LEVEL 1 - 18 STORIES

1. Heritage Foundation Reports, July 20, 1994, ISSUE BULLETIN; No. 199, 9566 words, HOUSING BILLS TACKLE NON-EXISTENT CRISIS (H.R. 3838, S. 2049)

2. Heritage Foundation Reports, September 18, 1992, EXECUTIVE MEMORANDUM; No. 340, 1465 words, THE HOUSING APPROPRIATION: CONGRESS CUTS THE LEAN TO FUND THE FAT

3. Heritage Foundation Reports, June 9, 1992, EXECUTIVE MEMORANDUM; No. 334, 1441 words, HOW TO CREATE A SUCCESSFUL ENTERPRISE ZONE PROGRAM

4. Heritage Foundation Reports, March 26, 1992, BACKGROUNDER; No. 888, 5867 words, JACK KEMP'S "PERESTROIKA": A CHOICE PLAN FOR PUBLIC HOUSING TENANTS

5. Heritage Foundation Reports, February 12, 1992, BACKGROUNDER; No. 880, 6547 words, HOW TO EVICT DRUG DEALERS FROM PUBLIC HOUSING

6. Heritage Foundation Reports, November 26, 1991, ISSUE BULLETIN; No. 168, 6338 words, H.R. 2900 -- DOES IT REDUCE THE RISK OF FANNIE MAE AND FREDDIE MAC FAILURE

7. Heritage Foundation Reports, June 4, 1991, BACKGROUNDER; No. 833, 9763 words, NEW LIFE FOR FEDERAL ENTERPRISE ZONE LEGISLATION: SEVEN LESSONS FROM THE STATES

8. Heritage Foundation Reports, March 29, 1990, ISSUE BULLETIN; No. 155, 6054 words, KEMP'S "HOPE" PACKAGE: THE START OF A SOUND HOUSING POLICY

9. Heritage Foundation Reports, March 8, 1990, BACKGROUNDER; No. 758; Pg. 1, 6282 words, PEOPLE POWER IN THE PROJECTS: HOW TENANT MANAGEMENT CAN SAVE PUBLIC HOUSING

10. Heritage Foundation Reports, February 27, 1990, THE HERITAGE LECTURES; No. 244, 2594 words, Strengthening the Social Pillars of the Black Community

The San Diego Union-Tribune

January 8, 1995, Sunday

SECTION: REAL ESTATE; Ed. 1,2; Pg. H-7

LENGTH: 992 words

HEADLINE: HUD plan would grant renters federal subsidies

BYLINE: H. JANE LEHMAN
H. JANE LEHMAN is the Washington, D.C., correspondent

BODY:

Choices in federally subsidized housing would increase dramatically under a governmental reorganization proposed by the Clinton administration.

Otherwise, the recently proposed changes at the Department of Housing and Urban Development wouldn't greatly affect how the agency touches the lives of homeowners, buyers, sellers and renters.

Newly empowered congressional Republicans, however, are working on plans to make major changes at the department.

The redesign announced by HUD Secretary Henry Cisneros, which he called the opening salvo in the fight over his department's future, calls for sharply changing the financing of government-supported, low-income housing.

Specifically, the plan would strip landlords of their federal subsidies and give them to the residents, enabling them to live wherever they wanted.

The plan also proposes combining HUD's 60 grant programs into three and spinning the Federal Housing Administration (FHA) mortgage program off as a government-owned corporation.

Most of the proposals require approval by Congress.

Many of the department's other functions, such as enforcement of laws concerning fair housing and lending, the real estate settlement process, lead-based paint issues and overseeing two large secondary-mortgage companies that supply loan funds to lenders, would remain unaltered.

Borrowers drawn to FHA mortgages insured by the department would not notice much difference in the availability or eligibility requirements for the loans under the administration's plans for restructuring the program.

Uncertain future amount of uncertainty swirls around HUD's future. Part of the reason is that it was singled out by President Clinton as one of the five federal departments and agencies to pay for his proposed middle-class tax cut.

So far, Clinton, who has said that cuts of $24 billion are needed to pay for his tax-relief plan, is asking HUD, with its $80 billion annual budget, to reduce salaries, worker expenses and program funds by $800 million over five years.

The rest of the budgetary sacrifices sought by Clinton would come from the departments of Energy and Transportation, the Office of Personnel Management and the General Services Administration.

The administration's plans for HUD focus on streamlining government operations, not on cutting spending. This is a difficult prospect given that much of the agency's budget is tied to contractual obligations to housing projects that it entered into as long as 20 years ago.

Reformulating the FHA delivery system as a corporation would allow the agency to experiment more with new products than is possible now, said FHA Commissioner Nicolas Retsinas.

The administration's plan represents a victory for FHA over an Office of Management and Budget proposal that would have abolished the current program, under which the government insures 100 percent of the value of FHA mortgages against default. Instead, the Office of Management and Budget wanted to scale back the government's risk to a portion of losses on the loans.

The agency's proposal also restricted FHA loan eligibility by income.

The Office of Management and Budget vision for FHA was unworkable, said Warren Lasko, executive vice president of the Mortgage Bankers Association of America. Without the benefit of mortgages made to higher-income borrowers, the FHA insurance premium would become far more expensive than the targeted borrowers could afford and, "there is no question the interest rate would cost more," Lasko said.

In what would be the greatest departure from past practice, the administration wants to end federal subsidies to owners of low-income housing. Instead, it would give the money directly, in the form of rent-supplementing vouchers, to the residents served by the programs.

The move would force the nation's 3,400 public housing authorities, including the San Diego Housing Commission and the Housing Authority of the County of San Diego, and the owners of privately owned but government-subsidized apartments to compete on the open market for occupants.

A Republican housing subcommittee aide, who asked not to be identified, said the administration plan mirrors many of the changes Republicans have sought for a decade.

It goes "much further than the Reagan and Bush administrations ever could," he said. "It is kind of like Nixon going to China."

Still, the Republican lawmakers may want more, the aide said. Plans under consideration include making further spending cuts in HUD's program, moving all responsibility for enforcing the federal Fair Housing Act to the Department of Justice, and getting the FHA out of the retail mortgage business or fully privatizing the loan program.

The Clinton administration's idea for revamping low-income housing programs would redistribute the approximately $18 billion going to public housing, assisted housing and renters now receiving HUD vouchers.

The proportion of the poor served under the overhauled program would remain unchanged, with about a quarter of the poor eligible for housing assistance, HUD officials said.

If enacted, the plan might result in many former public-housing tenants seeking new homes in the suburbs and other areas once beyond their reach, Cisneros said. However, he warned, the efforts to "break up concentrations and reservations of the poor" might trigger alarm among residents uncomfortable with the prospect of new neighbors.

"It is more important than ever to keep pressure on fair housing and mobility," Cisneros.

Cisneros said HUD would encourage demolition of decrepit public housing. Also, voucher waiting-list preference would go to the employed or to those enrolled in work-training programs.

A second component of the HUD reorganization proposal would consolidate HUD's numerous grant programs into three large ones, which local governments would compete for and then decide how to disburse.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: January 6, 1995

Business Times

January 6, 1995

SECTION: Analysis; Pg. 15

LENGTH: 2200 words

HEADLINE: The "Republican revolution' gets going

BYLINE: Leon Hadar

BODY:

Leon Hadar finds the battle lines drawn between the Democratic presidency and the first Republican-controlled US Congress in 40 years

THE 104th United States Congress convened on Wednesday -and in Washington the talk of the town is the upcoming Republican revolution. The leaders of this revolution are not about to launch a reign of terror on Capitol Hill and the masses are not going to storm the White House this week. And certainly no one is seriously considering the idea of using the guillotine as a tool for solving this capital city's problems.

Blood in the streets? No; don't worry. The rebels are going to spare the lives of members of the political aristocracy of Washington -ranging from the First Couple of Pennsylvania Avenue, through the media elite in the National Press Building on 14th Street, to the power peddlers and lobbyists of K Street.

This is, after all, not Gay Paris, but Boring Washington -a very conservative, very low-key kind of place, dominated by humourless bureaucrats and calculating lawyers, whose own definition of a bloody revolution is passing a new tax cut bill or eliminating a small federal programme.

But already the decisions by the new Republican leadership in Congress to dismantle two major House committees, as well as several small subcommittees; to cut Congressional staff by a third; to apply to Congress the laws that Congress applies to everyone else; and to sell off one office building, have caused something close to a political storm in Washington.

Lobbyists are already gearing forces to try to prevent the Republicans from terminating their own favourite federal programme, whether it is public broadcasting or subsidies for farmers.

These and other steps cannot be compared, of course, to the storming of the Bastille. But make no mistake about it; as the new Republican majority takes control of Congress this week, Washington is about to experience a political upheaval of historical proportions, the kind of which this city has probably not seen since the New Deal era of the late 1930s.

The post-Cold War political tidal wave that has already created havoc in Tokyo, Rome and Ottawa is finally going to transform the political landscape in Washington. Things here are never going to be the same.

Business Times, January 6, 1995

Newt Gingrich may not be Robespierre or Lenin. But in the context of late 20th century American politics, the "King of the Hill", as Newsweek magazine referred to the newly elected Speaker of the House, is a rebel with a cause: eliminating Big Government and dismantling the welfare state. He promises to complete the first stage of the revolution -to fulfill the commitments he and his party made in the so-called "Contract With America" -in the next 100 days.

Among other things, "Newt" is intent on passing a balanced-budget amendment, a line-item presidential veto, a major welfare reform, limits on Congressional terms and a ban on unfunded federal mandates. Most pundits expect him to try to do all of that and, at the end of the 100 days, to get Congress to adopt -and the President to sign -a few modified versions of many of the items in the "Contract".

Most experts are willing to bet the ranch on the passage of a line-item veto, a balanced-budget amendment, some welfare reforms and some tax cuts. That, in themselves, would be a major achievement -the first step in the grand Republican design that includes recapturing the White House in 1996 and demolishing the New Deal house that Franklin Roosevelt had built.

Indeed, the Republican takeover of both the House of Representatives and the Senate after close to 40 years of serving as the loyal opposition is more than just the end of the Democratic dominance over Capitol Hill or Washington. And, contrary to some analyses, the November election results were not only a referendum on the Clinton presidency.

The American voters have clearly repudiated the Clintonites' Big Government agenda, including the plan to bureaucratise the American health care system. There is also little doubt that the "character issue" -the personal and political scandals that have haunted the White House -has contributed to a gradual erosion in Mr Clinton's credibility. His popularity is at an all-time low and, notwithstanding his announcement that he plans to run again in 1996, most analysts are predicting that he will not be the next Democratic nominee for the presidency.

The pundits expect the new Whitewater Congressional hearings, as well as the results of the investigation of the affair by a special counsel, to expose a lot of damaging information about the White House occupant that could force Mr Clinton to withdraw from the 1996 presidential race (or he may be forced to do that by his Democratic colleagues).

In any case, even if he decides to try his luck again in presidential politics, Mr Clinton could face not only a major challenge from the right (Senator Bob Kerrey from Nebraska) and the left (Reverend Jesse Jackson) of his party, but the almost impossible task of containing the combined assault from the Republican presidential nominee and even from a third-party ticket (headed perhaps by General Colin Powell).

In Washington's cruel political ambience, Mr Clinton is being treated now as a lame-duck president, a "has been", a pathetic political accident. Not even a new White House spokesman or another effort to "re-invent" Mr Clinton, it seems, will be able to salvage this foundering presidency -not even a new attack against Saddam Hussein, an Israeli-Syrian peace agreement or an invasion of another Caribbean island.

But much more than the political future of Mr Clinton or even the balance of power in Capitol Hill is involved here. The "Revolution" embodies a transformation in the political discourse in the US capital, a paradigm shift, a major change in the intellectual Zeitgeist.

Indeed, when William Bennett with his Book of Virtues (a call for infusing Victorian-age morality into American life) and Charles Murray with his The Bell Curve (a challenge to this country's egalitarian culture) are topping The New York Times and The Washington Post bestseller lists, it is clear that something else besides Mr Clinton's political future is on the minds of the public and the intellectual elites.

What the Republican victory, together with the increasing influence of radio talk-show hosts like Rush Limbaugh, has changed more than anything else are the terms of the "political conversation" in the US capital and around the country.

It has given an aura of legitimacy to conservative and libertarian ideas aimed at reducing the power of the US federal government and increasing the strength of local government, the private sector and traditional institutions.

Not surprisingly, the liberal media elite -that, as one recalls, were perplexed by the level of support Americans expressed for the Singaporean government during the Michael Fay affair -are beginning now to get used to the notion that more and more Americans are supportive, for example, of not rewarding unwed mothers with government welfare and of placing their kids in orphanages.

Similarly, more Americans expressed in a recent opinion poll more confidence in the ability of the Salvation Army to help the needy than in the federal government. At the same time, California is expected to adopt in 1996 a proposition that will overturn most of the affirmative action programmes in the state.

Many of the programmes contained in the "Contract" are popular around the country. But no one in Washington -including Mr Clinton -- is seriously questioning now the need to drastically cut welfare programmes, to reduce taxes, or to slash government spending and to remove regulations.

The debate that will take place in Washington in the first 100 days of Congress and in the coming months is going to be not on whether to achieve those goals -Big Government is "out" in Washington -but over how to do that. Which government agencies should be terminated? How to reform welfare? How much government spending should be cut? How to reduce the burden of taxes?

Republicans, for example, want to dismantle the Departments of Education, Energy, Housing and Urban Development (HUD), and Health and Human Services, while Democrats will probably agree only to abolish Energy, HUD and several small federal agencies. Democrats agree on the need to reduce some welfare payments and create incentives for welfare recipients to find jobs, while Republicans plan to propose not only cutting welfare programmes, but shifting most of the responsibility for them to state governments. And while the two parties are competing over who can offer more tax cuts for the middle class, the Republicans will also try to reduce the tax on capital gains.

Even in this time of great expectations, there are still many sceptics in Washington. Some of them predict that Mr Gingrich will eventually self-destruct or that the more moderate Republicans in the Senate led by Senator Bob Dole will try to torpedo the more radical plans of the conservative Republican leaders in the House.

Others contend that the Republican figures just do not add up and that the tax cuts are going to explode the deficit, unless coupled with major cuts in defence spending and entitlement programmes -- producing, in turn, inflationary pressures and leading to a rise in interest rates. The cynics suggest that notwithstanding their revolutionary rhetoric, the Republicans will end up maintaining the status quo; a few cuts here and there, but at the end of the day it will be business-as-usual in Washington.

But the revolutionaries swear that this is not deja vu all over again. The American people are ready this time, they say, for a major restructuring of their political and economic system, to the shift of political power from Washington to the states, to a major deregulation of the US economy. Not even sacred cows like Social Security, Medicare, defence or farm subsidies will be spared, they promise. Let the revolution begin.

- The writer is BT's Washington Correspondent

GRAPHIC: The new Speaker, Newt Gingrich: the "King of the Hill', with a right royal agenda. -Reuter

LANGUAGE: ENGLISH

LOAD-DATE-MDC: January 7, 1995

The Tampa Tribune

January 6, 1995, Friday, FINAL EDITION

SECTION: NATION/WORLD, Pg. 15

LENGTH: 746 words

HEADLINE: HUD secretary aims to reinvent his agency

BYLINE: WILLIAM RASPBERRY

DATELINE: WASHINGTON

BODY:

If necessity is the mother of invention, maybe nervousness is the mother of reinvention. At any rate, Henry Cisneros, who has both personal and political reasons for being nervous, is busily reinventing his Department of Housing and Urban Development.

No more public housing exclusively for the poor. No more of the arrogance that Washington always knows best. No more ignoring the wisdom of local communities or the economic efficiency of the private sector.

HUD, the secretary has been saying, "has allowed itself to evolve into a bureaucracy far more attentive to process than to results, characterized by slavish loyalty to non-performing programs and insufficient trust in the initiatives of local leaders."

The reinvented HUD, he promised, is "off into a new age of trust of the localities."

It isn't entirely a coincidence that many of the new directions he is espousing reflect the Republican Party's emphasis on shrinking the federal government, reducing its authority to micromanage and turning more power - and more responsibility - over to state and local governments, Cisneros admits.

"We're confident that the philosophy we're following now is right, and we've been moving in that direction for a couple of years now," he told me. "It's true, though, that the recent political change helps."

The biggest change Cisneros is contemplating is the transformation of public housing, where operating subsidies for public housing agencies would be converted into rental assistance for residents. The idea, he explains, is to give residents a choice, thereby both forcing the housing authorities to compete for tenants and ending the concentration of low-income people in government-owned "projects."

Moreover, the rules for mixing and managing the rental assistance funds would no longer be the exclusive province of HUD.

"Traditional federal solutions have been top-down," he wrote in a draft that might have come from the GOP's "Contract With America." "HUD oversight of public housing, for example, has emphasized process over performance, weakened local responsibility and stifled local creativity.

"The federal government must become a true partner for change in communities - acting as a clearinghouse for innovative solutions."

Two things need to be said about Cisneros' reinvention. The first is that, though much of it has the ring of Gingrich and Co., it is altogether consonant with the "reinventing government" theme of Bill Clinton and Al Gore.

The second is that most of it is quite sensible - even necessary.

Tying federal housing subsidies to individuals rather than to housing units gives housing officials more flexibility and greater control - for instance, permitting agencies to favor applicants who are able to show that they are working toward self-sufficiency.

Deregulating the housing authorities - at least those that have shown the ability to manage efficiently - would help transform them into housing developers.

Breaking up the huge concentrations of the poor would benefit just about everybody.

Now a couple of cautionary notes. It's true, as Cisneros says, that public housing, "which began 60 years ago as transitional housing for working people who had come upon hard times, has become a trap for the poorest of the poor rather than a launching pad for families trying to improve their lives." But is government the cause of the trap? Or is it that the housing authorities of the '90s are trying to serve a population significantly different from that of the '30s? If a reinvented HUD should deny help to the poorest of the poor, what would be the point?

The second caution, which Cisneros understands but which still could get lost in the translation to legislation, is that there are reasons why so many government programs have drifted to Washington: The locals haven't always had the political freedom - or the political will - to do the right thing. There remains, as the HUD secretary notes, "a place in American society for the federal role of upholding national ideals which may be difficult to sustain in the heat of local politics."

With those caveats, it's hard to find fault with Cisneros' blueprint for reinventing HUD. Indeed, it will be surprising if the reinvention idea doesn't come to permeate the Clinton administration, as chagrined Democrats learn to make virtue of political necessity.
William Raspberry's column is syndicated by the Washington Post Writers Group.

GRAPHIC: SIGNATURE

TYPE: OPINION; COMMENTARY

LOAD-DATE-MDC: January 8, 1995

The Baltimore Sun

December 21, 1994, Wednesday, FINAL EDITION

SECTION: EDITORIAL, Pg. 27A

LENGTH: 948 words

HEADLINE: Cisneros' Bid for Sweeping HUD Reform

BYLINE: NEAL R. PEIRCE

BODY:

Washington.--Secretary Henry Cisneros hopes he's created a vision, a blueprint of a Department of Housing and Urban Development that's worth having.

Mr. Cisneros didn't have much choice. Even friends of cities and low-income housing have questioned the effectiveness of the bureaucracy and red-tape-ridden department. The Republican sweep of Congress immediately raised prospects of placing HUD on the butcher block. Then President Clinton, also having read the election results, said: Justify HUD's existence or I'll recommend elimination.

The Cisneros response has been to create an ingenious formula that's part New Federalism, part "reinvented government," part an appeal to the ideal of preserving the sole department of American government devoted to housing, cities and the growing ranks of America's urban poor.

The central reform mechanism: to boil HUD's 60 principal grant programs down to three gigantic block grants that invite state and local officials to fashion their own programs and responses.

As for the Federal Housing Administration, it would be turned into a government-owned but semi-autonomous corporation enjoying dramatically widened power to buy the best technology, hire business talent and act entrepreneurially.

One of Secretary Cisneros' block grants -- the Affordable Housing Fund -- would incorporate most government housing production and rehabilitation programs (except for public housing). It would invite state and local governments to fashion housing strategies appropriate to their needs and apply for funding.

A second block grant -- Housing Certificates for Families and Individuals -- would sweep up all of today's public housing, assisted housing and so-called Section 8 rental assistance. Local governments would allocate these certificates to low-income families, who'd suddenly be free to take them to apartments of their own choice.

The housing vouchers would end public housing as it's known in America. With a phase-in period of three to five years, HUD would be out of the business of directly subsidizing public housing buildings. All the country's 3,400 public housing authorities would be deregulated, obliged to compete in the market for low-income residents.

Well-run public housing authorities would presumably have no problem. But what of the projects plagued by crime, graffiti, abandonment?

If the authorities responsible for them couldn't "get a hold on their management problems," Mr. Cisneros explains, "they'd lose tenants. And that would force decisions on the community -- whether the housing should exist in its present form, whether the buildings themselves are flawed and should be demolished, whether some non-profit or joint venture might run these buildings better."

One's left wondering -- where will the thousands of residents of lost public housing units end up? Won't some become homeless? Are there enough low-cost private units?

The answer is: Localities will have to be more ingenious. But at least they will not be wasting millions of federal dollars to rehabilitate public housing high-rises likely to be vandalized and abandoned again. And HUD, instead of subsidizing bureaucratically rigid and inefficient public housing authorities, will be providing direct housing vouchers to the low-income people who need the assistance.

Indeed, one wonders how the new Congress, short of abruptly terminating all public-housing subsidies, could find a more Republican or market-oriented solution.

Finally, Mr. Cisneros proposes a Community Opportunity Fund to pay for economic revitalization and distressed neighborhood aid now financed by such programs as Community Development Block Grants. "Reverse commute" plans to suburbs, business loans to entrepreneurs to build supermarkets, environmental cleanup of "brown field sites" ripe for redevelopment -- all would be eligible.

There is a semantic problem here -- these won't be block grants given with zero strings attached. They'll actually be what Mr. Cisneros calls "contractual, performance-based grants." Localities will lay out operational plans, fulfilling the grant's broad purposes; HUD will negotiate specific performance goals with them. HUD will also act to guarantee fair housing practices and to make sure such groups as the homeless aren't neglected.

The "reinventing government" crowd is sure to applaud the new approach, citing the flexibility it gives local governments even while maintaining an accountability for using federal taxpayer dollars.

While HUD's present crisis is tied to Washington's new politics, it's not new: The agency's bureaucratic sclerosis has long been obvious. A National Academy of Public Administration last summer reported HUD was suffering an acute case of "program overload" (from 54 programs in 1980 to 200 in 1982).

The overload, the panel observed, saps HUD's resources, muddles priorities, creates impossible expectations and confuses communities. Though praising Secretary Cisneros' personal leadership, the group suggested HUD either slim down to a handful of manageable programs with clear goals, or pass out of existence.

It's still possible the congressional Republicans will want to kill HUD outright. Yet they may find parts of Mr. Cisneros' plan highly appealing.

Indeed, as long as HUD's Democratic "friends" controlled key congressional committees, special-interest lobbies from government-worker unions to the large public housing authorities were positioned to kill sweeping reforms.

Now everything's up for grabs. It's a high-risk game. But one suspects Henry Cisneros may secretly be pleased.

Neal R. Peirce writes a column on state and urban affairs.

TYPE: OP-ED, COMMENTARY

LOAD-DATE-MDC: December 22, 1994

Los Angeles Times

December 15, 1994, Thursday, Home Edition

SECTION: Part A; Page 42; Column 1; National Desk

LENGTH: 809 words

HEADLINE: DRASTIC PRUNING REPORTEDLY PLANNED TO SAVE HUD ITSELF;
HOUSING: MANY FEDERAL PROGRAMS WILL GIVE WAY TO BLOCK GRANTS, SOURCES SAY.
CUTBACKS ARE SEEN AS A REACTION TO GOP SWEEP IN NOVEMBER ELECTIONS.

BYLINE: By ELIZABETH SHOGREN, TIMES STAFF WRITER

DATELINE: WASHINGTON

BODY:

The Department of Housing and Urban Development is planning sharp reductions next year, including consolidation of 60 specific housing programs into broad funding grants that would free states and localities from most federal oversight, sources said Wednesday.

The planned cuts, described by Housing Secretary Henry G. Cisneros in closed-door sessions with public housing advocates and others, would make Housing and Urban Development one of the biggest and most visible victims of the budget-cutting fervor sweeping across Washington in reaction to the November elections.

With an annual budget of $27 billion, the department has become a favorite target of conservatives because of chronic problems associated with urban housing projects and the agency's origins in the Great Society movement of the 1960s. The departments of Energy and Transportation are other prime targets for large-scale budget reductions, which the White House has been scrambling to make to offset a middle-class tax cut that the President plans to propose tonight.

While it was clear that Cisneros' plan would reduce HUD's budget, people who attended the meeting said that officials did not specify how much money would be saved. Cisneros also talked about his plans to replace the Federal Housing Administration, which provides mortgage insurance to millions of home buyers, with a quasi-government corporation.

Cisneros canceled an interview with The Times scheduled for Wednesday. The President is expected to announce the proposed changes in a speech tonight.

One senior official of the department said that Cisneros talked to the interest groups instead of the press because he "does not want to scoop the President." He believed that he needed to "level with them" early on so that he can "rally their support" behind him in what he expects to be a tough battle on Capitol Hill.

"He's managed to prevent HUD from completely being chopped by presenting alternatives," said the official, who spoke only if not identified. But Republicans in Congress are expected to make further reductions in whatever budget for the department is handed to them by the White House.

Advocates for the people who benefit from affected programs warn that the changes could have tragic consequences for cities as more people go without shelter because they lack government assistance.

"It's an overreaction to the (Republican) election victories," said Rick Nelson of the National Assn. of Housing and Redevelopment Officials. "I think there's a great potential for serious problems. We're talking about adding to the list of people who can't survive in the cities."

But Republicans on Capitol Hill said the proposal indicates that Democrats have finally realized what Republicans have been preaching for years: The less federal government the better.

"HUD cannot continue to exist the way it is. That is why we need this radical restructuring," said a Republican congressional aide, who spoke on condition of anonymity. It will get rid of a lot of the archaic federal micro-management so money will be spent quicker and get to the people who need it. People will be better served because local officials won't have to listen to a HUD bureaucrat nickel-and-diming them."

In a meeting with representatives of about 100 interest groups Wednesday, Cisneros said that the radical changes he is proposing are a lot better than eliminating his department, as the White House was considering last week and incoming House Speaker Newt Gingrich (R-Ga.) has suggested.

While making clear that the White House and HUD are still in negotiations about the shape of the agency and size of the budget cuts, Cisneros said it is likely that most of the housing and community development programs the department now administers would be combined into one, two or three types of block grants.

Block grants give the recipients great flexibility to spend the money as they see fit, instead of focusing funds where the federal government believes they are needed.

Many details still are unclear. For instance, Administration officials still are struggling over whether the grants would go to states or directly to cities and counties.

This situation worries advocates for the homeless, who fear that because of the rising negative sentiment toward homeless people in cities across the country, local officials will starve programs for the homeless and direct funds toward community development or other activities.

"The homeless are likely to get lost in the shuffle," said Fred Karnas, director of the National Coalition for the Homeless.

Karnas and others said that Cisneros made it very clear that major changes must be made if the agency wants to stave off outright elimination. Gingrich told the Washington Post earlier this week that the agency is a prime candidate for elimination.

LANGUAGE: ENGLISH

The Washington Post

December 13, 1994, Tuesday, Final Edition

SECTION: FIRST SECTION; PAGE A1

LENGTH: 1094 words

HEADLINE: Gingrich Pledges Major Package Of Spending Cuts Early Next Year

SERIES: Occasional

BYLINE: Kenneth J. Cooper, Washington Post Staff Writer

BODY:

House speaker-to-be Newt Gingrich (R-Ga.) yesterday charted a sprawling map of Republican pathways to a limited federal government, promising a "pretty big" package of spending cuts early next year without increasing the deficit, floating the idea of a one-year moratorium on clean air regulations and identifying Energy and Housing and Urban Development as Cabinet departments most vulnerable to elimination.

Gingrich expanded his proposed alternatives to federal antipoverty programs by suggesting tax credits to encourage charitable donations to help the poor and saying he preferred the welfare revisions that governors have proposed over those in the "Contract With America" that he inspired. He similarly called for loosening federal control over Medicaid, the state-federal health program for the poorest Americans. A credit would allow a taxpayer to reduce his or her taxes by the amount of the charitable contribution, a far bigger break than is allowed now.

Three weeks from becoming the first Republican speaker in 40 years, Gingrich also endorsed a term limit of eight years on speakers, similar to the restriction that the Constitution imposes on presidents.

Besides his proposals on specific federal policies, including congressional oversight of the District of Columbia, Gingrich sketched out his views on broader issues of government, economics and race during a two-hour luncheon with Washington Post editors and reporters. The former history professor studded his responses with oral footnotes to the books of historians.

"I'm not anti-government," Gingrich declared in explaining his opposition to the Great Society programs of the 1960s. "I don't believe social engineering works. I don't believe building ... large, centralized government structures works."

Within the first two months of 1995, Gingrich said, "probably the most fiscally conservative Congress since the '20s" would consider a package of spending cuts in the 1995 budget that will be "pretty big, I think." He said House Republican leaders have asked incoming Appropriations Committee chairman Bob Livingston (R-La.) to make the spending cuts "as big as you're comfortable" making.

A Livingston aide said the package would be "somewhere in the billions" and would be developed during Appropriations Committee hearings the first two weeks of January. "They're going to specifically be hearings on what to cut ... and why," the aide said. "Most appropriations hearings are on what we need to spend and why."

Gingrich told The Post that the tax cuts promised in the Republican "Contract With America" should not increase the deficit. "I think you'd want for that not to happen," he said. "You have to send a signal that this Congress is committed to a lower deficit and ... a smaller government."

On environmental regulation, Gingrich cited warnings from governors that a 1995 deadline for states to reduce certain air pollutants would create "an economic catastrophe of the first order." The deadline was set in the Clean Air Act of 1990, which Gingrich supported on an overwhelming vote for House passage.

"Every governor I talk to says this is going to be a crisis in 1995," Gingrich said, specifically mentioning Massachusetts, New York, New Jersey, Pennsylvania, Ohio and California. Virginia also has had trouble developing a plan to meet the clean air standards.

Gingrich said many governors favor a one-year moratorium on the clean air regulations. He did not endorse their proposal and instead called for hearings on the issue.

Environmental Protection Agency officials said they are trying to give states maximum flexibility in plans to meet the new clean air standards. They also emphasized that Congress set the deadline in the 1990 law.

In a letter to President Clinton yesterday, Gingrich joined other GOP leaders of the House and Senate in proposing a 100-day moratorium on new federal regulations. They asked the administration to use the time to review the regulatory burden and recommend cuts in red tape.

Gingrich indicated that the weak political constituencies for the departments of Housing and Urban Development and Energy would make them prime candidates for cuts in the bureaucracy. He cited "a very limited constituency" for Energy.

"I would argue that you could abolish HUD tomorrow morning and improve life in most of America," he said. "I think HUD's reputation is now so bad ... and the whole public housing policy has been such a failure that it's very hard to sustain HUD."

But Gingrich said the federal government could still increase the stock of low-income housing, for example, by giving HUD-owned land to Habitat for Humanity, a volunteer group that builds homes for the poor. He wore a lapel pin of the nonprofit group more identified with another Georgian, former president Jimmy Carter. "We are looking at creating a tax credit for people to give money to private sector institutions that care for the poor," Gingrich said.

On broader issues of government, economics and race, Gingrich said:

"I think there's a tremendous role for federal government in setting standards" for state experiments with social programs but "there may not be much of a role for it in implementing standards." He mentioned federal research and development as one type of federal program he believes does work.

He called himself a cautious believer in supply-side economics, the theory embraced by then-President Ronald Reagan that tax cuts generate more than enough economic activity to pay for themselves.

On race, he said his outlook was shaped by spending his first 16 years as the son of an Army soldier before the family moved to Georgia. He blamed black reluctance to join the Republican Party on the lack of southern conservatives who objected to segregation.

"I'm saying those necessary government actions to end the government oppression of black Americans were exactly right. You had to use government to end government oppression," he said. But now government should adopt an approach other than trying to "marginally improve the poverty level of 600,000 people, which ... doesn't get you very far." He spoke generally of linking black entrepreneurs with white ones like Bill Gates, founder of Microsoft Corp.

"If you were to create four Bill Gates, and as a result, create 11,000 black millionaires, the net effect ... of raising the standard of resources of their entire community would, in fact, have a greater second- and third-order effect," Gingrich said.

Staff writer Gary Lee contributed to this report.

GRAPHIC: PHOTO, INCOMING HOUSE SPEAKER NEWT GINGRICH SAID SPENDING CUTS WILL BE "PRETTY BIG, I THINK.", MARK FINKENSTAEDT

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BYLINE: Prepared for The Heritage Foundation by Carl F. Horowitz, Ph.D.; The author, formerly housing and urban affairs policy analyst with The Heritage Foundation, currently is a Washington correspondent with the Los Angeles-based Investor's Business Daily.

BODY:

INTRODUCTION

The House and Senate soon will consider legislation to reauthorize the programs of the U.S. Department of Housing and Urban Development (HUD). The House and Senate bills (H.R. 3838, S. 2049) have been marked up by committee and now will be debated in each chamber. This legislation, however, unfortunately is based on a persistent fiction: that there is a shortage of affordable housing and thus a need for more subsidies to homebuyers and renters.

In reality, America's housing quality and quantity have been improving for decades, something not apparent from the continuing stream of pronouncements from congressional liberals, state and local officials, labor unions, and builders that the nation faces a housing crisis. This notion of a crisis has triggered demands for ever-larger federal outlays and more stringent regulation. The appropriations bill passed last fall for fiscal year 1994, for instance, reserved $ 25 billion for HUD, an increase of 27 percent over the fiscal 1989 outlay of $ 19.7 billion when President Bush entered office. n1

n1 The $ 25 billion in the appropriations bill is HUD's portion. The bill also set aside funds for the Department of Veterans Affairs and various independent federal agencies.

A large portion of this money is subsidizing publicly or privately owned multifamily rental housing. Yet many public projects are in physical disrepair, plagued with corruption and mismanaged by the public housing authorities who would get the money. Moreover, many of the privately owned multifamily rental projects are prime candidates for foreclosure and repossession by HUD. Some are as decayed as any publicly built project.

The House bill, H.R. 3838, introduced in February by Representative Henry Gonzalez (D-TX), Chairman of the House Banking Committee, reauthorizes HUD spending at $ 31.2 billion in fiscal 1995 and $ 33.6 billion in fiscal 1996. The Senate version would open the federal purse even more, providing $ 28.1 billion for fiscal 1995, but jumping to $ 39.1 billion for fiscal 1996.

The impetus behind the House and Senate bills, which contain many features supported by Secretary Cisneros and other top Clinton Administration officials, is the notion that housing was neglected during the Reagan and Bush years and that this neglect was manifested in massive cutbacks in the HUD budget. Cisneros said of his proposed legislation that it would put HUD back in the business as a force for positive change in America. n2 Yet this will not be accomplished by increasing HUD spending. HUD outlays during the Reagan years rose from $ 14.9 billion in FY 1981 to $ 19.7 billion in FY 1989 and reached $ 25.2 billion in FY 1993. According to this year's Office of Management and Budget (OMB) projections, they will have risen to $ 25.5 billion for fiscal 1994 and to more than $ 28.4 billion in fiscal 1996.

n2 Quoted in Julio Barreto, "Cisneros Unveils Housing Choice and Community Investment Act," Nation's Cities Weekly, April 25, 1994.

Those who would raise federal spending on housing-related agencies such as HUD, the Department of Veterans Affairs, and the Farmers Home Administration know -- even if they do not admit -- that spending has risen. That is why they regularly cite statistics purportedly showing that the private sector no longer produces sufficiently affordable housing. As evidence, they refer to the slight decline during the first half of the 1980s in the overall homeownership ratio (which since has been reversed) and to misleadingly high housing cost-to-income ratios of low-income renters.

To be sure, there are housing cost problems. Yet neither the 1990 Cranston-Gonzalez National Affordable Housing Act (P.L. 101-625) nor the current proposals address those problems. Each of these measures fails to recognize that high taxes and overregulation undermine efforts to improve the housing stock and its affordability. Each also fails to recognize that politicizing the distribution of housing raises the likelihood that there is less of it to go around.

To combat the idea that massive subsidies are needed for housing production and consumption, lawmakers need to bear in mind several realities about housing in America:

1) The supply of America's housing stock has been improving steadily over time in both quality and quantity.

2) The demand for additional housing during the 1990s will not be as great as it was during the 1970s and 1980s.

3) The cost of housing, in comparison to incomes, has been getting less burdensome over the last several years, especially with interest rates last year dipping to their lowest levels in some 25 years, and now holding steady at about 8.5 percent.

If HUD officials and Members of Congress really wish to address the nation's housing supply and affordability problems, they should promote greater market efficiency. The reauthorization legislation gives lawmakers the opportunity to make needed changes.

To improve the reauthorization legislation, Congress should take several steps. Among them, lawmakers should:

checkmark Eliminate provisions that would raise loan limits on Federal Housing Administration (FHA) single-family mortgages.

checkmark Eliminate the provision that would end the requirement on public housing tenants who obtain a job to continue paying 30 percent of their income in rent.

checkmark Add a provision eliminating the requirement on HUD to subsidize the rents, for at least 15 years, of low-income tenants in foreclosed FHA-insured multifamily rental projects.

checkmark Fund the HOPE program.

checkmark Give HUD the authority to pressure other federal agencies, and state and local agencies, to reduce excessive land and construction regulations that make housing less affordable.

America is not reeling from an affordable housing crisis and was not in the grip of such a crisis during the Reagan and Bush years. Housing conditions and affordability rarely have been better. What HUD and other federal agencies should be doing is enabling housing markets, especially in inner-city neighborhoods, to function more as markets. At present, they function too much as bureaucratic fiefdoms, a problem exacerbated by high levels of crime. While the House and Senate packages contain potentially beneficial elements and even mention the need for crime control, too much in them represents business as usual under the guise of a "reinvention" of HUD. They would boost HUD spending by about a third without necessarily addressing the real problems.

THE SUPPLY OF HOUSING IN AMERICA

Plenty of Homes. During the past two decades, America has expanded an already plentiful housing stock. According to the most recent American Housing Survey (1991), there were 104.6 million conventional (non-mobile) dwellings in the United States, more than 50 percent greater than the 68.7 million units existing in 1970. n3 Thus, over one-third of all dwellings available in 1991 were built in or after 1970. n4 This ratio, of course, would be higher if one took into account net housing production since 1991.

n3 U.S. Bureau of the Census, 1970 Census of Population and Housing; Current Housing Reports, "American Housing Survey for the United States in 1991" (Washington, D.C.: U.S. Government Printing Office, April 1993). The American Housing Survey (formerly known as the Annual Housing Survey until the early 1980s, previous to which it had been conducted annually, as its name implied) is conducted nationally on a biennial basis by the Census Bureau, with technical assistance from HUD. Separate surveys of several dozen metropolitan areas are conducted on an annual rotating basis. All references in this Issue Bulletin to the American Housing Survey, unless otherwise indicated, are to the 1991 survey. In 1991 there were some 7 million mobile homes.

n4 Losses of residential units include conversions of a structure from residential to nonresidential use, the combining of two or more separate residences into one, and damage from storms, earthquakes, and other natural phenomena.

Fewer Deficiencies, More Amenities. Just as the quantity of housing units is important, so is the quality. That, too, has risen with affluence and with advances in homebuilding technology. Early in this century, a three-room cold-water flat was regarded as adequate housing for young urban immigrant families. Today it is considered unacceptable for anyone.

Using American Housing Survey indicators of housing quality, Table 1 indicates how far the U.S. has come in eliminating substandard housing. Only a small portion of dwellings now experience interior problems such as holes in floors, broken plaster or peeling paint, and exposed wiring. Moreover, those problems occur less often in owner-occupied units, which account for almost two-thirds of all occupied dwellings.

Table 1
Selected Interior Housing Deficiencies: 1991

Characteristic	% of Owner-Occupied	% of Renter
Holes in Floors	0.8%	2.0%
Open Cracks or Holes	3.4	8.1
Broken Plaster or Peeling Paint	3.0	6.1
No Electrical Wiring	0.0	0.0
Exposed Wiring	1.1	2.5
Rooms without Electrical Outlets	1.4	2.4
Lacking All or Some Plumbing	2.2	2.9

Source: U.S. Bureau of the Census, "American Housing Survey."

Meanwhile, more new housing than ever before is being built with things once considered luxuries, as Table 2 indicates. To some degree, therefore, rising standards of quality are responsible for rising home prices. The number of newly completed private, singlefamily homes containing central air conditioning, one or more fireplaces, and 2.5 or more bathrooms each rose during 1970-1992 by anywhere from roughly 80 percent to 200 percent. Median interior area rose from 1,385 to 1,920 square feet, an increase of 38.6 percent.

Table 2
Characteristics of New Privately Owned One-Family Homes Completed: 1970-1992

Year	Median Square Feet	Percent w/CAC	Percent w/ One or More Fireplaces	Percent w/ 2.5 or More Bathrooms
1970	1,385	34%	35%	16%
1980	1,595	63	56	25
1984	1,605	71	59	28
1986	1,660	69	63	33
1988	1,810	75	65	42
1990	1,905	76	66	45
1992	1,920	77	64	47
Total Change	+38.6%	+126.5%	+82.9%	+193.8%

Source: U.S. Bureau of the Census, Construction Reports, Series C-25, issued annually.

Homebuilders provide such amenities largely because buyers insist on them. A 1989 survey by the National Association of Home Builders asked: "If you cannot afford to buy the type of home you want, what would you give up to make it more affordable?" Some 36 percent of respondents said they would choose a house with unfinished rooms, and 35 percent would live farther from work or shopping. Only 18 percent would have accepted a smaller house, and only 11 percent would have accepted fewer amenities. n5

n5 What Home Buyers Want (Washington, D.C.: National Association of Home Builders, 1989).

THE DEMAND FOR HOUSING IN AMERICA

Population Growth. During America's baby boom, which spanned the years 19461964, there were 20 to 25 live births per 1,000 population. Thereafter the birth rate declined, so much so that in 1975 the rate was 14.6 births per 1,000 population,6 rising again to the 16-to-17-per-1,000 range in the late 1980s and early 1990s. The aging of the baby boom population has major implications for the demand for housing.

n6 U.S. National Center for Health Statistics, Vital Statistics of the United States, issued annually.

According to Census Bureau mid-range projections, the population will increase from a little under 250 million to almost 275 million during 19902000, or by some 2.5 million annually. Households in the 35-54 age bracket -- mainly the baby boomers -- will make up more than 75 percent of this population increase, rising by more than 19 million. By contrast, the number of Americans age 18-34 (the people who are starting households for the first time, usually as renters) will decline from about 70 million to 63.5 million during this period. As a result, the age bracket most heavily in financial need will be smaller, numerically as well as proportionately.

Household Growth. This pattern of population growth and age distribution has significant implications for housing demand, in particular the demand for new housing construction in the 1990s. According to the Census Bureau, the total number of households rose by about 1.18 million annually during 1980-1992 n7 and will rise by roughly the same rate by the year 2000. However, as with population growth, the age distribution of this shift reveals much. Households headed by persons age 35-54 will account for virtually all of this increase. n8 Yet households headed by persons 34 and under actually will decrease by 1 million. Growth is occurring, therefore, among households headed by adults in their prime years.

n7 U.S. Bureau of the Census, Current Population Reports, Series P-20, No. 467, and earlier reports. Census of Populaiton: 1980.

n8 U.S. Bureau of the Census, Current Population Reports, Series P-25, No. 986, "Projections of the Number of Households and Families: 1986 to 2000" (Washington, D.C.: U.S. Government Printing Office, 1986).

CHANGING HOUSEHOLD COMPOSITION

The trend toward smaller proportions of married households had been established by 1980 and since then, even with a falling divorce rate, n9 has continued. Table 3 shows that in 1980, 60.8 percent of all households consisted of married couples, fairly evenly divided between those with at least one child present in the household and those without. Yet, by 1992 the cumulative proportion of married households, with and without children, declined to 54.8 percent. Male or female householder families (no spouse present) increased from 12.9 percent to 15.4 percent of the total. n10 Especially marked has been the rise of one-person households from 22.7 percent in 1980 to 25.1 percent in 1992, caused in part by the fact that the median age of first marriage for men and women has increased by some three years since 1970. n11

n9 Vital Statistics. The rate of divorces per 1,000 population declined during 1980-1990 from 5.2 to 4.7, or by some 10 percent.

n10 U.S. Bureau of the Census, Current Population Reports, Series P-20, No. 458, "Households, Families, Marital Status, and Living Arrangements: March 1991" (Washington, D.C.: U.S. Government Printing Office, 1992).

n11 The median ages of first marriage were 22.5 and 20.6 for men and women, respectively, in 1970. They had risen to 25.5 and 23.7 in 1988. See Vital Statistics.

Table 3
Composition of American Households: 1982 and 1990

Household Type	1980	1992
Married with Children	30.9%	25.5%
Married without Children	29.9	29.3
Single-Parent Family (Female Headed)	10.8	12.2
Single-Parent Family (Male-Headed)	2.1	3.1
Living Alone	22.7	25.0
Other Non-Family Households	3.6	4.7
Total	100.0%	100.0%

Source: U.S. Bureau of the Census, Current Population Reports Series P-20, No. 467; Census of Population: 1980.

Many lawmakers and organizations calling for more housing subsidies misinterpret the growth in non-family households as an upsurge in the need for assistance. To be sure, non-married households have incomes well below those of married ones. The median household income of one-person households in 1991 was $ 15,44 1, while the median figure for female-headed families with children was $ 17,961. By contrast, the median household income for married households was nearly $ 41,075. n12 But that does not mean that non-married households are poorly housed or that they must forego food and other basic necessities to acquire good housing without a subsidy.

n12 12 U.S. Bureau of the Census, Current Population Reports, P-60, No. 180.

The growth of non-family households has been due in large part to the affordability and availability of housing. That is, many of these households would not have formed in the first place were America's housing industry not so productive and adaptive to local market circumstances. In Western Europe, where housing construction levels are far lower than in the United States, marriage is one of the few ways in which a young adult can obtain housing separate from parents. And as a 1992 Heritage Foundation paper made clear, a "poor" American actually has more housing space per person than the average Western European. n13

n13 See Robert Rector, "How the Poor Really Live: Lessons for Welfare Reform," Heritage Foundation Backgrounder No. 875, January 31, 1992.

It is not the growth of female-headed families that necessitates more welfare. Rather, it is the widened eligibility for welfare that is the major driving force behind the increase in such households in the first place. This includes housing assistance as well as cash payments, Medicaid, and food stamps as its key components. The number of all households (mainly female-headed and/or elderly) receiving HUD housing subsidies alone grew from 3.3 million in fiscal 1981 to roughly 4.7 million in 1993.

Subsidization of living expenses makes it more attractive for women with children not to marry and to maintain households separate from their fathers and from other members of their families. One study showed that a roughly $ 200 increase in monthly welfare benefits causes illegitimate teenage births to rise by 150 percent. n14

n14 Shelly Lundberg and Robert D. Plotnick, "Adolescent Premarital Childbearing: Do Opportunity Costs Matter?" June 1990, revised version of a paper presented at the Population Association of America Conference, Toronto, May 1990.

At the opposite end of the age spectrum are the elderly, defined as households headed by persons age 65 or over. For over two decades a fast-growing segment of the population, n15 these households have relatively few housing problems. For example, 77.3 percent of senior-citizen households in 1991 owned their own homes, and 82.4 percent did so "free and clear," without any outstanding mortgage debt. The 1991 median monthly housing cost for all elderly households, owners and renters combined, was $ 257. Moreover, only 2.6 percent of all elderly households lived in dwellings with less than complete plumbing facilities and with a median of 5.3 rooms per unit. n16 These are not households requiring subsidies; yet advocates of more subsidies frequently call for more federal aid to the elderly, especially under the Section 202 program, enacted by Congress in 1959 to finance the construction of privately owned rental housing projects for senior citizens.

n15 In 1970 households headed by a person age 65 or over constituted 19.7 percent of all households in America. In 1991 their share of all households increased to 21.7 percent. See U.S. Bureau of the Census, Current Population Reports, Series P-20, No. 458; Census of population: 1970.

n16 "American Housing Survey," pp. 318, 320, 340, 348. In determining whether a household is poor, the Census Bureau looks at income -- but not asset -- levels. This is one reason why the elderly are often "house rich, cash poor." Their wealth is tied up in the earned equity of their homes. See Karen Marin Gibler and Joseph Rabianski, "Elderly Interest in Home Equity Conversion," Housing Policy Debate, Vol. 4, Issue 4 (1993), pp. 565-588.

THE MARKET FOR HOUSING

Combining these supply and demand characteristics into an overall market reveals how weak the case is for declaring a national housing emergency or even for enacting new housing assistance programs. By examining several basic indicators -- vacancy rates, owner-occupancy ratios, costs, and cost-income ratios -- it is evident that the supply of affordable housing is not in jeopardy.

INCREASING VACANCY RATES

One of the effects of the high levels of housing construction during the period from the 1960s through the 1980s has been relatively high vacancy rates. This is especially true in the case of housing for rent. In 1983, when many housing advocates declared a crisis, the rental vacancy rate was 5.7 percent. Yet each year since 1986 it has been at least 7 percent, despite the decline in new apartment construction since the latter half of the 1980s. n17

n17 U.S. Bureau of the Census, Current Housing Reports, Series H-111, issued quarterly and annually. Vacancy rates on units for sale are typically in the 1 percent to 2 percent range. Since the mid- 1980s this ratio has held steady at 1.7 percent.

Those calling for more federally subsidized housing production as the principal way to eliminate homelessness ignore such realities. According to the American Housing Survey, in 1991 there were over 8.7 million vacant year-round housing units. This represents about 15 vacant dwellings for every homeless person, based on the Urban Institute's original top estimate of about 600,000 homeless persons nationwide. n18 These units, moreover, are not cramped "tenements" or "slums." The 1991 American Housing Survey indicated they contained a median of 4.3 rooms per unit, and only some 5.5 percent lacked complete plumbing facilities. Almost 48 percent were single-family homes. n19

n18 Martha R. Burr and Barbara Cohen, America's Homeless: Numbers, Characteristics, and Programs That Serve Them (Washington, D.C.: Urban Institute Press, 1989). Burt since has revised her numbers downward to a range of 354,700 to 461,800. See Martha R. Bun, "Developing the Estimate of 500,000-600,000 Homeless People in the United States in 1987," in Cynthia M. Taeuber, ed., Enumerating Homeless Persons: Methods and Data Needs (Washington, D.C.: U.S. Bureau of the Census, 1991), pp. 130-138. The Census Bureau's special one-night survey of the homeless in March 1990 revealed only 230,000 persons on the streets and in shelters throughout the U.S., a figure the Bureau has revised upward slightly to 240,000. If anything, then, the ratio of vacant year-round dwellings to homeless persons is more in the neighborhood of 30-to-1, or even higher.

n19 "American Housing Survey," pp. 1, 4, 14.

THE "DECLINING" OWNER-OCCUPANCY RATIO

A common myth about housing affordability is that young homeseekers no longer can afford to buy a home. Ever since 1977, when studies by the Congressional Budget Office and the Joint Center for Urban Studies of MIT and Harvard University asserted that dwindling proportions of renter households could buy a home, advocates of more federal intrusion into the housing market have been sounding alarms about the disappearance of the American Dream. n20

n20 Congressional Budget Office, Homeownership: The Changing Relationships of Costs and Incomes and Possible Federal Roles (Washington, D.C.: U.S. Government Printing Office, January 1977); Bernard J. Frieden, Arthur P. Solomon, et al., The Nation's Housing Needs (Cambridge, MA: Joint Center for Urban Studies of MIT and Harvard University, 1977).

Typically, they use two statistics to bolster this claim.

First, they note that in 1980, 64.4 percent of all occupied units were owner-occupied, while in 1985 the figure fell to 63.5 percent. But even if this decline were cause for alarm, the ratio later reversed itself, rising to 64.2 percent in 1991. n21

n21 "American Housing Survey," various years.

Second, they often cite a finding from a 1988 report (the first in a continuing annual series on housing affordability by Harvard University's Joint Center for Housing Studies) showing that if the national homeownership rate had held steady since 1973, some two million additional households under age 35 would be homeowners. But what the researchers fail to emphasize is that more households today than in 1980 are singles and one-parent families (see Pie Chart 1). These households have a much higher propensity to rent than do married couples, n22 so a slight decline in the overall ownership rate is not surprising. In fact, as HUD senior policy analyst Irving Welfeld has noted, the rates of ownership among married and nonmarried households each rose after 1980, even though the overall rate declined slightly. n23

n22 In the 25-29 and 30-34 age brackets, among married couples, 51 percent and 66.4 percent, respectively, were homeowners in 1990. For "other family" households, these rates were 19.1 percent and 28.5 percent. Among one-person households, these figures were 22.1 percent and 33.4 percent. See U.S. Bureau of the Census, Census of Population: 1990.

n23 Irving Welfeld, Where We Live: The American Home and the Social, Political, and Economic Landscape, from Slums to Suburbs (New York: Simon & Schuster, 1988), p. 223.

Thus, young adults are not being "locked out of" homebuying opportunities. On the contrary, Chicago Title and Trust's widely respected annual survey of recent homebuyers reveals first-time buyers to be an increasingly significant force. In 1989, for example, 40.2 percent of all homebuyers were buying for the first time; in 1993 this ratio, thanks to small price increases and falling interest rates, reached 46 percent. n24

n24 Who's Buying Houses in America . . . [The Chicago Title and Trust Family of Title Insurers, 18th Annual Survey of Recent Home Buyers (Chicago: Chicago Title and Trust, 1994).

EXAGGERATED COST BURDENS FOR HOMEOWNERS

If changes in the homeownership ratio do not point to lessening affordability of homes for sale, neither do cost figures themselves, whether for the homes as such or for the mortgage money used to finance their purchase. Those sounding the alarm bell often point to how much more owner-occupied homes with mortgages cost than do those without mortgages. Yet the cost of borrowed money is distinct from the cost of housing itself. The American Housing Survey revealed that the median monthly housing cost for homes with a mortgage in 1991 was $ 761; for homes without a mortgage, it was $ 222. n25 To read into this a problem of affordability, however, would be erroneous.

n25 "American Housing Survey," 1991, p. 74.

A great many of today's owners bought their homes during the late 1970s and 1980s when interest rates on 30-year fixed-rate conventional mortgages were in double digits. By contrast, the rates on 30-year fixed-rate mortgages currently are about 8.5 percent and, for a time late last summer and early fall, fell to the 6.7 percent to 7.0 percent range, according to the Federal Home Loan Mortgage Corporation ("Freddie Mac"), which, among other things, tracks mortgage rates on a weekly basis. Remarked Freddie Mac chief economist Robert Van Order last summer, "The last time interest rates fell below 7 percent was back in 1968." n26

n26 "Mortgage Rates Fall Below 7 Percent," The Washington Times, August 27, 1993.

Thanks to falling home mortgage interest rates, there has been a surge in the popularity of 15-year and 20-year fixed-rate mortgages. n27 The Federal National Mortgage Association ("Fannie Mae") and Freddie Mac each reported that in 1993, close to half of all mortgage refinancings consisted of 15-year or 20-year loans -- the highest ratio ever. This trend has helped homes be more affordable for long-term ownership. Not only is the cumulative interest on a 15-year loan far lower than on a 30-year loan, but lenders charge interest rates about 0.5 percent lower as well.

n27 Albert B. Crenshaw, "Shorter Terms Draw Borrowers," The Washington Post, January 29, 1994; H. Jane Lehman, "Refinancers Shortened Terms in '93," The Washington Post, April 9, 1994.

The homeowner stampede during 1991-1993 to refinance existing mortgages, though slower by now, is one of this decade's more remarkable housing stories. Fannie Mae data released last year indicated that 31 percent of current homeowners have refinanced their mortgages, with almost 20 percent having done so in 1992 or 1993 alone. Another 14 percent were considering refinancing. n28 Some 56 percent of the $ 1.1 trillion in mortgage loan originations in 1993 took the form of loan refinancings, according to Robert Rosenblatt, director of surveys for the Mortgage Bankers Association of America. n29 America's homeowners know a good bargain when they see one.

n28 Some 46 percent of the respondents said that reducing the length of their mortgage term would count most, while 40 percent indicated lower monthly payments were the most important factor.

n29 Cited in Marianne Kyriakos, "Mortgage Refinancings Set Record Pace in 1993," The Washington Post, January 8, 1994. In 1992, 48 percent of the $ 894 billion in mortgage originations represented refinancings.

The Harvard Joint Center for Housing Studies data actually provide strong evidence that homeownership is becoming more in reach, not less. Working with the American Housing Survey and other data, the Center's researchers estimated that the annual cost of owning a home (in constant 1989 dollars) fell from $ 8,885 to $ 7,077 during 1982-1992. This decline would have been even steeper had expected price appreciation levels not been flat in the last few years. n30 The past decade has been more a buyer's than a seller's market.

n30 The State of the Nation's Housing 1993, p. 24. The decline in annual ownership cost, minus the appreciation factor, was from $ 10,617 to $ 7,405.

Data from Chicago Title and Trust's annual homebuyer survey provide further evidence that rising costs, in and of themselves, mean little. n31 During 1980-1993, repeat buyers saw the median home purchase price increase from $ 75,750 to $ 159,600, or by 110.7 percent. During the same period, however, their median incomes increased from $ 31,820 to $ 67,500, or by 112.1 percent. For first-time buyers, median prices increased from $ 61,450 to $ 121,100 (97.1 percent) while incomes increased from $ 27,430 to $ 53,400 (94.7 percent). Thus, incomes kept pace with prices. That incomes were not higher is due largely to the higher ratio of nonmarried households in the first-time and repeat homebuying populations. Indeed, from 1991 to 1993, the proportion of first-time buyers who were single rose from 21.2 percent to 32.3 percent, according to the survey. These households, as Census figures earlier revealed, have lower incomes than married households.

n31 Who's Buying Houses in America, op. cit.

The survey also revealed that although the average mortgage payment as a percentage of income during 1980-1993 rose slightly from 30.3 percent to 30.7 percent for repeat buyers, it fell substantially from 35.6 percent to 32.2 percent for first-time buyers.

The argument that a homebuying affordability crisis exists is refuted most thoroughly by examining figures from the National Association of Realtors' monthly publication, Home Sales, which tracks the affordability of existing homes throughout the nation. In 1981, when President Reagan took office, an existing home cost $ 68,900; in February 1993 it cost $ 103,600, an increase of 50.4 percent. Yet price rises are not, in fact, cause for alarm in the context of income growth. NAR has a "Housing Affordability Index," which relates home price to buyer income, given a certain down payment ratio. The Index indicates what proportion of the income needed to qualify for a conventional 30-year mortgage on a median-priced home with a 20 percent downpayment would be possessed by a median-income family. Any Index figure above 100 means that a median-income household has more than enough to qualify for a mortgage on a median-priced home. n32

n32 The NAR also calculates an Index for first-time buyers, which is somewhat different than for other buyers. Here, affordability is based on the median price of a "starter" home (85 percent of the price of a median-priced home), and first-time seekers are assumed to need only a 10 percent down payment.

In 1981 the Index for all buyers was 68.9. This meant that a median-income family that year had only 68.9 percent of the income necessary to qualify for the purchase of a median-priced home. During the fourth quarter of 1993, the Index had reached a record-high 141.9. In other words, taking into account the cost of mortgage credit and growth in real income, a typical home in the U.S. has become more than twice as affordable in a little more than a dozen years. n33 For first-time buyers (renters seeking to buy), the Index improved markedly from 49.9 to 92.3 from 1981 through the fourth quarter of 1993.

n33 Despite an increase in the interest rate used to compute the overall Index from 6.79 percent to 6.91 percent, the Index, according to preliminary NAR dam, fell only to 140.9 in the first quarter of 1994 from the fourth quarter of 1993.

EXAGGERATED COST BURDENS FOR RENTERS

Renters are less well off than owners. That is why most are not owners in the first place. Yet if the cost of ownership is not preventing today's renters from becoming tomorrow's owners, neither is the cost of renting. Between 1980 and 1991, the median monthly rent (including utilities), according to the American Housing Survey, increased from $ 243 to $ 462, or by 90.1 percent. Yet during this period median renter income rose from $ 10,500 to $ 20,300, or by 93.3 percent.

Housing activists typically employ a rule of thumb for rental affordability. If rent takes up 30 percent or more of a household's gross (pre-tax) income, the dwelling is "unaffordable." Superficially, Table 4 shows why they have an effective case. According to American Housing Survey data, some 45.9 percent of all renter households and 69.0 percent of below-poverty-line households pay at least 30 percent of their incomes in housing costs. Indeed, 21.0 percent of all renter households and 48.0 percent of poor renter households pay at least 50 percent of their incomes on housing costs.

Table 4
Monthly Rental Costs as a Ratio of Income: 1991

Cost/Income Ratio	All Renter Households	Poor Renter Households
Less than 5%	221,000	14,000
5% to 9%	1,030,000	40,000
10% to 14%	2,735,000	114,000
1.5% to 19%	4,265,000	219,000
20% to 24%	4,225,000	378,000
25% to 29%	3,906,000	547,000
30% to 34%	2,883,000	467,000
35% to 39%	2,000,000	365,000
40% to 49%	2,659,000	713.000
50% to 59%	1,707,000	637,000
60% to 69%	1,071,000	503.000
70% or more	3,567,000	2,384,000
Zero or Negative income	547,000	490,000
No Cash Rent	2,526,000	968.000
Median Ratio (excluding last two lines)	28%	55%

Source: "American Housing Survey."
Note: The figures in this table are used by advocates at a huge boost in federal rent subsidies, 1hey claim that these figures show that 45.9 percent of all renters and 69.0 percent of all pool renters (excluding "zero negative income" and "no cash lent" households)pay at least 30 percent of their income for their dwellings, But the conclusion that most of the poor cannot afford their housing and exist on the precipice of homelessness is wrong. Among other reasons, reported incomes of the poor do not account for enormous amounts from benefits-in-kind, such as Medicaid, food stamps, rent subsidies, ond even cash. Including these payments as income would lower the rent burdens of below-poverty line households substantially.

Using such Census data, liberal research organizations like the Center on Budget and Policy Priorities conclude that rental affordability is slipping from the grasp of the poor. n34 From this, they conclude that only large: increases in government support can prevent the crisis from worsening.

n34 See, for example, Scott Barancik and Mark Sheft, A Place to Call Home: The Crisis in Housing for the Poor (Washington, D.C.: Center on Budget and Policy Priorities, June 1991).

According to the U.S. Department of Labor's Consumer Expenditure Survey, which measures how much the households of different income levels spend on key consumer items (food, housing, etc.), n35 per-household expenditures in 1991 averaged $ 13,464 among the lowest-quintile-income households, with pre-tax incomes averaging $ 5,981. In other words, the typical "poor" household, according to the Labor Department's statistics, spends well over $ 2 for every $ 1.00 it reports as income. Table 5 shows expenditures of households in the bottom quintile as a percentage of their reported "total income."

n35 The Census Bureau numbers are the basis for calculating incomes in studies which show that poor households pay too much for rent.

Table 5
Average Annual Income and Expenditures of Households Among Persons 14 and Over: 1991

Quintiles of Income	Income Before Taxes	Total Expenditures	Total Housing Expenditures
Lowest 20 percent	$ 5,981	$ 13,464	$ 4,905
Second 20 percent	14,821	18,986	6,178
Third 20 percent	26,073	26,144	7,975
Fourth 20 percent	40,868	36,151	10,644
Highest 20 percent	81,594	57,597	16,898

Source: U.S. Department of Labor, Consumer Expenditures in 1991, (BLS Report 835, December 1992.)

Showing housing costs as a proportion of reported income thus gives a grossly misleading impression. Using such methods, one can "prove" that the lowest-income households barely eat since they have spent 82 percent of their "incomes" on housing. Similarly, one could prove that these households have no money to spend on housing and utilities since well over 100 percent of their incomes are spent on other items. n36 Something obviously is wrong with the use of rent-to-income ratios as a basis for estimating rental affordability.

n36 Arguments to show that low-income households pay too much for housing generally are based on data from the American Housing Survey rather than the Consumer Expenditure Survey. But all government surveys have the same problem: they underreport incomes and thus show expenditures as very high relative to income.

Why do government surveys systematically underestimate "incomes" of low-income households? Because most spending is not counted as income. Of the over $ 300 billion spent in 1992 by federal, state, and local governments on welfare programs for low-income persons, most was not included as household income by the Census Bureau. n37 Benefits the Census Bureau does not count as income include food stamps, Medicaid, housing subsidies, and various social services.

n37 See Robert Rector, "Combatting Family Disintegration, Crime, and Dependence: Welfare Reform and Beyond," Heritage Foundation Backgrounder No. 983, April 8, 1994.

The second major problem is that government income data fail to include the tens of billions of dollars earned by persons working "off the books" to avoid taxes and regulation. The Department of Labor has put the total value of unreported earnings at about 5 percent of Gross Domestic Product. n38 As long as the government grossly underreports the incomes of poor and near-poor households, claims that these households spend too high a share of their incomes on housing are meaningless.

n38 See U.S. Department of Labor, The Underground Economy in the United States, Occasional Paper No. 2, September 1992, p. 24. For examples of this economy in action, see Jeffrey Tucker, "Notes from the Underground: America's Sprawling Informal Economy," Policy Review No. 65 (1993), pp. 76-79.

THE GROWTH IN FEDERAL ASSISTANCE

Housing assistance has become an increasingly significant part of the welfare state. According to an Urban Institute study, about half of all rental subsidies consists of cash welfare payments; the other half is federal housing assistance. n39 American Housing Survey data for 1989 (the most recent year available in such tabulations) indicate that median gross rent (including utilities) for unsubsidized poor renters was $ 300; for subsidized poor renters it was a little over $ 150. n40 The Harvard Joint Center for Housing Studies, building on American Housing Survey data, has estimated that almost 40 percent of all households with incomes below 50 percent of the area median receive HUD housing subsidies, up from just under 30 percent in 1989. n41

n39 Sandra J. Newman and Ann B. Schnare, Subsidizing Shelter: The Relationship Between Welfare and Housing Assistance (Washington, D.C.: Urban Institute Press, May 1988).

n40 These figures are for privately owned dwellings only, and thus exclude units covered under the public housing program.

n41 The State of the Nation's Housing 1993, p. 16; The State of the Nation's Housing 1992, p. 19.

Such subsidization is gradually becoming a welfare entitlement, something likely to become more pronounced. For example, according to the General Accounting Office, the cost of renewing contracts between private landlords and public housing authorities under HUD's largest tenant assistance subsidy program, "Section 8," will grow from an estimated $ 6.3 billion in fiscal 1994 to $ 15.2 billion in fiscal 1998 -- a jump of almost 150 percent in just four years. n42 Additionally, HUD spent some $ 6 billion -- a record high -- in fiscal 1993 on development, modernization, and operating costs for public housing projects. In 1992, a federal commission recommended $ 7.5 billion in new HUD spending over ten years on "distressed" public housing, which constitutes about 6 percent of all public housing units and, according to the commission, is "unlivable." n43

n42 U.S. General Accounting Office, Assisted Housing: Evening Out the Growth of the Section 8 Program's Funding Needs, GAO/RCED-93-54, August 1993.

n43 The Final Report of the National Commission on Severely Distressed Public Housing: A Report to the Congress and the Secretary of Housing and Urban Development (Washington, D.C.: U.S. Government Printing Office, August 1992).

Yet the rental housing stock overall is increasingly affordable. For example, the American Housing Survey for 1987 revealed a median cost-income ratio for poor households of 66 percent; in 1991, as Table 4 indicates, this ratio had dropped to 55 percent. The portion of all renter households spending 30 percent or more of their incomes on rent in 1987 was 48.4 percent; in 1991 it was 45.9 percent.

HOUSING PROBLEMS AND HUD INITIATIVES

The House and Senate housing committees have prepared their versions of an expanded federal presence in the housing market for floor debate. With record-high levels of funding, sponsors of the bills say they want to tackle a crisis in the nation's communities. Pan of that crisis, they insist, stems from a large and growing lack of affordable housing.

Yet the data demonstrate that neither homeowners nor renters, as a whole, face such a shortage. The congressional proposals assume far too easily that HUD must supplement or supplant the workings of the housing market. Some activities would put the taxpayer in a state of heightened financial liability for risky projects and loan practices. If Congress and HUD officials really want to promote affordable housing at minimum taxpayer expense, they should focus on eliminating barriers to market efficiency and on expanding opportunities for low-income residents to take greater control over their living environment.

Clinton Administration officials also should use HUD and other relevant federal agencies as "bully pulpits" for eliminating unnecessary state and local regulations that inhibit housing construction, rehabilitation, and maintenance. When Jack Kemp was HUD Secretary, he appointed the Advisory Commission on Regulatory Barriers to Affordable Housing to address these issues. The Commission's final report, released in July 1991, revealed that numerous forms of housing and land use regulation were making housing less affordable without necessarily improving housing quality. n44 It outlined over 30 practical recommendations for government at all levels, often working in conjunction with developers, to reduce unnecessary regulation.

n44 "Not In My Back Yard": Removing Barriers to Affordable Housing (Washington, D.C.: Advisory Commission on Regulatory Barriers to Affordable Housing, July 1991). For additional evidence, see articles in Land Economics, Vol. 66, No. 3 (August 1990).

Lawmakers and officials also should expand residential choice among those least able to exercise it: the poor. Secretary Cisneros, on the surface, recognizes this. Yet the substance of what he and congressional housing advocates support would foster greater dependency by low-income households on taxpayer largesse and housing bureaucrats at all levels of government. Rather than pour additional funding into building, maintaining, and modernizing public and subsidized housing projects and restricting opportunities by the private sector to buy and manage such properties, the federal government should be bringing such properties back to the market as quickly as possible. This includes enabling low-income residents themselves to be managers and owners. Such a strategy has turned around Washington, D.C.'s Kenilworth-Parkside, now resident-managed and owned, and other low-income projects. HOPE gives tenants of public and privately built, governmentheld (usually through foreclosure) projects a chance to bypass public agencies in using federal money. n45 About

500 organizations, representing some 45,000 people, participated in the program at the beginning of this year. n46 Yet under Clinton, the program is all but terminated, with planning grants eliminated from the 1994 budget and implementation grants almost dry. No new funding is contemplated for fiscal 1995.

n45 Under HOPE, public agencies are eligible grantees along with tenant and other nonprofit organizations. The public housing component of HOPE is known as "HOPE 1"; the privately built, publicly held components are called "HOPE 2" (multifamily housing) and "HOPE 3" (single-family housing).

n46 "HOPE and the "Reinvention" of Government," The Empowerment Pioneer, Vol. 2, No. 1 (February 1994), p. 6. This is a publication of the Alexandria, Virginia-based Empowerment Network Foundation.

Government at all levels, however, can take a big step in turning around low-income urban areas by making crime control a top priority. Fear of crime has transformed many urban neighborhoods and housing projects into no-man's lands. n47 Nothing restricts residential choice more than crime. When an area is a zone of fear, rather than a real community, people will not want to live there, no matter what the quality of its housing.

n47 See Wesley G. Skogan, Disorder and Decline: Crime and the Spiral of Decay in American Neighborhoods (New York: Free Press, 1990).

WHAT THE BILLS WOULD DO

The reauthorization bills now before Congress unfortunately ignore the real state of the housing market in America. And although the measures do address some concerns, they include provisions that would add to the problems which do exist while overlooking actions that would tackle these problems.

HELPFUL FEATURES OF THE BILLS

The House and Senate bills do contain some beneficial provisions that would enable HUD programs to be operated in a more efficient manner. To their credit, both bills:

checkmark Modify a provision in the 1987 Housing and Community Development Act that requires public housing authorities (PHAs) to replace, on a 1-to-1 dwelling basis, any obsolete projects they demolish. This requirement has been tying the hands of PHAs. Authorities cannot raze these largely vacant properties, many of them public eyesores, since they lack funds or suitable alternative sites to build replacement units. The new provision grants PHAs waivers from that stipulation, and thus should result in the demolition of obsolete units and the better use of existing HUD subsidies.

checkmark Broaden HUD's Drug Elimination Program for public housing into a larger Community Partnership Against Crime. Aside from mismanagement by housing authorities, the number one problem in public housing today is crime. The new program, among other things, would allow a PHA to obtain a record of any prior criminal convictions of a tenant or applicant as a way to help keep projects free of dangerous offenders.

checkmark Consolidate the several programs under the Stewart B. McKinney

Homeless Assistance Act of 1987 into a block grant program that would give states, localities, and nonprofit groups more say over how to use existing funds. Because these grantees are closer to the problems of the homeless than is the federal government, they will be able to reach more of these people.

In addition, the Senate bill rejects a proposal by HUD Secretary Henry Cisneros to allow PHAs to replace obsolete projects by using spending authority to leverage borrowing against future HUD modernization funds. If such loans default, which is especially likely in larger, troubled authorities, taxpayers may end up paying a large tab. Even if the loans are paid on schedule, political pressures to build new projects on vacant sites ensure a high program cost. Congress should be more concerned with selling off existing projects than with building new ones.

TROUBLING FEATURES OF THE BILLS

The House and Senate bills, unfortunately, also contain proposals that should not be enacted. The bills, for example, mistakenly would:

checkmark Increase loan limits on Federal Housing Administration (FHA) single-family mortgages. Since its creation in 1934, FHA has been charged with insuring mortgage lenders against the risk of default in their underwriting. Periodically, to adjust to price rises in the housing market, Congress has raised the limits. But H.R. 3838 goes too far, raising the basic FHA ceiling from $ 67,500 to $ 101,575 and the highcost-area ceiling from $ 151,725 to $ 172,675. The Senate bill, by contrast, wisely increases the basic limit only to $ 77,500 and leaves unchanged the high-cost area cap. Cisneros, aggressively urging passage of the House version, believes FHA will be able to create 2 million new homeowners over the long run. More likely, given FHA's recent history and the fact that private mortgage insurers account for most mortgage insurance iso sued, the House version would help young households who eventually would be able to buy anyway, and heighten an already high risk of default.

checkmark Eliminate the requirement that public housing residents who have or acquire a job, or who undergo job training, must pay 210 percent of their incomes toward rent. While motivated by a desire to transform public housing into a more stable living environment, this measure would leave housing authorities with less rent-derived income with which to operate. The taxpayers would have to prop them up even more than is now the case.

PROVISIONS THE BILLS SHOULD INCLUDE

In addition, both bills are significant for some essential provisions they omit. The bills should:

checkmark Eliminate the requirement that HUD subsidize rents of low-income residents of foreclosed FHA-insured multifamily rental projects for at least 15 years. Some of these projects, especially in Texas, are eyesores. This provision has contributed toward HUD's slow property disposition process and this year alone is costing taxpayers some $ 450 million in "preservation" rent subsidies.

checkmark Fund the Homeownership and Opportunity for People for Everywhere program, or HOPE, to enable low-income residents to manage and ultimately to own public housing (HOPE I) and both privately built, publicly held multifamily

(HOPE 2), and privately built, publicly held single-family (HOPE 3) projects. This program, enacted in 1990 at the strong urging of Cisneros's predecessor at HUD, Jack Kemp, is an innovative anti-poverty program that bypasses local housing bureaucracies to reach the poor. Cisneros, however, has chosen to cancel the program, and Congress has eliminated fiscal 1994 funding for HOPE planning grants, a necessary precondition for rehabilitation and property transfer. Without a vigorous reversal, the program appears dead.

checkmark Give HUD authority to pressure other federal agencies and state and local agencies, to reduce excessive regulatory requirements on land use and housing construction. A HUD-sponsored commission three years ago concluded that overregulation has been imposing serious costs on building and rehabilitating housing and that HUD could play a key role in alleviating the problem. Yet neither Congress nor Secretary Cisneros sees a real need to follow through on such efforts.

CONCLUSION

Despite what has become conventional wisdom, America is not reeling from a nationwide housing shortage. Today's mortgage interest rates alone render such an argument specious, if not absurd. Cost barriers do exist, especially in California and Northeast metropolitan markets; clearly, finding good, affordable housing in Boston or Los Angeles is more difficult than finding it in Cincinnati or Atlanta. But even the most expensive areas have become more affordable in the 1990s as prices and rents alike have exhibited slow rises. Super-luxury homes in Southern California have stood vacant for months, even years, something unthinkable for most of the 1980s.

Unfortunately, the temptation continues for Congress to boost federal housing subsidies. The Cranston-Gonzalez legislation of 1990, for example, all but locked the federal government into subsidizing permanently the rents of some 360,000 multifamily rental dwellings whose project owners are eligible to prepay their 40-year mortgages after 20 years. HUD's mounting inventory of FHA-foreclosed privately built apartment projects, some of them vacant eyesores, is incurring needless costs of hundreds of millions of dollars annually in subsidized maintenance and debt service, thanks to excessively strict resale requirements (although Congress last year eased these requirements somewhat). n48

n48 See Carl Horowitz, "Another Big Government Loan Bailout?" Investor's Business Daily, July 15, 1993; U.S. General Accounting Office, Multifamily Housing: Information on Selected Properties Owned by HUD, GAO/RCED-94-163173, April 1994.

The Clinton Administration should acknowledge that real housing problems exist but that they have more to do with the absence of market incentives and the lack of work-derived income among the poor than with the supposed "neglect" of these problems by the federal government. The bills before Congress contain items of merit. Too much in them, however, merely pours old wine into new bottles. Even under the guise of "choice" and "investment," expanding subsidy programs would invite more, not fewer, problems at HUD.

Some of the information in this Issue Bulletin draws upon material in Carl Horowitz, "Washington's Continuing Fiction: A National Housing Shortage," Heritage Foundation Backgrounder No. 783, August 22, 1990.

Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: August 08, 1994

Critics See Unstated Motive for Restructuring HUD

By Guy Gugliotta
Washington Post Staff Writer

The Clinton administration's proposal to remake the Department of Housing and Urban Development has opened a debate over whether the plan goes too far, or not far enough.

Some anti-poverty advocates have branded HUD's intention to phase out subsidies for public and assisted housing as the death knell for the low-income housing movement and a thinly disguised HUD ploy to evade responsibility for decades of mismanagement.

The U.S. Conference of Mayors is worried that its favorite program—Community Development Block Grants—may be subsumed in larger "performance grants" that will be less accessible to individual communities.

In Congress, Rep. Rick Lazio (R-N.Y.), chairman of a key subcommittee overseeing HUD, has "serious concerns" about an "illusory" transformation designed to placate HUD-haters in the new GOP Congress.

HUD officials acknowledge that the plan was put together quickly by Housing Secretary Henry Cisneros and his top aides late last year, partly in response to the GOP's Nov. 8 election triumph, and also to fend off a White House proposal to eliminate the department.

One high-ranking HUD official cautioned that the plan was still "a work in progress," with details and modifications to be worked out before it is submitted as part of the administration's Feb. 6 budget proposal.

But the principal elements are already in place. The plan rolls all of HUD's programs into three large "performance grants" in an effort to give state and local governments greater freedom in using federal funds.

All public and assisted housing would lose federal subsidies after three years, and the money would be given to tenants as portable "rent vouchers" that can be used in public or private housing. Public housing authorities would then compete on the private market and survive on the rents they collect.

"One thing that struck us as generally positive was the idea of program consolidation," said Roger Sperry, who participated in a critical study of HUD prepared by the nonpartisan National Academy of Public Administration last year. "There were far too many detailed programs for HUD to administer."

But the devil is in the details. The Conference of Mayors is "generally supportive" of the plan, Executive Director Tom Cochran said, but worried that cities will lose control of the Community Development Block Grant program, which gives money directly to communities for urban projects.

"The mayors have said to Secretary Cisneros that if he can somehow consolidate some of the programs at HUD, he should do that," Cochran said. "But the mayors are concerned that as they create new block grants, they won't involve the city or the community."

Lazio had similar concerns, noting that surrounding the "performance grants" with new regulations and requirements would simply exchange one bureaucratic tangle for another. "This is not a situation where you are offering block grants with no strings attached," Lazio said. "They are requiring more from state and local governments to qualify," he said.

HUD responded to Lazio's critique this week in a policy statement contending that the plan "outlines a reasonable framework" of regulations. "To allocate tens of billions of dollars 'without any attached strings' would be irresponsible," it said.

Controversy over performance grants likely will be hashed out when the plan moves to Congress, but lines have already been drawn in the debate over public and assisted housing, where advocates charge that the proposal could eliminate thousands of units of low-income housing, cripple local housing authorities and cause the government to spend more money serving fewer people.

"The proposal is breathtakingly irresponsible," said Michael Kane, director of the National Alliance of HUD Tenants. "To come up with this out of the blue is a disaster. It should be withdrawn."

Kane and others say that going to a voucher system for public housing would cause large numbers of people to abandon projects in search of low-income private housing, imposing unreasonable burdens on local housing officials who will have to maintain and service buildings relying on rents from fewer tenants.

For the urban eyesores, this policy might be good riddance, said Richard Y. Nelson Jr., executive director of the National Association of Housing and Redevelopment Officials. "But what about marginal developments which, if the authorities had a small amount of subsidy, could be modernized and well-managed?"

Furthermore, advocates say, vouchers cost more per family than subsidized housing, making it likely that fewer people would be served under the new HUD plan, and making it all but impossible to expand the system in the future.

"The HUD plan isn't something that solves the problems of our industry," said Robert Armstrong, Housing and Redevelopment Officials president. "It solves HUD's problems."

FRIDAY, JANUARY 13, 1995 THE WASHINGTON POST

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Majority Leader Forms Committee for Possible White House Race

By Dan Balz
Washington Post Staff Writer

Senate Majority Leader Robert J. Dole (R-Kan.) took the first formal steps yesterday toward another run for the White House by establishing a presidential exploratory committee and promising a decision this spring.

"I believe we must rein in government at home and reassert American leadership abroad," Dole said in a statement issued by the committee. "I haven't yet officially thrown my hat in the ring, but you could say this is the first step. I will formally announce my decision in late March or early April."

If that decision is positive, as many Republicans believe, Dole would become the front-runner in the race for the 1996 GOP nomination that is rapidly taking shape. He has topped the field in early polls testing Republican sentiment and in a recent Washington Post-ABC News Poll his approval rating was 62 percent, far higher than President Clinton's.

The Kansas Republican unsuccessfully sought the nomination in 1980 and 1988 and was the party's vice presidential nominee in 1976.

Determined to avoid the mistakes of his past campaigns, Dole has been building a presidential organization for months, recruiting operatives from around the country and in Washington.

He also has forcefully challenged Clinton, beginning in the spring of 1993 when he blocked the administration's economic stimulus bill and more recently on a series of foreign policy issues, particularly administration policy on Bosnia and Russia.

Dole named Jo-Anne Coe, who has been serving as director of his political action committee, Campaign America, as executive director of his exploratory committee, with Mark Miller as her deputy. Robert E. Lighthizer was named treasurer. Coe said other top campaign officials would be selected relatively soon.

Dole's committee was announced the same day that Jack Kemp, the former housing and urban development secretary, met over dinner with some of his longtime political friends to discuss whether to become a candidate later this year.

Kemp, who often jousted with Dole over the direction of the GOP in the 1980s, has been described by friends as conflicted about whether to make another run for the White House and many of his supporters have expressed frustration about the pace of his organizing efforts.

Three other Republicans are moving toward formal announcements. Sen. Phil Gramm (Tex.) plans to announce his candidacy on Feb. 24. Former Tennessee governor Lamar Alexander will announce his candidacy by early March. Former vice president Dan Quayle is expected to make his announcement in the spring.

Sen. Arlen Specter (Pa.) has formed an exploratory committee and other Republicans, including several governors, are considering candidacies.

Dole had a particularly bitter experience in the 1988 campaign. After winning the Iowa caucuses, he appeared to be on his way to winning the New Hampshire primary until Vice President George Bush attacked him for refusing to rule out raising taxes.

He is still viewed as insufficiently ideological by some conservative Republicans, and he and Gramm are clear rivals within the Senate. Yesterday Gramm offered mostly bouquets toward the Kansan.

"I love and admire Bob Dole, and I know that he will be a formidable contender," Gramm said in a statement. But Gramm said all Republican candidates will have to prove they are capable of completing the revolution "that started in the 1994 elections."

TODAY IN CONGRESS

SENATE

Meeting time unavailable.
Committees: none

HOUSE

Meets at 10 a.m.
Committees:
Ways & Means—9:30 a.m. Human resources subc. Business meeting to organize for 104th Congress. 1100 Longworth House Office Bldg.
Ways & Means—10 a.m. Human resources subc. The Personal Responsibility Act: costs of welfare, role of entitlements & block grants. 1100 LHOB.

—Legi-Slate Inc.

Court Permits Release Of Wolves in Rockies

By Tom Kenworthy
Washington Post Staff Writer

SALMON, Idaho, Jan. 12—Government biologists today transported 12 wolves into Yellowstone National Park and toward a staging area in western Montana as last-minute legal wrangling delayed the launch of a program to reintroduce the endangered species into the northern Rockies.

An emergency order issued Wednesday night by a federal appeals court prevented today's planned release of four of the wolves into the 2.4 million-acre Frank Church River of No Return Wilderness in Idaho. The order, in a suit brought by the Farm Bureau Federation on behalf of ranchers fearful of predation by wolves on their livestock, also delayed plans to release the eight others into large pens in Yellowstone National Park's Lamar Valley. They are to be held there for about six weeks before being set free.

Late today, however, the appeals court vacated the order, meaning the wolves could be released into the wild in Idaho as early as Friday.

The Yellowstone wolves, accompanied by senior Interior Department officials, had been trucked into the nation's oldest national park and held in their traveling crates.

Mollie Beattie, director of the Fish and Wildlife Service, hailing the arrival of the animals in Yellowstone, said, "It's going to be wolf heaven if we can just get them out of purgatory," the Associated Press reported.

The Wednesday decision by the 10th Circuit Court of Appeals in Denver was only the latest snarl in a 20-year battle over government plans to repopulate two areas of the northern Rocky Mountains with gray wolves from Canada. Sixty years after the government exterminated the wolf from the West, the Fish and Wildlife Service's reintroduction program will attempt over the next several years to establish two populations of about 100 wolves each in Yellowstone and central Idaho.

In its Wednesday decision, the court said it needed 48 hours to study arguments of wolf opponents who sued to halt the program. Last month, a U.S. District Court judge refused a request by the Farm Bureau for an emergency order blocking the reintroduction.

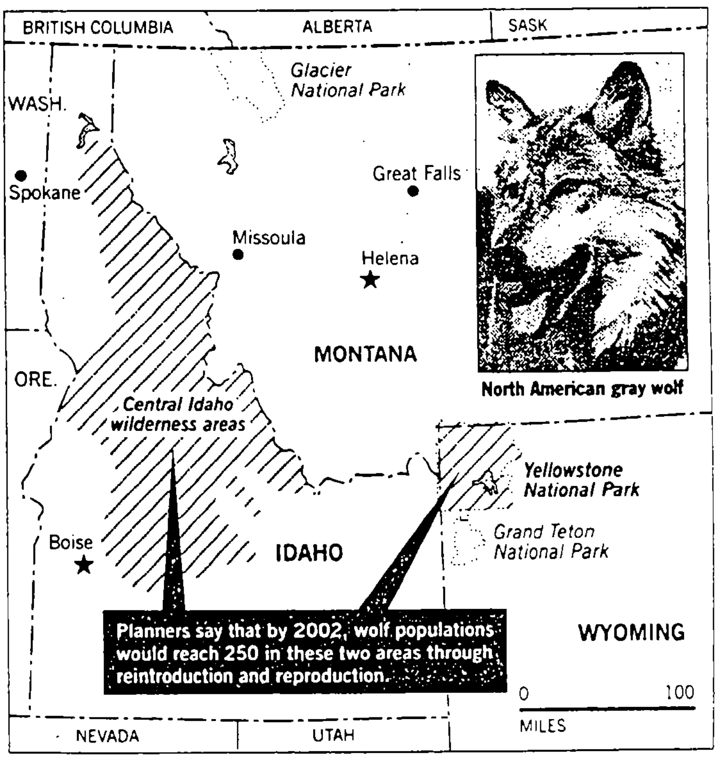
The wolf reintroduction program is being conducted under a section of the Endangered Species Act that allows for "experimental" populations that can be carefully managed. Wolves that prey on livestock can be moved or killed by wildlife managers, and even shot by ranchers if their livestock is being attacked.

The court-ordered delay had snarled the Fish and Wildlife Service's carefully laid plans for transporting the wolves by air from Alberta, Canada, where they were captured. The wolves spent Wednesday night in Great Falls, Mont., before resuming their journey early today. Though Fish and Wildlife Service biologists say the wolves are in good condition, they were concerned about keeping them penned up in their metal traveling crates longer than 48 hours. Each crate measures 2 feet by 3 feet by 4 feet. Veterinarians are accompanying both groups of wolves—eight members of two family groups bound for Yellowstone and two unrelated adults and two subadults headed for Idaho.

Uncertain which release technique is better for a predator that once roamed widely on the North American continent, government biologists plan to try two approaches for the 15 wolves per year that will be released in each area. Unrelated wolves will be immediately let go into the Idaho wilderness area, while family groups will be held for a period of weeks in Yellowstone in one-acre fenced areas before being set free. All the animals will be fitted with radio collars and intensively monitored.

RETURN OF THE WOLF

Under an Interior Department plan, wolves will be released in Idaho to restore the natural balance between these predators and growing populations of elk and other prey. Additional wolves will be released in Yellowstone National Park.



BY BRAD WYE—THE WASHINGTON POST