for people with the greatest need. Federal spending caps enacted from FY11 to FY21 further strained efforts to adequately fund programs.

The coronavirus pandemic underscored the inextricable link between housing and health, and Congress provided nearly $85 billion in federal funding to help communities respond to the housing needs of low-income renters and people experiencing homelessness during the pandemic. The "Coronavirus Aid, Relief, and Economic Security Act of 2020" provided more than $12 billion in funding for HUD programs, including $4 billion to respond to the needs of people experiencing homelessness through HUD's Emergency Solutions Grants program, $5 billion for Community Development Block Grants, $1.25 billion for the Housing Choice Voucher Program, and $1 billion for the project-based rental assistance program, among other investments.

An emergency COVID-19 relief package, passed with the omnibus spending package for fiscal year 2021, provided $25 billion in emergency rental assistance to provide families experiencing a financial hardship with the assistance needed to pay rent and remain stably housed. The "American Rescue Plan Act of 2021" allocated another $27.4 billion for emergency rental assistance and $5 billion for new Emergency Housing Vouchers (EHVs), targeted to people experiencing or at imminent risk of homelessness and survivors of domestic violence, dating violence, sexual assault, stalking, or human trafficking.

Pandemic-era funding was vital to helping people find and maintain stable housing, at a time when public and individual health depended on the ability to stay inside. By December 2022, over 10.7 million emergency rental assistance payments had been distributed to households at risk of housing instability. PHAs have also leased up over 88% of EHVs, helping people at immediate risk of or experiencing homelessness find stable housing.

STATE AND LOCAL HOUSING PROGRAMS

State and local governments play a role in meeting the housing needs of their constituents. The devolution of authority to local governments that began in the 1970s means local jurisdictions have greater responsibility for planning and carrying out housing programs. Some communities responded to the decrease in federal housing resources by creating emergency and ongoing rental assistance programs and housing production programs. These programs are important to low-income residents in the communities where they are available, helping fill some of the gaps left by the decline in federal housing investments. Local funding sources, like levy or bond measures, or real estate or document transaction fees, can be targeted to specific income groups or created to meet the needs of a certain population, such as veterans, seniors, or families transitioning out of homelessness. However, state and local investments alone cannot solve the affordable housing crisis; only the federal government can provide the long-term, large-scale investments needed to fully address the housing needs of people with the lowest incomes.

Federal decision-making also directly impacts how states respond to the shortage of housing affordable to extremely low-income people. For example, in 1999, the U.S. Supreme Court found in *Olmstead v L.C.* that continued institutionalization of people with disabilities able to return to their communities constituted discrimination under the "Americans with Disabilities Act." As a result of the *Olmstead* decision, states should use federal funding to develop and provide community-based permanent supportive housing – rather than institutionalization – for people with disabilities.

DEVELOPING AFFORDABLE HOUSING AT THE LOCAL LEVEL

The expense of producing and operating housing affordable to renters with the lowest incomes, and the multitude of funding sources available to finance it, make affordable housing development a complicated task.

Affordable housing developers, including PHAs redeveloping their housing stock, must combine multiple sources of funding to finance housing development or preservation. These funding sources can be of federal, state or local origin, and can include private lending and grants or donations. Some developers include market-rate housing options within a development to generate revenue and cross-subsidize units set aside for lower-income tenants. Some funding sources may have their own requirements for income or population targeting or oversight. Some may also require developers to meet certain environmental standards or other goals, such as historic preservation or transit-oriented development.

Accessing these many funding sources requires applying for funds, the processes for which may or may not have complimentary timelines. Developers risk rejection for even high-merit project applications due to a shortage of resources, and incur costs before the first shovel hits the ground as they plan developments around available funding sources and their associated requirements.

Developers encounter another set of requirements in the communities in which they work and must operate according to local land use regulations. Developers – particularly of affordable housing – sometimes encounter community opposition to a planned project, which can jeopardize funder support. Depending on the needs of the residents, services and supports may be included in the development, ranging from after-school programs to job training to physical or mental health care. This can mean working with another set of federal, state, and local programs, and nonprofit service providers.

THE FUTURE OF AFFORDABLE HOUSING

The need for affordable housing continues to grow, particularly the need for affordable housing for people with the lowest incomes – those paid 30% or less of area median income or living below the poverty line. Nationally, there are only 33 units of rental housing affordable and available for every 100 extremely low-income households. Federal housing assistance only serves one quarter of those who qualify and special populations, such as disabled veterans returning from combat or lower income seniors, are increasing in number and need.

At the same time, the existing stock of affordable rental housing is disappearing due to deterioration and the exit of private owners from the affordable housing market. According to the National Housing Trust, our nation loses two affordable apartments each year for each one created. Local preservation efforts have seen success, and resources like the National Housing Preservation Database are helpful, but it is a race against time.

Finally, the funding structure of most affordable housing programs puts them at risk at both the federal and local levels. Most federal housing programs are appropriated by Congress each fiscal year, meaning that the funding amounts can fluctuate or disappear altogether. State and local programs can be similarly volatile, because they are often dependent on revenue from fees or other market-driven sources and are vulnerable to being swept into non-housing uses. Ensuring funding at amounts necessary to maintain programs at their current level of service, much less grow them, is a constant battle.

THE ROLE OF ADVOCATES

Affordable housing advocates have a unique opportunity to make the case for affordable rental housing with members of Congress as well as local policymakers. As the articles in this resource demonstrate, subsidized rental housing is more cost-effective and sustainable than alternatives, be they institutionalization, homelessness, or grinding hardship for people and families with low incomes. More importantly, housing is a human right and no one should struggle to afford housing or have to make impossible choices between putting food on the table and keeping a roof over their heads.

After decades of overinvestment in homeownership, the housing market collapse, and the growth of a gaping divide between the resources and prospects of the highest and lowest income people, Congress must significantly expand resources to help end homelessness and housing poverty once and for all.

Those who wish to see an end to homelessness must be unyielding in their advocacy for rental housing that is safe, affordable, available, and accessible to people with the lowest incomes. Over the decades of direct federal involvement in housing, we have learned much about how the government, private, and public sectors can partner with communities to create affordable housing that will improve lives, heal neighborhoods, and help communities flourish. We must take this evidence, and our stories, to lawmakers to show them that this can, and must, be done.