Philanthropy and the Housing Crisis: The Dilemmas of Private Charity and Public Policy

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Abstract

American philanthropy has historically sought to address the nation’s housing crisis, especially among the poor. This article compares private philanthropy’s response to the housing crisis in two important eras of economic transformation: the period between the Civil War and World War I (the Progressive Era), when the United States was undergoing large-scale urbanization and industrialization, and the period from the 1980s through today, when the United States became integrated in a global economy and confronted the shock of deindustrialization, widening economic disparities, and deepening urban decay.

Following the historical review, the article focuses briefly on the current housing crisis and the dilemmas that private foundations and nonprofit organizations face in trying to develop a coherent strategy to address the problem. It closes with a proposal for a partnership between private foundations and housing organizations that can address the need to change both public opinion and public policy toward housing.

Keywords: Policy; Nonprofit sector

Introduction

This article examines how American philanthropy has sought to address the nation’s housing crisis, especially among the poor. Since the mid-1800s, wealthy philanthropists and private charitable foundations have tried in various ways to tackle America’s low-income housing problems. Since the early 1980s, private philanthropy (primarily through corporate and community foundations) has significantly increased its role in housing issues. What lessons can we draw from these past efforts in terms of solving America’s current housing problems?

Contemporary foundations seeking to address the nation’s housing crisis confront a confusing mosaic of housing-oriented organizations, almost all of them composed of dedicated staff and board members committed to reform. This makes it difficult to
untangle the most effective way to invest their philanthropic resources. Housing reform groups, on the other hand, view the philanthropic world as a crazy quilt of donors, most of whom sincerely want to improve housing conditions but whose disparate funding practices appear to lack coherence or consistency. This article proposes a new partnership between the philanthropic community and the housing reform movement. The key strategy recommended for overcoming these obstacles of fragmentation and lack of coordination is for foundations to help community-based organizations take advantage of intermediary organizations, such as the organizing networks and training centers that have emerged during the past several decades.

Americans have always been ambivalent about private philanthropy by wealthy individuals, families, and businesses—especially when their charity is directed at helping the poor. Do their “good works” reflect a humanitarian commitment to social justice and a more egalitarian society? Do they represent the upper class’s “helping hand” paternalism—a form of noblesse oblige? Do they reflect the moneyed class’s attempt to pacify the poor, who might otherwise foment social unrest? Do they lend credibility to volunteer private charity as a better way than an activist government to solve social problems (Hall 1992; Hodgkinson et al. 1989; Johnson 1988; Magat 1989; O’Connell and O’Connell 1989; Odendahl 1990; O’Neill 1989)?

As with other aspects of upper-class charity, philanthropy’s involvement in housing raises profound questions about how society meets basic needs. Is housing a basic right, which should be guaranteed by society? Or should housing be treated as a private good allocated by the marketplace? Should philanthropy promote government action or should it directly help those who are not well served by the private sector?

This article compares private philanthropy’s response to the housing crisis in two important eras of economic transformation: the period between the Civil War and World War I (the Progressive Era, broadly defined), when the United States was undergoing large-scale urbanization and industrialization, and the period from the 1980s through today, when the United States became integrated into a global economy and confronted the shock of deindustrialization, widening economic disparities, and deepening urban decay. Following that historical review, the article focuses briefly on the current housing crisis and the dilemmas that private foundations and nonprofit organizations face in trying to develop a coherent strategy to address the problem. It closes with a proposal for a partnership between
private foundations and housing organizations that can address the need to change both public opinion and public policy toward housing.

In both the Progressive Era and the current period, the efforts of private philanthropy to address the housing crisis took three directions, reflecting differences in ideology and worldview regarding the role of private wealth, of government, and of the causes of poverty itself.

First, private philanthropy has sought to change the behavior of the poor and to ameliorate the most visible symptoms of poverty and housing problems. During the Progressive Era, this meant the creation of poorhouses and settlement houses and the beginning of the social work profession. During the 1980s, many foundations provided grants to social agencies, religious organizations, and other groups to provide emergency services to homeless people (shelters, soup kitchens, health care), as well as counseling and rehabilitative services.

Second, private philanthropy has sought to improve housing conditions for the poor by sponsoring model housing projects. In the Progressive Era, this took the form of “model tenements.” In the more recent period, foundations have helped sustain and expand the capacity of community-based housing development organizations. Foundation support has enabled a variety of local nonprofit groups to rehabilitate, construct, and manage low-income housing.

Third, private philanthropy has sought to reform public policy to give the government a stronger role in regulating housing conditions and providing subsidies to house the poor. The Progressive Era reformers focused their activities on establishing government standards for safety and health in slum housing. In the recent era, some foundations provided grants to groups involved in various forms of advocacy and grassroots community and tenant organizing to change housing policy at the local, state, and national levels.1

1 In current usage, advocacy groups primarily research social problems and issue reports promoting changes in public policy. Examples include the Low-Income Housing Information Service’s reports on the shortage of low-income housing in major cities, the National Housing Institute’s study linking campaign contributions from the real estate industry to congressional voting records, and the Woodstock Institute’s analysis of bank mortgage lending in Chicago. Organizing groups mobilize people to fight for themselves—to challenge slum landlords, redlining banks, discriminating realtors and landlords, and government officials and bureaucrats who fail to enforce housing standards or allocate insufficient funds to low-income areas.
Progressive Era philanthropy and slum housing

Beginning in the mid-1800s, rising immigration, growing cities, and increasing labor exploitation led to urban slums. The poor typically lived in unsafe, unsanitary, poorly constructed, overcrowded tenement housing. Philanthropists worked with middle-class reformers to investigate and expose the suffering of slum dwellers. They formed private committees and task forces to conduct firsthand studies. They wrote magazine articles, reports, and books (such as Jacob Riis’s *How the Other Half Lives* in 1890) to inform the public about the squalid conditions of slum life. But they did more than study the slums; they acted. Like their counterparts in the 1980s, these early philanthropists sought to address this problem in three ways: improving the behavior and values of the poor living in the teeming slums, building model tenements, and pushing for government regulation of slum housing.

Their motivations were complex. For many, religious belief led to a genuine concern for the suffering of the poor, and they were sincerely horrified by the conditions they saw. Some viewed cleaning up the slums as necessary to stop crime and diseases from spreading to the more affluent sections of the city. Others saw the slums as breeding grounds for riots and civil disorder (Marcuse 1986). Indeed, it was the draft riots of July 1863 that led the Council of Hygiene of the Citizens Association, an upper-class organization, to launch a campaign to improve housing and sanitary standards in New York City (Lubove 1962).

Alfred T. White of New York reflected the many-sided spirit of upper-class philanthropy. In *The Progressives and the Slums*, Lubove described White as “a wealthy man in search of a philanthropy” who “discovered in housing reform an outlet for his benevolent impulses.” White warned that the tenement slums were “the nurseries of the epidemics which spread with certain destructiveness into the fairest homes” (Lubove 1962, 34–35).

Caregiving: The origins of modern social work

As Wright (1981, 128) notes in *Building the Dream*, “housing reformers saw themselves as a moral police force, using environmental change to enforce propriety.” As early as 1843, wealthy merchants and business owners formed the New York Association for Improving the Condition of the Poor (AICP) to clean up the slums and the “disease, vice, and crime which seemed to characterize their inhabitants” (Lubove 1962, 4). The AICP saw
itself as a citywide umbrella group to coordinate the many private charities that worked in specific neighborhoods or with specific groups (such as indigent Episcopalian widows). The charitable impulse was mixed with upper-class paternalism, which viewed poverty as rooted in the defective character, laziness, or ignorance of the poor themselves. The reformers’ objective was “the elevation of the moral and physical condition of the indigent” (Lawrence Vellier, cited in Lubove 1962, 4).

These upper-class views shaped the emergence of the settlement house movement later in the century. Wealthy philanthropists funded settlement houses (social service agencies), which taught immigrants English and job skills and ran theaters, art classes, and recreation programs to uplift and Americanize the immigrants. These early reformers—volunteer women, nurses, and social workers—often visited people in their slum apartments and offered suggestions for improving personal hygiene, cooking meals, housekeeping, raising their children, and even how to dress. These activities were part of what was variously called “friendly visiting,” the “domestic science” movement, and “scientific charity” (Ehrenreich 1985; Katz 1986).

Model tenements

Most housing reformers at the time rejected the idea, then popular in Western Europe, that local government should build and manage housing for the poor. They believed, according to Lubove, that “it was ‘bad principle and worse policy’ for municipalities to spend public money competing with private enterprise in housing the masses” (Lubove 1962, 104).

To demonstrate that the private sector could help address housing problems without resorting to government-run “socialist” housing, a variety of settlement houses, wealthy philanthropists, and private investors sponsored “model tenements.” Unlike company towns and company-owned housing, these were not directly linked to the profit-maximizing interests of a particular employer. Unlike slum housing owned by speculators, they were not operated to squeeze every penny of profit out of their investment. Instead, these were limited-dividend organizations, seeking a modest profit. This movement was thus known as “philanthropy and 5 percent” or “investment philanthropy” (Birch and Gardner 1981; Lubove 1962, 104). The organizers viewed their activities as a business, not charity. They charged market rents, but they took pride in the higher quality of the model housing. Lubove explained that “model tenements, sound
investments rather than speculative adventures, might reap
diminished profits but investors would be rewarded by the plea-
sure of having served the poor” (Lubove 1962, 8).

Only a handful of model tenements were based on philanthropy
alone—that is, on a nonprofit basis. Even by 1919, housing
reformer Edith Wood knew of only two such projects: Charles-
bank Homes in Boston (built in 1911) and Mullanphy Apart-
ments in St. Louis (Friedman 1968).

From the mid-1800s through the 1920s, limited-dividend socie-
ties produced model tenement projects in cities across the coun-
try. The New York AICP formed a subsidiary company in 1854 to
build a model tenement—a “Workmen’s Home”—that contained
87 apartments, two stores, and a large hall. Rents ranged from
$5.50 to $8.50 per month (Lubove 1962). In 1871, Dr. H. P.
Bowditch helped organize the Boston Cooperative Building
Company, which the following year erected five tenement
projects. Another philanthropic organization, the Improved
Dwellings Association, built a model tenement in Manhattan in
1882. By buying up an entire block that would otherwise have
had 32 separate buildings, the association was able to build a
large single building with 218 apartments. The size of each
apartment was about the same as that of some slum tenements,
but the design of the model tenement was a vast improvement in
terms of air and sunlight (Wright 1981).

The model tenements improved living conditions in other ways.
In most slum buildings, tenants used sinks in the halls. Because
the water pressure came from the street, the water could not
reach the top floors; tenants on the top floors had to use outdoor
hydrants. In the model tenements, large tanks on the roof pro-
vided enough water pressure for sinks, washtubs, and toilets on
every floor. Some of the model tenements had large courtyards,
which served several functions. They discouraged children from
playing in the streets (which reformers viewed as dangerous
breeding grounds for crime and delinquency), provided places for
adults to socialize (often while drying their clothes), and allowed
more light to reach the apartments. Some of the later model
tenements added playgrounds on the roofs, kindergartens, and
communal laundries in the basement to encourage a common
social life among residents (Wright 1981).

At the same time, some housing reformers sought to design
model tenements to give families greater privacy and a sense of
individual attachment to their apartments. Some had front
doorbells, private entrances for each unit, and bay windows to
approximate the idea of a single-family home. The great architect Frank Lloyd Wright designed a two-story model tenement, Francisco Terrace in Chicago, for philanthropist Edward Waller in 1895. Each entryway on the courtyard side had its own hood. Some philanthropists went even further and built model housing developments on the city’s outskirts and in suburbs. In Boston, wealthy philanthropist Robert Treat Paine formed the Working-men’s Building Association, a limited-dividend corporation that built 116 small cottages for the “substantial workingman” in the 1890s (Wright 1981). The largest limited-dividend corporation, the New York City and Suburban Homes Company, whose investors included some of the city’s wealthiest people, built model housing for more than 11,000 people, including a Junior League Hotel for Women and two developments for blacks. One of its projects, Homewood, was located in Brooklyn, which was then a suburb.

A typical cottage in this 53-acre tract consisted of a diminutive two-story brick-and-timber structure with a porch and gabled roof to “add quaintness.” The company insisted on a firmly authoritarian policy: each resident was required to take out life insurance for the cost of his home. Multiple-family dwellings, saloons, and factories were prohibited in the neighborhood, as were flat-roofed buildings. (Wright 1981, 127)

The Tuskegee, a model tenement built in 1901 by City and Suburban Homes, was one of several projects targeted for black families, who faced incredible discrimination in the housing market. The success of the Tuskegee led former Surgeon General George Sternberg to organize the Sanitary Housing Company, which built 100 two-flat dwellings for black families in Washington, DC, over the next 10 years. In 1911, Jacob Schmidlapp built Washington Terrace, 326 small row houses for black families in Cincinnati.

These philanthropic projects had inherent limitations. The quality of these model housing projects was, for the most part, much better than that of the slum housing that surrounded them, but the philanthropists’ desire to create model housing ran up against the realities of housing economics. As Catherine Bauer, one of the nation’s leading early housing reformers, pointed out, the philanthropists sought to “provide good dwellings, on an ‘economic’ basis, at a price which everyone could pay, and without disturbing or even questioning any part of the current social-economic system” (quoted in Friedman 1968, 87). But good-quality housing simply cost more to build and manage.
than the poor could afford, even with the builders getting a small profit or no profit at all. For example, Chicago philanthropist Julius Rosenwald built the Michigan Boulevard Garden Apartments for blacks, and the trustees of the Field family fortune constructed the Marshall Field Gardens for modest-income white families. Despite “minimal profit expectations” and “low-interest capital,” both developments had to charge tenants an average of over $62 a month when Chicago’s median rents were $55 (Radford 1996, 23–24). So, ironically, many of the model apartment buildings sooner or later turned into slums.

Even so, the model tenement crusade had a long-lasting influence. As Birch and Gardner (1981, 406) note: “Their projects had a profound effect on the design and philosophy of American housing. They germinated ideas relating to architecture, management, and tenant selection which later shaped the course of the twentieth century housing movement.” In addition, the model tenement efforts brought many women into Progressive Era reform. Women were involved both as investors and as social workers and managers within the buildings sponsored by investor philanthropists.

Public policy reform: Regulating the slums

Despite these well-intended efforts, the overall number of model tenement units was a drop in the bucket compared with the housing needs of the poor. Few wealthy capitalists were attracted to the limited-dividend approach. Most of the urban poor continued to live in squalid, overcrowded slums, built and owned primarily by small entrepreneurs who made a significant profit—from 6 percent to 18 percent on their investment. In 1910, Lawrence Vellier pointed out that during the previous 40 years in Manhattan alone, investor philanthropists had created 25 groups of model tenements, housing only 3,588 families, or 17,940 persons. At the same time, speculative builders had constructed 27,100 tenements, housing 253,510 families, or over one million persons (Lubove 1962).

Most housing reformers, therefore, pushed for stricter government regulation of privately owned housing to improve the living conditions of the poor—part of the broader Progressive Era movement to regulate private enterprise (Ehrenreich 1985; Katz 1986). Some reformers—like Vellier, who was the most effective of the early housing reformers—organized private committees and municipal task forces to expose the problem and pressure local governments to adopt building, health, fire, and other
safety codes. They pushed local and state governments to set up agencies to inspect buildings and enforce the codes. They dueled with lobbyists for builders and landlords. They formed watchdog groups, composed of wealthy and influential people, to make sure that the government departments were doing their job. In response to this pressure, in 1893 Congress asked Carroll D. Wright, commissioner of the U.S. Bureau of Labor, to do a statistical study of slum conditions in Chicago, Baltimore, and New York.

From the 1860s through the 1920s, cities and states across the country incrementally improved minimum housing code standards. The major achievement of these early housing reformers was the New York Tenement Law of 1901, written by Vellier, that “set strict standards for ventilation, fireproofing, overcrowding, private sanitary facilities, basement apartments, and court-yard dimensions” (Wright 1981, 129). In fact, Vellier’s work sparked a national housing reform movement. As head of the Tenement House Commission of the Charity Organization Society of New York, Vellier worked closely with many wealthy and influential people. One of his closest allies was Robert W. deForest, a New York aristocrat and philanthropist who at various times served as president of the Charity Organization Society, founder of the New York School of Social Work, president of the Russell Sage Foundation, chairman of the state’s Tenement House Commission, and (with Vellier as his deputy) first commissioner of New York City’s Tenement House Department. Vellier used this network to spread his ideas across the country. Throughout the Progressive Era, groups had formed in cities outside New York to reform municipal housing law. But Vellier helped pull them together into a national force. He conducted surveys and wrote articles about slum housing conditions in other cities. He taught reformers in these cities how to set up watchdog groups and enact housing reform laws.

Thanks in part to this work, many other cities and states followed New York’s lead in adopting stronger housing codes. In 1910, with a grant from the Russell Sage Foundation, Vellier formed the National Housing Association, which held annual meetings, published pamphlets for popular consumption, and sponsored a quarterly journal, *Housing Betterment*. He became the association’s executive director and convinced deForest to serve as president (Lubove 1962). These reforms made a significant improvement in slum housing conditions and helped to reduce the number of fires and the threat of epidemics of contagious diseases, such as tuberculosis. To this day, the enforcement of housing codes and the strengthening of existing
standards are a key battleground in the struggle for decent housing.

**Housing reform from the Depression to the 1970s**

Even during the Progressive Era, however, some housing reformers recognized the shortcomings of the caregiving approach, the model tenement approach, and the housing regulation approach. Many model tenements turned into slums because working-class people could not pay sufficient rent to guarantee even a modest profit to the investor philanthropists.\(^2\) Similarly, stricter housing code standards, while improving the physical condition of buildings, led builders and landlords to set rents beyond what many workers could afford. Some kind of government subsidy was required to fill the gap. As reformer Edith Wood observed, housing regulation “may forbid the bad house, but it does not provide the good one” (cited in Radford 1996, 31).

Until the Depression, housing reformers—planners, architects, economists, social workers, and others—who advocated federal government involvement were lonely voices in the political wilderness. The Depression helped make the reformers’ point that the private market, even assisted by private philanthropy and charity, could not solve the economic and housing problems of the poor. Some of the earlier Progressive Era housing reformers like Edith Wood, joined by a younger generation of activists like Catherine Bauer, pushed for a strong government-led response to housing problems. Along with the labor union movement, they lobbied for a public housing program, union-sponsored cooperative housing, and new communities guided by cooperative principles. The private real estate industry opposed these initiatives, viewing them as the first steps toward “creeping socialism,” but they supported federal policies to promote homeownership and home building, to stabilize the banking industry, and to give private developers incentives to house the poor. The New Deal and later Great Society housing programs were thus compromises between these political forces (Hays 1995; Lubove 1962; Marcuse 1986; Oberlander and Newbrun 1995; Radford 1996; Wright 1981).

The period from the Depression through the 1970s represents the next phase of American housing history, one in which private

\(^2\) Similarly, a number of progressive unions that sponsored cooperative housing developments for their members in the 1920s discovered that, without subsidies, the housing was too expensive for low-wage workers (see Radford 1996).
Philanthropy played a less visible role and the federal government played an increasing role. The federal government became more involved, primarily by promoting private bank lending to developers and homeowners and by providing subsidies to local public housing authorities and private developers for low-income and moderate-income housing.

The tenement reform laws had set the precedent that local government would set standards and regulate housing safety. Beginning in the 1930s, the public housing program and banking reforms established the federal government’s role in expanding homeownership and providing subsidies to the poor (Radford 1996). All housing policy since then has been a variation on these themes. Federal policies stabilized the banking industry, giving lenders greater incentives to make long-term loans to home buyers. During World War II, the federal government’s focus was on regulating rental housing as part of the wartime emergency. After World War II, Federal Housing Administration and Veterans Administration mortgage insurance, along with federal highway programs, promoted increasing homeownership and suburbanization, especially among white middle-class families. The Fair Housing Act of 1968 initiated the federal government’s role in monitoring and attempting to reduce racial discrimination in housing.

Some federally subsidized housing developments during this period were undertaken by a new generation of limited-dividend corporations, but—unlike their predecessors—these relied on government subsidies and tax breaks. There was no pretense of a philanthropic impulse. Two early examples, built in the 1940s by Metropolitan Life Insurance for moderate-income families, are Peter Cooper Village and Stuyvesant Town in New York City. In response to the civil rights movement and urban unrest, the 1960s witnessed a new round of federally subsidized rental housing. Some labor unions sponsored nonprofit cooperative housing projects, using their pension funds and federal housing subsidies.

During this period, national housing policy was based on the belief that the federal government could help solve the nation’s housing problems. Conservatives, liberals, and radicals debated how much the government should spend and how much it should regulate lenders, landlords, and real estate agents, but they agreed on the basic premise that Washington had a key role to play. (For example, Sen. Robert Taft of Ohio, a leading conservative, was cosponsor of the 1949 Housing Act, which pledged to guarantee every American decent housing.) Every president
between Franklin D. Roosevelt and Jimmy Carter, Democrats and Republicans alike, increased federal housing assistance.

During this period of government activism, private philanthropy played a less conspicuous but still important role in housing issues until the 1960s, when it served as a catalyst for the federal War on Poverty. The Ford Foundation was the first large philanthropy to focus its attention and resources on poverty and slum conditions in the northern ghettos. Its first initiative was the Gray Areas Project, which devoted $12 million a year in the early 1960s to improve job training and education in several northern black slums. The largest Gray Areas Project grant went to Mobilization for Youth (MFY), an antipoverty organization on the Lower East Side of New York City. MFY not only offered training and educational services but also hired organizers to mobilize low-income residents to take political action—for example, to organize rent strikes against slum landlords. Critics charged that the Ford Foundation was financing radicalism (Ford Foundation 1989; Lemann 1991).

The support of the Ford Foundation gave MFY enough credibility to receive funds from the federal government, which was then (under President Kennedy) launching a cautious antipoverty program with the initial mandate of reducing juvenile delinquency in the slums. Much of Kennedy’s (and, more generously funded, President Johnson’s) War on Poverty was based on the Ford-funded MFY model of “community action.” But, as Lemann notes, MFY faced a dilemma: “Confrontational tactics could imperil its existence, because it was dependent on the largesse of the power structure it intended to confront” (Lemann 1991, 123).

The War on Poverty had adopted the Gray Areas Project view that poverty was a symptom of social and physical environments, not the personal failings of the poor themselves. Based on this view, the solution was to improve the physical environment by improving the slums (especially slum housing) and by mobilizing the poor to gain political power and to control ghetto institutions, such as schools, businesses, and social agencies.

The controversy around the Gray Areas Project made the Ford Foundation somewhat cautious. Although Ford has continued to support a variety of social movement organizations involved in voter registration, civil rights, and other concerns, its primary urban focus for the past 30 years has been attacking the physical deterioration of America’s ghettos by supporting nonprofit, community-based development organizations.
In 1964, Ford granted $575,000 to Urban America (later called the Nonprofit Housing Center). In 1967, Ford made its first direct grant to a community development corporation (CDC): the Bedford-Stuyvesant Restoration Corporation in Brooklyn, New York. Around the same time, Ford provided grants to CDCs in the Watts section of Los Angeles and the Woodlawn area of Chicago. In 1970, Ford expanded its CDC program, including grants to Hispanic organizations in San Antonio and Oakland. By the end of the 1970s, Ford’s largesse spread to CDCs in urban and rural areas and in black, white, Native American, and Hispanic neighborhoods. Ford’s success led the federal government—reacting to the urban riots, civil disobedience, and the climate of political protest—to initiate a pilot program to support CDCs, Title VII of the Community Services Act of 1972.

In 1972, Ford also began providing grants to two other housing initiatives in America’s troubled cities. The Neighborhood Housing Services (NHS) program brought neighborhood leaders together with local government officials and banks to address the problem of redlining and housing decay. Based on a model of cooperation rather than confrontation, local NHS chapters sought to get banks to make loans to low-income and working-class homeowners for repairs (thus stemming neighborhood decline) and to get local governments to enforce housing code violations by landlords. The NHS program grew significantly, especially after 1980, when the federal government chartered the Neighborhood Reinvestment Corporation to provide direct support to NHS groups.

The other Ford initiative that year was the creation of tenant management corporations (TMCs) in public housing. The idea was to put residents in charge of managing their own housing projects. Ford officials hoped that this would improve the day-to-day operation of public housing and prevent further blight. The TMC program combined an emphasis on physical redevelopment and tenant self-help mobilization. The Ford grants did not include funds for physical repairs, but the foundation believed that by giving tenants a stronger voice in management, the TMCs would pressure local housing authorities and, in turn, the federal government to devote more funds to upgrade public housing projects. Ford gave the first grant to the Tenant Affairs Board in St. Louis, the site of the most infamous public housing project in the country, Pruitt-Igoe. Between 1972 and 1979, Ford gave $1.7 million to TMCs around the country. Encouraged by Ford’s experience, the U.S. Department of Housing and Urban Development (HUD) set up a demonstration program to fund TMCs in six cities, run by the Manpower Demonstration Research
Corporation. These experiments in tenant management had mixed success, and the demonstration program was not continued beyond its initial funding. In the 1980s, however, the Reagan and Bush administrations, prompted by Congressman (later HUD Secretary) Jack Kemp, embraced the idea of tenant management and, going further, tenant ownership of public housing (Peterman 1993).

**Philanthropic responses to homelessness: The 1980s to today**

During the 1980s, the transformation to a postindustrial economy and the erosion of public benefits drove down U.S. wages and incomes. For the first time in the postwar period, the majority of American workers—including many white-collar and professional employees—saw their incomes decline (Mishel and Bernstein 1993). Poverty rates increased, and poverty became more geographically concentrated. The overall poverty rate was 11.6 percent in 1980, 12.8 percent in 1989, and 14.2 percent in 1991. In 1992, 14.5 percent of all Americans—and 22 percent of all children—lived below the official poverty line. The number of poor Americans—almost 36.9 million—represented the most poor people since 1964. Poverty became more geographically concentrated. From 1970 to 1990, the number of census tracts with 20 percent or more poverty in the 100 largest cities increased from 3,430 to 5,596 (Kasarda 1993).

The number of low-cost apartments dwindled, many of them lost to the urban renewal bulldozer and many of them lost to market forces, including condominium conversions and rising rents. In 1970, there were 6.8 million rental units with housing costs of $250 or less a month (in 1989 dollars). By 1989, there were only 5.5 million rental units in this range (in 1989 dollars). During that same period, however, the number of families in

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3 In addition to an increase in the overall number of poor Americans, the poor were poorer than a decade earlier, and they were poorer for a longer period of time. During the 1980s and early 1990s, the poor also got a smaller share of the nation's income: In 1979, the poorest 20 percent of the population had 5.1 percent of the country's pretax income; by 1991, their share fell to 3.8 percent of the total. (For statistics on falling wages and incomes and widening economic disparities, see Mishel and Bernstein 1993.)

4 Single-room occupancy (SRO) hotels and rooming houses had once been home to many economically marginal renters. The number of SRO and rooming house units dropped from 640,000 in 1960 to 204,000 in 1980 and to about 137,000 in 1990.
poverty, including the number of low-income renters, increased significantly.

Rent burdens worsened, especially for the poor. In 1990, nearly one-fifth (17.8%) of all American renter households devoted more than half their income to meeting housing costs. At least one-third of all renters in every state could not afford market-level rents—that is, they paid more than 30 percent of their incomes. Measured in 1989 dollars, the median monthly gross rents paid by poor households living in unsubsidized housing jumped from $258 in 1974 to $359 in 1991. More than half of all poor renters (56%) spent at least 50 percent of their income on rent and utilities in 1989. More than four out of five poor renter households (81%) spent at least 30 percent of their income on rent and utilities (Lazere 1995).

At the same time, millions of Americans lived doubled up or tripled up in overcrowded apartments. Millions more paid more than they could reasonably afford for substandard housing and were one emergency (rent increase, hospital stay, layoff) away from becoming homeless. Some might argue that these facts reflect an income problem, not a housing problem. Clearly, income inequalities, low wages, and persistent poverty are important factors in the housing problems confronting people of modest means, but there is evidence that addressing their income problems will not, on its own, solve their housing problems. Many people with housing vouchers or certificates (which are essentially income supplements) cannot find housing in tight housing markets where there are not enough apartments; it is like giving out food stamps when the supermarket shelves are empty.  

5 This latter figure would consume 43.5 percent of the income of a family of three with a poverty-level income of $9,885. In 1970, the average income of renters was 64.9 percent that of homeowners; by 1992, it was 47.9 percent. During those years, the average rent burden (rent as a percent of income) increased from 23 percent to 31.2 percent. The biggest jump occurred during the 1980s, as real incomes fell and rents rose (Lazere 1995).

6 During the mid-1980s, for example, half of all tenants with Section 8 certificates in Boston could not find apartments because of the tight market and high rents. This suggests that we need to increase the overall supply of housing, as discussed in the next section (Goering, Stebbins, and Siwert 1995). Also, racial minorities with housing vouchers have trouble finding apartments, even in markets with many vacancies (Finkel and Kennedy 1992). Landlords still discriminate. That is why there are “Section 8 ghettos” in many cities. For example, Fischer (n.d.) found that over half the Section 8 families in suburban Chicago live in seven suburban communities, six of them in nearby suburbs. A variety of studies also show that minority applicants with adequate

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5 This latter figure would consume 43.5 percent of the income of a family of three with a poverty-level income of $9,885. In 1970, the average income of renters was 64.9 percent that of homeowners; by 1992, it was 47.9 percent. During those years, the average rent burden (rent as a percent of income) increased from 23 percent to 31.2 percent. The biggest jump occurred during the 1980s, as real incomes fell and rents rose (Lazere 1995).

6 During the mid-1980s, for example, half of all tenants with Section 8 certificates in Boston could not find apartments because of the tight market and high rents. This suggests that we need to increase the overall supply of housing, as discussed in the next section (Goering, Stebbins, and Siwert 1995). Also, racial minorities with housing vouchers have trouble finding apartments, even in markets with many vacancies (Finkel and Kennedy 1992). Landlords still discriminate. That is why there are “Section 8 ghettos” in many cities. For example, Fischer (n.d.) found that over half the Section 8 families in suburban Chicago live in seven suburban communities, six of them in nearby suburbs. A variety of studies also show that minority applicants with adequate
While private market forces were reducing low-rent apartments, the federal government was slashing housing assistance to the poor, reversing a trend begun in the New Deal. Soon after Ronald Reagan entered the White House in 1981, he set up a task force to examine federal housing policy. Dominated by bankers and developers, the task force concluded that Washington was too involved with housing regulations and subsidies, and it called for a new approach based on “free and deregulated markets.” During the next 12 years, the Reagan and Bush administrations sought, with partial success, to follow this “privatization” blueprint. During the Reagan administration, new annual funding for HUD dropped from $31 billion (in fiscal year 1981) to $14 billion (in fiscal year 1989). By the late 1980s, only 29 percent of the 13.8 million low-income renter households eligible for federal assistance received any housing subsidy—the lowest level of any industrial nation in the world. This left the rest of poor households at the mercy of the private housing market, facing swelling waiting lists for even the most deteriorated subsidized housing projects (Casey 1992; HUD 1994; Interagency Council on Homelessness 1994; Joint Center for Housing Studies 1994; Lazere et al. 1991).

The homeless were the most tragic victims of these trends. By moderate accounts, including an Urban Institute report, by the late 1980s the ranks of the homeless swelled to 600,000 on any given night and 1.2 million over the course of a year. Shelters reported that demand for their services increased by about 20 percent a year during the 1980s (Appelbaum, Dreier, and Gilderbloom 1991; Blau 1992; Burt 1992; Dreier and Appelbaum 1991; Link et al. 1994; Newman 1995; U.S. Conference of Mayors 1993, 1995). During the 1980s, the composition of the homeless population changed from the initial stereotype of an alcoholic or mentally ill middle-aged man or “bag lady” (many of them victims of the “deinstitutionalization” policies of the 1970s) to include more families, even many with young children. A U.S. Conference of Mayors (1993) survey found that almost one-quarter of the homeless were employed but simply could not earn incomes are rejected for mortgage loans by banks more often than comparable white applicants. Middle-income black and Hispanic families applying for a mortgage are rejected much more often than middle-income white families, even when income and creditworthiness are factored in (Kasarda 1993; Munnell et al. 1992; Turner 1992).

There is considerable debate over the extent of homelessness in the United States. In part this is a debate over methodology for counting homeless persons. (See, for example, Appelbaum 1986; Blau 1992; Burt 1992; Culhane et al. 1994; Jencks 1994; Link et al. 1994.)
enough to afford permanent housing. About one-third of home-
less single men were veterans.

While exact figures are unavailable, it is clear that many founda-
tions were stirred to address this increasingly visible problem.
By 1987, a survey of 130 large corporations found that home-
lessness ranked sixth in philanthropic giving (cited in Blau
1992). During the 1990s, foundation giving for “housing and
shelter” has remained steady at between 1.2 percent and
1.4 percent of all grantmaking. In 1990, foundations allocated
$58 million in this category, 1.3 percent of all dollars; in 1995,
the absolute figure had increased to $77 million, or 1.2 percent
of the total (The Foundation Center 1996a, 1996b). Like the
upper-class philanthropists and reformers of the Progressive
Era, modern-day foundations responded to this social crisis in
three basic ways: caregiving, model housing development, and
public policy reform.

Caregiving: Shelters and soup kitchens

The vast majority of foundations that sought to address housing
problems focused on efforts to provide immediate relief to and to
help “rehabilitate” homeless people. Foundations provided grants
to social agencies to start or expand shelters for individuals and
families, soup kitchens, drug- and alcohol-treatment programs,
health programs, and counseling services for mentally ill per-
sons. The number of shelters for homeless people—sponsored by
religious groups, social service agencies, community organiza-
tions, and other institutions—grew dramatically.

The largest initiative within this approach was the Health Care
for the Homeless program, funded jointly by the Robert Wood
Johnson Foundation of New Jersey and the Pew Memorial Trust
of Philadelphia. The two funders provided $25 million over five
years to 19 cities to establish comprehensive and coordinated
health care programs for homeless people. The two foundations
viewed their program as “seed money,” hoping that after the five-
year grant was completed, local governments and funders would
continue the programs.

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8 The Foundation Center identifies grants for “housing and shelter” as a
subcategory under “human services.” Two other subcategories—“community
improvement and development” and “civil rights and social action” under the
“public/society benefit” category—also probably include grants for housing-
related efforts, but these are not clearly identified. As a result, the 1.3 percent
figure is certainly an underestimate.
Some foundations preferred to support various forms of specialized housing that addressed the problems of homeless people with special needs. These included transitional housing and rooming houses. The nonprofit sponsors of these projects often included a variety of job-training, literacy, parenting, drug- and alcohol-treatment, and other programs designed to help homeless individuals become more self-confident and independent. CDCs were often not equipped to undertake or interested in undertaking these projects, so a different breed of nonprofit group emerged, specializing in these housing-plus-services programs. Groups created thousands of such projects around the country. With funding from several local foundations, the Pine Street Inn, Boston’s oldest and largest shelter, started a subsidiary called the Sullivan Lodging Trust to create a series of small rooming houses that could provide both support services and low-rent housing. Denver’s Piton Foundation provided grant support to create a transitional housing program for homeless women and children, many of them victims of domestic violence.

Some critics complained that the nation was creating a new “shelter industry” that had a stake in the continuation of homelessness. Critics also complained that by focusing the response primarily on emergency services and treatment, funders were stigmatizing the homeless, attributing their suffering to personal pathology, and downplaying the role of public policy and market forces in the growth of poverty and destitution.

Model housing: Expanding the nonprofit sector

As with their philanthropic predecessors, the foundations’ second approach to the housing and homelessness crisis of the 1980s was to encourage the development of affordable low-income housing, rather than emergency shelter and individualized treatment. The sharp decline in federal assistance for low-income housing and the decrease in the nation’s inventory of low-rent apartments during the 1980s led many foundations to focus on increasing the overall supply of affordable housing.

The major vehicle for this approach was foundations’ growing support for CDCs, pioneered by the Ford Foundation in the 1960s. Most CDCs favor the construction and repair of apartments and cooperatives, not emergency shelter or specialized housing. In most other industrial nations, the “third sector” plays a key role in providing housing and human services (Salamon 1995; Schill 1994). In the United States, this sector
had been relatively small and isolated, but during the 1980s it began to become more professionalized, sophisticated, and mainstream (Bratt et al. 1994; Committee for Economic Development 1995; Dreier and Hulchanski 1993; Goetz 1993; Harrison 1995; Mayer 1990; Peirce and Steinbach 1990; Rubin 1994; Schill 1994; Steinbach 1995; Sullivan 1993; Urban Institute 1994; Vidal 1992, 1995; Walker 1993).

In the 1980s, the Ford Foundation helped catalyze a renewed interest by private philanthropy in CDCs. Its most enduring housing initiative was its creation of the Local Initiatives Support Corporation (LISC) in 1979. LISC became the major catalyst for the dramatic expansion of CDCs throughout the United States. Two years later, developer James Rouse founded the Enterprise Foundation to undertake similar projects. Both LISC and Enterprise serve two major purposes: (1) They use their establishment networks to get major corporations, banks, local governments, and local community foundations to provide operating support, loans, and equity to CDCs and their housing developments; and (2) they provide technical assistance to CDCs to help improve their development, management, and fundraising skills.

One of the primary revenue sources for funding CDC-sponsored housing is the federal low-income housing tax credit (LIHTC), created by Congress in 1986 to encourage private investment in low-income rental housing by giving corporations tax breaks for investing in these projects. In some ways, it is comparable to the “investment philanthropy” of the Progressive Era. Organizations such as LISC and Enterprise not only serve as conduits between the corporate investors and CDCs, they also help these corporations obtain considerable goodwill and positive publicity. Corporations—especially banks that need to demonstrate their commitment to low-income areas under the federal Community Reinvestment Act—use the LIHTC as evidence of their community involvement. In fact, investors earn a healthy return (often 15 to 20%) on their investment—it is hardly philanthropy.

The success of LISC and the Enterprise Foundation, in particular, led other national and local foundations to invest in CDCs as a vehicle to rebuild inner-city ghettos and troubled rural communities. Most foundations restrict their grantmaking to a particular region or metropolitan area. As Stoecker (1991) observes, some cities have stronger “philanthropic cultures” than others. The wealthy in older Northeast and Midwest cities such as Boston (with a long tradition of Brahmin do-gooderism) and Minneapolis (with a strong egalitarian ethos) tend to be more
generous than their counterparts in the South and West. Local foundations in areas with strong economies often have more resources, but in healthy cities dominated by “new wealth” (particularly in the South and West), philanthropy tends to be weaker.

Overall, America’s foundations have dramatically increased their support for community-based development, mostly for housing and, to a lesser extent, commercial projects. In 1987, 196 foundations and corporations (usually through corporate foundations) made grants totaling almost $68 million to support nonprofit development. By 1991, the numbers had grown to 512 funders and $179 million.9 In the latter year, 53 of the nation’s 100 largest foundations provided grant support for community-based development (Council for Community-Based Development 1993).

The growth of foundation support for these projects led to the formation in 1986 of the Council for Community-Based Development, a national umbrella group of major funders. Its primary goal was to expand private sector funding of CDCs and other community-based development activities.10 Several of the largest funders formed a Neighborhood Funders Group, which sponsors conferences to discuss their common concerns.

The foundations’ growing investment in CDCs helped change the attitude of local United Way organizations. In most cities, the United Way is the major charity, raising funds primarily by soliciting donations from employees at their workplaces. United Way boards are dominated by top executives from local businesses. As a result, United Way allocations have tended to be very mainstream and unlikely to fund organizations that “rock the boat.” For example, a 1983 study of Boston’s United Way found that 38 of the 59 members of the board of directors represented major Boston corporations. The bulk of the Boston United Way’s dollars went to traditional charities like the Red Cross, YMCA and YWCA, the Boys and Girls Clubs, the Boy Scouts and Girl Scouts, and the Salvation Army (Boston Urban Study Group 1984).

9 The Council for Community-Based Development (1993) conducted a survey of 512 foundations that made 3,095 grants for community development totaling $179 million in 1991, with the following results: 35 percent of the grants involved housing, 34 percent involved general community development (including housing and other efforts), 9 percent involved economic development, and 8 percent involved technical assistance and training.

10 This organization folded in the early 1990s.
Protests by community groups in the late 1970s and 1980s helped change some of the United Way's practices. More community representatives were added to local United Way boards, and more community- and activist-oriented groups (such as battered women's shelters, tenants' rights organizations, and community groups fighting redlining or housing discrimination) were funded.

During the 1980s, some United Ways started funding shelters for the homeless and CDCs. The pioneer in this direction was Boston’s United Way, which joined with LISC to create the Neighborhood Development Support Collaborative to provide CDCs (which often survive on hand-to-mouth budgets and from project to project) with multiyear operating grants. By 1992, almost half of the 224 local United Ways that responded to a survey conducted by the United Way of America were engaged in housing issues; over 70 local United Ways were supporting community-based development. Inspired by the Boston program, and encouraged by a Ford Foundation grant, the United Way of America launched its own national housing initiative in 1988.11

Nationally, United Way funding for affordable housing increased from $22 million to $36 million between 1989 and 1996.

Despite this impressive shift in emphasis, the large and increasing dollar figures associated with foundations’ support for community development can be misleading. In fact, most foundations allocate only a tiny part of their grants in this area. In 1987, for example, grants for this purpose represented only 2.4 percent of all foundation giving. More traditional philanthropic goals—such as higher education, medical research, art, music, theater, and dance—received considerably more foundation support. Most of these grants are targeted to institutions that cater to more affluent Americans, such as symphony orchestras, art museums, and private colleges. The Ford Foundation’s $26.5 million represented 10 percent of its overall grants in 1991. The Kellogg Foundation’s $5.5 million represented 2 percent of its giving, while the Rockefeller Foundation’s $1.43 million represented 1 percent of its total allocation.

11 Its first project was to provide $100,000 challenge grants to United Ways in five cities (Chicago; Houston; York, PA; Rochester; and Pontiac, MI) to encourage local United Ways, businesses, and foundations to add funding. Since then, the United Way of America and local United Ways have expanded their support for CDCs. (See Levine and Brickman 1992; United Way of America 1992, 1996.)
Public policy reform: Advocacy and grassroots organizing

Starting in the 1980s, a small number of foundations sought to address the root causes of homelessness by focusing their grant giving on changing public policy to address the deepening problems of poverty, the shortage of housing, and urban neighborhood decay. Like their counterparts earlier in the century, they funded the growing number of groups that sought to advocate for and organize the homeless and the poor. These included umbrella coalitions of church groups, shelter and service providers, and housing activists, as well as self-help groups among the homeless themselves. These advocacy and self-help groups, along with big-city mayors, shelter providers, and others, became a major voice for increasing public sector funding for housing subsidies, shelters, counseling and treatment programs, and health care services.

Foundation funding for advocacy and organizing reflects a growing recognition that solving the root causes of America’s housing crisis, rather than simply addressing its symptoms, requires significant changes in government policy and major reform of the market forces that create a wide gap between incomes and housing prices. This was the key finding of a Boston Foundation survey conducted in 1992 of 312 foundations involved in grantmaking on housing and homelessness projects. The study

12 As suggested in this article, there is a distinction between community organizing, community development, and community-based service provision. Most organizations engage in only one of these activities, but some seek to branch out to engage in two or even three of these activities. Efforts to balance these components are not without tension. Community groups that focus primarily on service delivery or community development often lose the energy and momentum required to do effective community organizing. Service delivery and community development are more effective when they are part of a community organizing strategy, especially when the tasks are clearly delineated within the organization (Delgado 1986; Delgado et al. 1995; Dreier 1996; Eisen 1992; Lenz 1988; Miller 1992; O’Donnell et al. 1993; Stone 1996; Traynor 1993).

For example, in a number of cities, ACORN (Association of Community Organizations for Reform Now) has drawn on its success in challenging bank redlining to become involved in housing counseling for potential homeowners. In Lowell, Massachusetts, the Coalition for a Better Acre began as an affiliate of Massachusetts Fair Share, a citizen action group; after several years of successful organizing around neighborhood issues, the group formed its own CDC to repair and build affordable housing. East Brooklyn Churches, a coalition of New York City religious congregations that is part of the Industrial Areas Foundation network, spent a decade working on neighborhood issues before establishing its own housing development program (Nehemiah Homes), which has become one of the largest nonprofit development projects in the country.
found that the majority (53%) of these philanthropic organizations said that grantmaking to promote changes in public policy—rather than to provide social services, education, and job training (32%) or to provide rehabilitation and treatment for drug and alcohol abuse (16)—best reflected their overall grantmaking strategy. None of the funders surveyed said that the best approach was for private charity to provide emergency services such as food and shelter.

The survey’s original sample of 750 foundations was skewed toward philanthropies already concerned with housing and homelessness problems.13 So perhaps it is not surprising that, according to the report, “most funders surveyed believe that advocacy and public policy initiatives ultimately have the greatest impact on overall prevention of homelessness” (McCambridge 1992, 18). But the survey found that even among these concerned foundations, a serious gap existed between their beliefs and their practices. More than half (52%) supported direct services to the homeless, and 48% supported specialized housing. Thirty-seven percent supported housing development (primarily sponsored by CDCs and other nonprofits), although these grants tended to be larger. Only 33 percent supported organizing and advocacy, some of which primarily involved research. In other words, these foundations actually made few grants to groups to mobilize people or advocate for major changes in public policy.

If even these concerned foundations rarely support organizations engaged in advocacy and organizing, it should not be surprising that foundations in general are reluctant to do so. In 1989, only 16 percent of all foundation grants for housing were specifically designated for “organizing or advocacy” activities. By 1991, the proportion targeted for these activities had declined to 7 percent of all grants (Council for Community-Based Development 1989, 1991).

A few major foundations—such as the Boston Foundation, Surdna Foundation, and Wieboldt Foundation—devoted a considerable portion of their overall funding to advocacy and organizing on housing and related issues. The Ford Foundation allocated a relatively small part of its community-based housing

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13 The original survey was distributed to all members of the Neighborhood Funders Group, all community foundations, all foundations categorized as funding homelessness and housing-related projects (according to the Foundation Directory), and all those foundations present at a workshop on “The Homeless: Will They Always Be with Us?” at the 1991 National Council on Foundations conference (McCambridge 1992).
funds for organizing and advocacy, but because it is so large, even this small proportion was quite sizable.

The changes in the behavior of foundations were both a response to and a cause of the growth of locally based advocacy and organizing efforts to address housing needs. These forces gained momentum in part as a result of the growing visibility of homelessness, and they sought to address wider housing problems. This fledgling grassroots housing movement was composed of tenant groups, homeless advocacy organizations, fair housing and fair lending groups, church-based institutions, community-based nonprofit developers, neighborhood associations, and, in some cases, senior citizen groups, women's organizations, and civil rights groups. These groups, many of them supported by private foundations and philanthropies, spent much of the 1980s working—primarily on the local and state levels—to plug some of the gaps left by the federal government’s withdrawal from housing programs (Dreier 1984; Dreier and Atlas 1989; Goetz 1993; National Low-Income Housing Coalition 1995; Nenno 1991; Nenno and Colyer 1988). These groups were part of a remarkable resurgence of citizen activism in urban neighborhoods, involving tens of thousands of neighborhood organizations engaged in a wide range of community improvement efforts (Berry, Portney, and Thomson 1993; Boyte 1980, 1987).

These community-based housing groups pressured local governments to protect tenants against unfair evictions and rising rents. They lobbied for stricter enforcement of health and safety codes and for “linked deposit” and “linked development” policies. They published reports to dramatize the plight of the homeless, the widening gap between incomes and housing prices, and the continuing practice of bank redlining. They persuaded banks to open branches in minority neighborhoods and increase available mortgage loans for low-income consumers. They

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14 The best source of information about the housing movement and its activities is Shelterforce, a bimonthly magazine published by the National Housing Institute.

15 Linked deposit policies are a tool for governments to encourage banks to invest in low-income and minority areas by linking the deposit of government funds with the performance of banks in meeting community needs. Linked development policies are a tool for encouraging developers to address social concerns; for example, local governments can impose a “linkage fee” on commercial developments with the fees targeted for affordable housing, job training, art projects, and other needs. (For a discussion of Boston’s linkage program, see Dreier and Ehrlich 1991). They can also include “inclusionary zoning” policies that require developers of market-rate housing to incorporate units affordable to low- and moderate-income occupants. (See Mallach 1984.)
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pressured and worked with city and state housing agencies to expand available funds for affordable housing and to target more assistance to nonprofit community development groups to fix up abandoned buildings and construct new homes for the poor.

In some cities, the mosaic of housing organizations forged coalitions to work together around a common agenda. In a few cities—Boston, Chicago, San Francisco, Pittsburgh, and elsewhere—they played important roles in helping elect progressive prohousing candidates to public office (Berry, Portney, and Thomson 1993; Clavel 1986; Clavel and Wiewel 1991; Davis 1994; DeLeon 1992; Dreier 1993b; Dreier and Keating 1991; Krumholz and Clavel 1994; Metzger 1992). In a growing number of cities, grassroots community-based housing organizations formed partnerships and alliances with municipal governments and business groups (Dreier, Schwartz, and Greiner 1988). They developed a wide range of innovative local programs and strategies to cope with the impact of federal housing cutbacks and changes in local housing markets. Foundations played a key role in catalyzing these partnerships (Keyes et al. 1996; Suchman 1990).

In several states, advocacy organizations representing the homeless, tenants, seniors, and others forged statewide housing coalitions to push for progressive housing policy. Under pressure from housing activists, many state and local governments began identifying new resources for housing assistance and initiated new housing programs that involved new construction, rehabilitation, neighborhood revitalization, housing mobility, and other concerns (Brooks 1989; Davis 1994; Goetz 1993; National Low-Income Housing Coalition 1995; Nenno 1991, 1996; Nenno and Colyer 1988; Peirce and Steinbach 1990; Suchman 1990).

As of 1990, state governments had financed home purchases for almost a million first-time home buyers and more than 650,000 rental apartments. According to Terner and Cook (1990, 120), “most of this activity has taken place since 1980.” State housing finance agencies issued more multifamily housing bonds between 1980 and 1987 (financing more than 400,000 new apartments) than in all previous decades combined. During the 1980s, 37 states created some kind of housing trust fund program for affordable housing (Nenno 1996; Terner and Cook 1990).

During the 1980s, the number of local housing groups mushroomed, and they scored many local victories. But their work was primarily defensive—brushfire battles to keep things from getting worse. Their overall impact in terms of preventing displacement and improving the day-to-day housing conditions
for America’s poor and working families and elderly citizens was relatively small. The reason is not hard to fathom: As the decade progressed, the growing fiscal crises of cities and states made it increasingly difficult to squeeze housing resources out of mayors, city councils, county supervisors, governors, and state legislatures. Most states began cutting their housing budgets. It was increasingly clear that only at the federal level did enough resources exist to seriously address the housing crisis.\footnote{Many observers of urban neighborhood problems argue that sources of urban decay and housing problems reside primarily outside of neighborhood boundaries. Symptoms of urban decay—poverty, unemployment, homelessness, violent crime, racial segregation, and high infant mortality rates—have their roots in large-scale economic forces and federal government policy. The forces and policies include economic restructuring toward a low-wage service economy; corporate disinvestment (encouraged by federal tax laws); bidding wars among cities and states to attract businesses that undermine local fiscal health; redlining by banks and insurance companies; federal housing, transportation, tax, and defense spending policies that have subsidized the migration of people and businesses to the suburbs (exacerbating urban fiscal traumas); and federal cutbacks of various financial assistance, housing, social service, economic development, and other programs. These large-scale forces can undermine the economic and social fabric of urban neighborhoods (see Dreier 1993a; Massey and Denton 1993; Wilson 1987, 1996).}

At the national level, housing advocates not only confronted opposition from the White House but also encountered an increasingly hostile ideological climate that opposed the very idea of government activism. Nevertheless, they scored some victories. They successfully pushed to enact the Stewart B. McKinney Homeless Assistance Act in 1987. Each subsequent year, the act was expanded to incorporate new programs: rent subsidies for lodging houses,\footnote{Lodging houses are also called rooming houses and single-room occupancy hotels. They are inexpensive rental accommodations.} funds to continue and expand local Health Care for the Homeless projects, transitional housing with supportive services, adult literacy, job training, and others. The advocates helped enact and preserve the LIHTC, a program to promote investment in low-income rental housing. Most of the projects created under this program have been sponsored by nonprofit community-based organizations. Housing advocacy helped persuade Congress to pass a new housing block grant program (called HOME) and to require cities to target at least 15 percent of these funds to community-based nonprofit housing developers. Housing advocacy groups also helped pass legislation to protect the existing inventory of federally subsidized housing developments, which had been threatened by the potential withdrawal of subsidies as their low-income “use restrictions” expired in the 1980s. Perhaps the most impressive federal
victory was the strengthening of the Community Reinvestment Act, a result of both growing local activism around the issue of redlining and increasing coordination of efforts.\footnote{In response to grassroots pressure from the emerging neighborhood movement, Congress sponsored a number of initiatives to promote community self-help efforts against redlining. These included two key pieces of legislation: the Home Mortgage Disclosure Act (HMDA) of 1975 and the Community Reinvestment Act (CRA) of 1977. In combination, HMDA and CRA provided an effective tool for local groups to push banks to invest in low-income and minority neighborhoods. HMDA provided the data needed to systematically analyze the banks’ lending patterns (for housing but not commercial loans). HMDA gave many community groups and university-based scholars—as well as local governments, daily newspapers, and other agencies—the data to investigate geographic and racial bias in lending. From 1977 through the late 1980s, federal regulators were asleep at the switch in terms of monitoring and enforcing CRA. As a result, community reinvestment activities primarily involved “bottom-up enforcement,” local campaigns between a community organization or coalition and a local bank. Only in the late 1980s did these local activities coalesce into a national presence. Thanks to the work of three national community-organizing networks—ACORN, the Center for Community Change (CCC), and National People’s Action (NPA)—these local efforts became building blocks for a truly national effort that has produced dramatic results in the past few years. Locally crafted CRA agreements alone have catalyzed over $60 billion in bank lending and services over the years. But even more important, many banks are now much more proactive in working with community organizations in successful neighborhood-rebuilding partnerships (see Dreier 1991; Fishbein 1992; Squires 1992). The entire community reinvestment climate has changed dramatically since the mid-1980s. Banks are now much more proactive in working with community organizations to identify credit needs and create partnerships to meet them. Regulators are much more proactive in evaluating lenders’ CRA performance and using regulatory carrots and sticks to ensure compliance. Fulfilling its campaign pledge, the Clinton administration has made the issue of redlining and community reinvestment by banks and insurance companies—and support for community-based development—a centerpiece of its urban policy agenda. What were the key ingredients for success? Local groups working on the same issue were able to communicate and learn from one another through the efforts of several national organizing networks and training centers. National groups such as ACORN, NPA, and CCC helped expand the capacity of local community groups to use CRA and HMDA to rebuild and revitalize their neighborhoods. The organizing groups provided training and linked the local groups together to make the federal government, legislators and regulators alike, more responsive to neighborhood credit needs. Also, local groups had access to training and leadership development to empower them to stabilize their organizations in terms of membership and fund raising; to form coalitions with a variety of groups (including church-based organizations, civil rights groups, nonprofit developers, and social service agencies) that often crossed boundaries of race, income, and neighborhood; to develop strategies for working on several issues simultaneously and building on small victories; to develop a strategy for negotiating with lenders and government; and to deal with the mass media.}
Philanthropy played a key role in these small, but important victories. Several major foundations, including Ford and Surdna, made a major investment in community organizations and networks engaged in anti-redlining work. Foundation-supported intermediary groups—such as LISC, the Enterprise Foundation, and the National Housing Trust—helped coordinate national efforts targeted at Congress and the media to protect the LIHTC and to preserve HUD-assisted housing developments. Local and national foundations provided grants to advocacy groups working on homelessness issues. One funder, the Washington-based Villers Foundation (now called Families USA), played a critical role when it agreed to provide a one-time $100,000 grant for the Housing Now! march in October 1989, which was a national demonstration to focus attention on homelessness. In 1991, Ford joined several other major national funders to provide the National Low-Income Housing Coalition with a three-year, $3 million grant to help influence public policy, primarily by building state housing coalitions in 12 states to monitor the allocation of federal housing funds.19

These patterns of philanthropic support for housing advocacy and organizing reflect the patterns in the larger foundation world. Funding for grassroots activism—what Jenkins (1989; Jenkins and Halcli 1996) calls “social movement philanthropy”—is a small but important niche in the nation’s philanthropic community.20 Social movement philanthropy began in the early 1950s with three family foundations—the Field Foundation, the Emil Schwartzhaupt Foundation, and the Wiebolt Foundation—that focused their grantmaking on civil rights (both protest- and litigation-oriented groups) and community organizing. By the late 1950s, nine more funders joined the ranks, adding grassroots voter registration, a component of the civil rights movement, to their agendas.

During the 1950s, a few wealthy liberals (such as newspaper publisher and department store heir Marshall Field) and their foundations gave money to organizer Saul Alinsky to develop

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19 The other funders included the MacArthur, Fannie Mae, Mott, Hewlett, Irvine, and Surdna Foundations; the New York Community Trust; Ohio's Gund Foundation and New Jersey's Prudential Foundation; the MCJ Foundation; and the Fund for New Jersey. Each of these foundations has a track record of providing significant grants for advocacy and organizing activities, even though these grants constitute only a small part of their overall grantmaking in housing and neighborhood improvement.

20 Social movement philanthropy involves grants to organizations that engage in grassroots organizing, advocacy, and training.
grassroots neighborhood organizations in Chicago (Horwitt 1989). In 1953, the Schwartzhaupt Foundation (and soon thereafter, the Rosenwald and Field Foundations) began supporting the Highlander Folk School (now the Highlander Center) in Tennessee, a controversial training center for trade union leaders, civil rights activists, and community organizers (Morris 1984; Glen 1996). In the 1960s, a number of liberal foundations (such as the Taconic, Norman, Field, and New York Foundations) funded a variety of civil rights organizations to undertake voter registration and desegregation campaigns in the South, to organize the March on Washington in 1963, and to push for school integration, open (nondiscriminatory) housing, and welfare rights in the North (Branch 1988).

The 1960s saw the entry of large mainstream foundations (such as Ford, Carnegie, Rockefeller, Sloan, and Lilly) into the social movement field. In addition to supporting civil rights and community organizing, they expanded their grantmaking to areas such as women’s rights, the environment, consumer protection, peace, and urban poverty. In 1970, 65 foundations provided 311 grants and $11 million for social movement activities, a figure that was over 32 times the movement funding in 1960, adjusting for inflation (Jenkins and Halcli 1996). The number of social movement funders grew in the 1970s, but the inflation-adjusted level of funding declined.

Between 1953 and 1980, “out of more than 22,000 active grantgiving foundations, only 131 funded a social movement project” (Jenkins 1989, 294). During that period, foundation giving to social movements accounted for only 0.24 percent of total foundation giving.21 The peak year during that period was 1977, when social movement philanthropy accounted for 0.69 percent of all grantmaking, or $24.1 million.

Both the number of grantmakers and the overall grant dollars expanded in the 1980s. In 1990, 146 foundations invested over

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21 Among the 131 foundations that supported social movement activism, only 39 contributed more than one-third of their annual giving to activist projects. These philanthropies donated to a wide variety of activist groups dealing with environmentalism, feminism, racism, consumer protection, children, prisoners, peace, and civil liberties. Groups addressing the problems of racial minorities received 40.7 percent of all grant dollars. The category called “economic justice”—which includes advocacy and organizing around the concerns of poor and working-class people—accounted for almost one-fifth (19.07%) of total grant dollars. Jenkins’s study did not identify housing activism (e.g., tenants’ rights groups, fair housing organizations, community organizations fighting redlining) as a separate category. These groups would fall under several rubrics: economic justice, racial justice, and consumer rights.
$88 million in social movement projects. This represented 1.1 percent of total foundation giving. These facts led Jenkins and Halcli (1996) to conclude that social movement philanthropy had become a tiny but institutionalized factor in American society.

Nielsen (1985, 423) noted that major foundations are devoted to “social continuity, not change.” Not surprisingly, few fund social movement organizations. Among those that do, one can identify three kinds of social movement funders: social change–oriented funders, religious-based funders, and large foundations. The relatively small foundations that specialize in social movement philanthropy are typically family foundations (where the original donors still remain active), radical foundations (established by wealthy donors who assign control to community funding boards), and “alternative” community foundations (created as a progressive counterpart to local United Ways).

22 During the 1970s and 1980s, a small number of wealthy radicals, often heirs to America’s major corporate fortunes, set up foundations dedicated to progressive social change, such as the Bread and Roses Fund begun in Philadelphia in 1971 and the Vanguard Foundation begun in San Francisco in 1972. There are now about 20 foundations of this kind. The founders of these small radical foundations created a network (the Funding Exchange) to share ideas and published a book in 1977 reflecting their philosophy, entitled Robin Hood Was Right (Vanguard Public Foundation 1977; see also Mogil and Slepian 1992; Odendahl 1990; Rabinowitz 1990; Roelofs 1987; Shaw 1995). One of the earliest radical foundations, the Haymarket Foundation in Boston, was started in 1974 by George Pillsbury, heir to the Pillsbury baking and food conglomerate. Pillsbury took the unusual step of setting up a board of community activists to run the foundation, establish funding criteria, and allocate the funds. Although Haymarket was started with Pillsbury’s money, it—like the others in the network—continues to raise funds from other affluent progressive individuals, thus serving as a conduit for their philanthropy (see Ostrander 1995). These social activist foundations target their grantmaking to local grassroots organizing efforts such as environmental groups, women’s groups, prisoners’ rights organizations, consumer groups, community activist groups, and organizations involved in peace and antiwar struggles. Most of these progressive foundations give some portion of their grants to such housing-related activists as tenants’ rights organizations, community groups fighting redlining and other forms of housing discrimination, and coalitions of groups seeking more government funding for low-income housing (Mogil and Slepian 1992; Odendahl 1990; Rabinowitz 1990). One small progressive funder, the Discount Foundation, has focused all of its grantmaking (about $200,000–$300,000 a year) on housing organizing and advocacy groups. In its survey of foundations, the Council for Community-Based Development (1993) identified Discount as the only funder that concentrates 100 percent of its grantmaking in this area.

23 In most major cities, community activists have set up their own alternative community funds to challenge and compete with the United Ways’ monopoly on soliciting funds from employees in their workplaces. Critical of the United Ways’ bias toward mainstream social service organizations, these groups
Overall, these small foundations represent a tiny portion of all philanthropic giving, but by their grantmaking successes and through their work in national foundation networks (e.g., the Funding Exchange, the Neighborhood Funders Group, and the National Network of Grantmakers), they have helped to push much larger foundations to support social activist causes and organizations. At the urging of housing activists and some of the more radical funders, for example, several of the National Funders Group retreats focused discussion on community organizing and public policy advocacy as well as on bricks-and-mortar development.

The second type of social movement funders, religious based, also play a key role in supporting advocacy, and some devote a substantial proportion of their grantmaking to social activist groups. By far the largest religious-oriented funder of social activism is the Campaign for Human Development (CHD), founded in 1970 by the U.S. Catholic Conference (the nation’s bishops) in the wake of Vatican II and in the aftermath of the urban uprisings of the 1960s. CHD raises its funds from collections on one Sunday a year in local parishes across the

sought to give employees in large and small organizations a choice to donate, through payroll deductions, to grassroots organizations involved in social action on environmental, women's rights, housing, child care, and other causes. Through the 1970s and 1980s, these groups made progress in getting reluctant employers to open their doors to these alternative funds. City governments, universities, and newspapers are often the first employers to permit alternative funds to compete with the United Way for their employees' contributions, followed by more mainstream private companies. Today, these include some of America's largest corporations: AT&T, Aetna, Hewlett-Packard, Nike, Polaroid, Prudential, Safeway, Wells Fargo, and Weyerhaeuser. The National Committee for Responsive Philanthropy, based in Washington, DC, serves as the umbrella organization for the growing network of alternative funds.

When Boston Mayor Ray Flynn took office in 1984, he gave Community Works the opportunity to raise funds from city employees on an equal footing with the United Way. That precedent made it easier for Community Works—which raises money for the Massachusetts Tenants Organization, the Massachusetts Affordable Housing Coalition, and other grassroots organizations—to gain acceptance in other large workplaces. Its fund-raising from payroll deductions increased from $11,450 in 1982 to $314,237 in 1991.

Among the 33 other local social justice funds, the Cooperating Fund Drive of Minneapolis–St. Paul raised $719,519 from payroll deductions in 1991; the Fund for Community Progress in Providence, RI, raised $222,580; the Community Services Fund in Lincoln, NE, raised $72,024; Community Shares of Knoxville raised $109,577; and Greater Cleveland Community Shares raised $238,708. Some alternative funds support groups dealing with specific issues, such as women's rights, the environment, or African-American concerns (National Committee for Responsive Philanthropy 1992).
country. It allocates these funds to progressive social change groups in every part of the nation. CHD gives a large part of its grantmaking to housing activist groups. During the 1980s, CHD allocated between $5.5 million and $7.5 million a year. In 1987, a typical year, CHD grants for local housing organizing projects accounted for $652,000 of its $6.5 million in grants. Other church-based philanthropies share CHD’s philosophy of movement building. The Veatch Foundation, sponsored by a Unitarian Universalist church in Long Island, supports grassroots activism across the country. In Boston, the Episcopal City Mission, a philanthropy launched by the affluent Trinity Church to improve inner-city neighborhoods, has been an important resource since the 1970s, providing small grants to local tenant groups and housing activist organizations.

The third source of funding for social movements is the large mainstream foundations, including corporate and community foundations, which typically provide a relatively small proportion of their grants to social movement organizations.

While Jenkins (1989; Jenkins and Halcli 1996) focused his “social movement philanthropy” study on foundations that support liberal and progressive causes, today philanthropic support for conservative advocacy and organizations is much more effective and generous. The late 1970s and 1980s saw the emergence of major “new right” funders that promoted conservative causes, including think tanks, publications, nonprofit law firms, and advocacy organizations. This network of right-wing funders played an important role in changing the ideological and political climate. They were considerably more coordinated and aggressive than their more liberal counterparts. One of their primary efforts was a campaign to “defund the left”—to get both government agencies and foundations to terminate support for

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24 The recipients that year included ACORN chapters involved in organizing public housing tenants and mobilizing residents against bank redlining; South Carolina Fair Share, to organize public housing residents; the National Training and Information Center, to train local community groups to fight redlining; Greater Bridgeport Interfaith Action, a multi-issue, citywide coalition of religious groups that seeks to develop tenant leaders in public and private housing; the Callahan Neighborhood Association in Orlando, FL, to fight displacement of poor people as a result of the city’s use of federal Community Development Block Grant funds to “revitalize” neighborhoods; and the Coachella Valley Housing Coalition in California, to organize low-income Hispanic farmworkers to organize a cooperative mobile home project (see McCarthy and Castelli 1994; Rabinowitz 1990).

25 Corporate foundations are identified with a specific firm and use funds from that firm. Community foundations solicit funds from multiple sources.
liberal and progressive organizations. In light of the data cited here, their characterization of major foundations as predominantly liberal is obviously misleading. But they succeeded in using the mainstream media and their own networks to promote this image and their agenda. They did this by funding reports identifying corporations, mainstream foundations, and government agencies that provided grants to liberal and progressive organizations, including federally funded legal services agencies for the poor. (The conservative Capital Research Center is a source for many of these reports.) During the Reagan and Bush administrations, they used Internal Revenue Service monitoring to promote this agenda by harassing and intimidating both funders and grantees. During the 1990s, especially after the ascendancy of Speaker of the House Newt Gingrich, conservative members of Congress sponsored legislation to cut off federal grants to liberal grassroots organizations that engage in lobbying and political activism. ACORN (Association of Community Organizations for Reform Now) was one of Gingrich’s key targets (see National Committee for Responsive Philanthropy 1995; People for the American Way 1996; Schulman 1995; Smith 1993).26

Philanthropy and the housing reform movement: A partnership agenda

What lessons can we learn from the experience of philanthropy’s efforts to address housing problems? This analysis underscores the limits of both the caregiving and the model housing approaches. The first approach focuses on individual needs but does not recognize the social causes of poverty and urban distress. The second approach provides support for innovative housing development but does not recognize the realities of housing economics, especially for the poor.

As reformers like Edith Wood and Catherine Bauer recognized several generations ago, there is a limit to what philanthropists can realistically accomplish without significant involvement and resources from the public sector—particularly the federal

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26 One housing-related example of this effort is the “new right” effort to discredit rent control as a public policy. During the mid-1980s, conservative think tanks and publications promoted the notion that local rent regulations led to an increase in homelessness. This idea not only was picked up by the mainstream media but was used by conservative members of Congress and HUD Secretary Jack Kemp to back legislation to withhold federal HUD funds to localities with rent control. (For a discussion of this campaign, see Appelbaum, Dreier, and Gilderbloom 1991.)
government. It is critical to address the shortage of public resources targeted for housing. That can only occur through advocacy and organizing. Progressive housing policy has made the most headway when housing activism is part of movement for social change. But it is precisely these efforts that most major foundations have been reluctant to support. If the philanthropic community is to play an effective role in addressing the housing crisis, this reluctance has to change.

A progressive housing policy should accomplish three things. First, it should help house the poor and almost-poor, providing them with housing choices other than living in high-poverty areas. Economic globalization has transformed the U.S. economy and produced growing economic inequality and deepening poverty. Some form of government support is necessary to make housing economically manageable for the poor and for growing segments of the troubled middle class. Second, the policy should help rebuild the social and economic fabric of troubled neighborhoods overwhelmed by unemployment, concentrated poverty, crime, drugs, abandoned buildings, and hopelessness (Putnam 1995). A key part of doing this is giving residents opportunities to mobilize on their own behalf, expanding the capacity of poor neighborhoods to help themselves. Third, the policy should stimulate home building and home buying, particularly for the middle class. In doing so, it should target government help to those who could not otherwise achieve the American Dream. The well-known multiplier effects of home building will help stimulate jobs and economic growth.

**Housing realities**

For 30 years after World War II, Americans made steady progress toward broader homeownership and improved housing. Thanks to both rising incomes and federally backed mortgages, homeownership expanded dramatically. By the late 1970s, two out of every three American households owned their own dwellings. The size and quality of much middle-class housing improved significantly. The quality of housing for most poor families also improved: The proportion of dwellings without plumbing, electricity, and other basic amenities plummeted dramatically.

Since the early 1980s, incomes have not kept pace with housing costs, leading to a growing squeeze on renters and homeowners alike. In that period, America’s housing situation has grown worse, not only for the poor but also for the middle class.
Indicators of this trend are declining homeownership among young families and rising rent-to-income ratios.

Today, America’s housing crisis is fundamentally about affordability, the gap between housing costs and household incomes. It requires money to fill the gap. For example, one study in the late 1980s calculated that it would cost $106 million a year to provide every low- and moderate-income renter household in Boston with enough subsidy to bring the rent down to 30 percent of household income, an amount far beyond the combined level of federal, state, and local subsidies for housing in the city (Stevens, Dreier, and Brown 1989). State and local regulatory mechanisms, such as zoning, can play some role in reducing production costs by streamlining development costs and increasing densities, but these actions are relatively marginal to the overall problem (Downs 1991). Cities and states simply lack the resources to fill this gap. America’s cities now face a shrinking tax base and fiscal traumas.27

The federal government currently spends over $120 billion a year for housing subsidies. Direct subsidies through HUD, the Department of Agriculture, and the Department of Health and Human Services, targeted for low- and moderate-income people, constitute only a small part of these subsidies. The largest, most regressive housing subsidies are the tax expenditures for investors and homeowners. Much of it is spent wastefully and inefficiently.28 In other words, federal housing subsidies are an

27 For an overview of the fiscal crisis of cities, see Bahl 1994; Ladd and Yinger 1989; and the annual City Fiscal Conditions reports issued by the National League of Cities. For an overview of states’ financial conditions, see Gold (1990, 1995) and the annual Significant Features of Fiscal Federalism reports issued by the U.S. Advisory Commission on Intergovernmental Relations.

28 In 1995, tax breaks for homeowners—deductions for mortgage interest and for property taxes—cost the federal government over $72.5 billion. This would be acceptable if most of it helped the middle class, but it doesn’t. Those with the highest incomes and the most expensive homes (including second homes) get the largest subsidy. One-half (49.7%) of the $58.3 billion in mortgage interest deductions goes to the richest 5.6 percent of taxpayers with incomes over $100,000. (This amount alone is larger than the HUD budget.) The 1.2 percent of taxpayers with incomes over $200,000 received $12.6 billion in mortgage interest deductions, 21.6 percent of the entire amount. Moreover, only 21.3 percent of all taxpayers take the mortgage interest deduction, but this varies significantly with income. For example, 82.5 percent of taxpayers with incomes over $200,000 took the mortgage interest deduction, with an average benefit of $9,763. In contrast, only about one-quarter (28.1%) of those in the $40,000–$50,000 bracket took the deduction; those who did so saved an average of $952 on their taxes. Among those in the $20,000–$30,000 income category, only 6.6 percent took the deduction; those who did so received an average benefit of only $502 (Dreier 1997; Dreier and Atlas 1997).
entitlement only for the well off but help few of the struggling middle class or the desperately poor.

The victories won by housing advocacy and organizing groups during the past decade are small, almost Pyrrhic, in light of the enormity of the nation’s housing crisis. Today’s philanthropists concerned about the decay of our cities and the shortage of affordable housing confront a dilemma similar to that of their counterparts around the turn of the century. The nation’s housing crisis has deepened as the federal government has withdrawn from the affordable housing field and as many local and state governments have reached the limits of their fiscal capacities to fund low-income housing. In this environment, foundations are being asked to fill a bigger and bigger vacuum.

Foundations have succeeded in helping to expand the capacity of community-based housing developers, whose numbers and sophistication grew dramatically during the 1980s and early 1990s. But these groups cannot produce even close to an adequate supply of housing for the poor, primarily because of the lack of subsidies to fill the gap between what it costs to develop housing and what the poor can afford to pay. Even the most generous estimates indicate that the nation’s CDC sector has produced only 30,000 to 40,000 housing units a year during the past decade—a far cry from the need—due to a lack of capacity and funds to subsidize more projects (Steinbach 1995). Not nearly enough public resources are available for CDCs to expand housing.29

29 The CDC sector is composed mainly of relatively small organizations, which limits its ability to achieve economies of scale in terms of development, staffing, management, and overall community impact. Of the 1,160 groups responding to the National Congress for Community Economic Development survey (1991), only 421 had produced 100 or more housing units. This represented a significant increase from the 244 groups with that production level only two years earlier, but it still reveals that most CDCs are small-scale operations.

By the end of the 1980s, a small number of CDCs produced most of the housing units sponsored by nonprofit community organizations. For example, a survey of 744 CDCs found that only 1.7 percent of the groups produced an average of 200 or more housing units a year between 1988 and 1990, but these groups accounted for 25.3 percent of total CDC production during those years. At the other end, 48.7 percent of the CDCs produced 10 or fewer units a year during that three-year period, accounting for only 7.9 percent of the CDC-sponsored units (Walker 1993). Examining these numbers, the Urban Institute discovered that some of the newer CDCs were among the most productive, suggesting that “under the right conditions, CDCs can develop capacity fairly rapidly” (Walker 1993, 376). CDCs with larger staffs typically produce more housing, but most CDCs are small-scale operations. Nationwide, they employ a
As Lew Finfer, a long-time organizer and founder of the foundation-supported Massachusetts Affordable Housing Alliance, observed:

In two years, a nonprofit developer might build 200 units of housing, while around him 500 units are lost through abandonment or higher rents. If development is not tied to advocacy and community organizing, it’s incomplete. Unless that’s part of the strategy, we’ll continue to lose ground. (quoted in Greene 1989)

The political climate

How should the philanthropic sector invest its valuable resources most cost-effectively to address the nation’s housing problems? It is critical for the foundation world to help reverse the declining support for federal housing assistance. This doesn’t mean supporting an agenda that emphasizes “more of the same”—that is, simply expanding current federal housing programs, many of which are wasteful and inefficient. It means helping to rebuild the political constituency for federal housing support around a new policy agenda that can marshal broad support. The key to solving our nation’s housing crisis is to expand and strengthen the constituency for a progressive national housing policy that can link the needs of the poor and the concerns of the middle class. Doing so requires strengthening the organizations that can mobilize their constituencies and, equally important, coordinating these organizational efforts into a coherent strategy that can make an impact on public opinion and public policy (Dreier 1997).

median staff of seven people (Walker 1993). Another nationwide study found the median CDC budget to be $700,000, but the groups in this sample tended to be larger than the typical group (Vidal 1992). In 1988–90, only 39 percent of the CDCs had 10 or more staff, but these groups produced 52.6 percent of all CDC-sponsored units.

The small size of most CDCs makes their already-complex task more difficult, especially under adverse funding conditions. The patchwork of funding sources makes the development of affordable housing extremely complex. To create a 25-unit housing development, for example, a CDC may need to obtain subsidies and grants from 10 different sources, a mix of corporations, foundations, and governments. The various funding programs have different, and often conflicting, deadlines, timetables, and guidelines. As a result, CDC staff often devote more time to “grant grubbing” than to developing and managing housing. The legal and financial complexities also require CDCs to engage the services of many lawyers and consultants, adding to the cost and time of getting housing projects under way.
To do this effectively, foundations must recognize the current political realities surrounding national housing policy and must honestly assess the current state of the housing advocacy movement.

The hard truth is that the nation’s housing crisis is still a marginal issue in American politics. In fact, according to DeParle (1996, 52), “housing has simply evaporated as a political issue.” For example, when journalists for major national newspapers and newsmagazines write about key domestic problems or where the major candidates stand on the major issues, the list always includes the economy, crime, the environment, welfare, and education. With few exceptions, they rarely include the plight of our cities in general or housing in particular.

When housing policy does get on the political screen, it revolves around HUD, which these days hardly anyone can be found to defend. “Politically, HUD is about as popular as smallpox,” reported the Washington Post (Gugliotta 1995). This lack of support is due, in part, to widely held stereotypes about public housing. In a speech before the National Association of Realtors in April 1996, GOP candidate Robert Dole labeled public housing “one of the last bastions of socialism in the world” and said that local housing authorities have become “landlords of misery.” A few weeks later, Rep. Rick Lazio of New York, then chair of the House subcommittee on housing, attacked “the hulks of failure that characterize high-rise public housing” (Pear 1996). Ironically, when HUD sought to reverse the concentration of poor people in urban ghettos—through the new Moving to Opportunity program (a small pilot program to help the ghetto poor find apartments in better neighborhoods)—conservative pundits and Republican politicians opposed it as “social

30 The biggest secret about public housing is that most of it is well managed and the majority of units are in small and mid-size developments. But many older projects in the big cities are physically isolated, high-rise ghettos, underfunded and poorly maintained. About 86,000 public housing units are “severely distressed,” many of them vacant, because of the lack of funds for ongoing maintenance and repairs. Once targeted to the working poor, public housing has increasingly become home to the extremely poor. Today, the median household income in public housing is only $5,850, 19 percent of the national median income. Only about 40 percent of its nonelderly households have a wage earner. There are about 900,000 families on the waiting lists for the nation’s public housing apartments. Even though many local housing authorities have closed off their waiting lists because it takes several years (or more) to get into an apartment, many clients prefer public housing over the private rental market (Atlas and Dreier 1992; Council of Large Public Housing Authorities 1995; Lazere 1995; National Commission on Severely Distressed Public Housing 1992; Vale 1993).
engineering” (Dreier and Moberg 1996). House Speaker Newt Gingrich told the Washington Post, “You could abolish HUD tomorrow morning and improve life in most of America” (Cooper 1994). Sen. Lauch Faircloth of North Carolina, chair of the HUD oversight subcommittee, filed legislation to eliminate the agency, asserting, “I think we need to put this department to rest” (“Adm’n Wins First Round” 1995).

Moreover, the political constituency for housing policy is weaker and more fragmented now than it has been in decades (Dreier 1997). Indeed, Gingrich was candid about the reasons for HUD’s vulnerability. Its “weak political constituency,” he told the Washington Post in December 1994, “makes it a prime candidate for cuts.” Housing policy is viewed as a narrow “special interest” concern of big-city mayors, developers, and do-gooder groups, rather than as part of the broad social contract. It is viewed primarily as a “social welfare” issue, rather than as a key component of the nation’s economic well-being.

Many housing activists hoped that the Clinton administration would not only stem but reverse the tide. But Clinton was elected in 1992 without a majority mandate. He received only 43 percent of the overall vote. Equally important, his own party, while capturing a majority of the seats in Congress, was deeply divided, with many members closely linked to big-business interests that oppose progressive taxation, Keynesian pump priming, and social spending. Congress defeated two of the Clinton administration’s early priorities, a major public investment program and health care reform, both of which would have had a significant impact on the problems of the poor and the cities. Even so, Clinton’s first two years saw an increase in HUD’s budget, revisions in some long-standing policies on public housing and housing mobility, a pilot “empowerment zone” program in several cities, and stronger anti-redlining enforcement.

After the November 1994 elections, the Republican majority in Congress appeared to be ready to complete the Reagan revolution in housing policy (“Adm’n Wins First Round” 1995). In December 1994, in response to congressional threats to eliminate HUD altogether, President Clinton and HUD Secretary Henry Cisneros unveiled a plan to “reinvent” HUD, emphasizing streamlining and consolidating HUD’s crazy-quilt programs and handing the funds over to states and cities. It also called for a dramatic cutback of HUD’s mission by virtually eliminating federal funding for existing subsidized housing developments with about 3 million low-income apartments (HUD 1995;
Van hornenbeck 1995). By the end of 1996, Clinton and Congress had reached a stalemate. They reduced HUD's budget from $26 billion to $19 billion, which is 28 percent of the HUD budget in 1980 in constant dollars (Dolbeare 1996). They also gave more authority to states and cities and agreed to privatize some of HUD's functions, whose staff size had been reduced from 13,000 to 10,000 since Clinton took office (Janofsky 1997).

Housing was barely an issue during the 1996 presidential election campaign. The Republican platform and candidate Bob Dole called for the elimination of HUD. The outcome of the November 1996 election, with a Republican majority in Congress and many Democrats indifferent to housing concerns, does not bode well for federal housing policy. In the current political climate, HUD is likely to continue to face serious opposition. Moreover, in tandem with welfare reform, a bipartisan consensus is emerging to "devolve" federal housing funds to state and local governments, justified by the mantra that the states "know best" how to craft programs and spend money to meet their diverse local housing needs. Furthermore, state and local governments are being asked to do more with less.

This was not always the case. After World War II, federal housing policy had a broad political constituency: young families who wanted to buy homes, developers who wanted to build them, brokers and lenders who wanted to help them buy, and labor unions whose members wanted to buy homes and construct them. So long as federal policy helped the blue-collar working class achieve the middle-class American Dream of homeownership, it was politically acceptable for Washington to build public housing for the poor as a way station on the road to upward mobility (Hays 1995; Wright 1981).

Reforming the housing reform movement

In the current political climate, it is critical for housing advocacy and organizing groups to mount effective campaigns to change public opinion and public policy. But the housing movement is in

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31 In February 1997 the Clinton administration proposed a 30 percent increase in HUD's budget, to $24.8 billion, with the increase targeted entirely to cover expiring Section 8 contracts (Janofsky 1997; Stanfield 1997).

32 During the summer of 1996, Clinton and the GOP Congress passed a welfare revision bill that gave states greater flexibility but less money. One consequence will be to reduce the funds available for low-income families to pay rent.
organizational disarray, and foundations have unwittingly exacerbated the situation by their practices. How can foundations identify effective housing organizations, networks, and issues so that they can leverage their grantmaking most productively?

An analysis of the housing movement reveals not only enormous commitment and talent, but also an incredible degree of fragmentation. It is a mosaic of local, state, and national groups dedicated to improving housing conditions for poor and working-class people, but with little overall coherence and direction and little sense of themselves as a movement.

The lessons of the past two decades of local housing activism are sobering. Activists can put pressure on banks to stop redlining, force landlords to fix up slum buildings and stop rent gouging, and pressure local governments to target housing funds to nonprofit development organizations. But despite the existence of thousands of local grassroots community organizations, many statewide housing advocacy groups, and about a dozen national coalitions and networks engaged in housing issues, the whole of the housing movement is smaller than the sum of its parts. This is largely because all these local efforts are fragmented, isolated from one another, and unable to build on one another. Moreover, the various segments of the housing constituency often work at cross-purposes, lobbying for their own specific piece of the HUD pie, weakening the overall impact of their efforts and undermining the likelihood of building broad support for federal housing programs. With some exceptions, local community groups (and even national organizations and networks that are essentially engaged in the same cause) basically ignore one another's work rather than finding ways to work together strategically. Most local and even state housing groups are only

33 I distinguish between the housing industry and the housing movement. The industry is composed of the trade associations of for-profit builders, real estate agents, lenders, landlords, investors, management companies, and others. On some issues the interests of the industry and the movement converge, but more often they conflict.

34 HUD has many different pockets of money to help public housing agencies and an almost equal number of distinct programs for private owners of HUD-subsidized developments. It has two programs allocated by formulas to municipal governments, the Community Development Block Grants and HOME. It has separate programs to house the elderly, Native Americans, rural populations, people with AIDS, and various subpopulations of homeless people (families, veterans, people with AIDS, and the elderly). HUD has programs to create SRO apartments, transitional housing for women and children, shelters, and health care clinics for homeless persons. There are distinct
loosely tied together. Thus, it is difficult to design a national agenda and a national strategy that can build from year to year. It is difficult to develop local and national leaders to form lasting alliances or to mobilize people around direct action, legislation, or electoral campaigns.

No one expects the housing movement to overhaul national housing debate or policy overnight. On its own, a single-issue cause like the housing movement cannot be expected to make more than a small dent in national policy. But even within these limited expectations, the housing movement is relatively isolated. Moreover, as a movement, it has no strategy to move itself out of this isolated box.

The emergence and expansion of these specific advocacy groups in the 1980s were understandable. Each group, on its own, did work that needed to be done. Each group had its own organizing agenda. Each group had its own office, stationery, newsletter, and annual meeting. Each group had its own mailing list and fund-raising list. Each group held fund-raising events and applied to the same foundations for support. Each group hired staff and trained leaders to speak and organize on behalf of its constituents. Each group fought for federal, state, and local legislation to serve the needs of its constituency.

But activists and advocates—and their allies in the foundation world—can no longer afford the luxury of this fragmentation of effort, the “let a thousand flowers bloom” approach, that characterized the 1980s and early 1990s. In the current climate of fiscal crisis and government austerity, grassroots groups must work even harder and in greater cooperation to guarantee that the concerns of the needy are not lost in the political cacophony. In Congress and in state legislatures, for example, some legislators believe that the different low-income advocacy groups are working at cross-purposes or that their priorities are mutually exclusive; journalists often share this perception. To the extent that the housing movement is fragmented, it is weakened.

programs for new housing construction, moderate rehabilitation, and major rehabilitation. HUD has two housing allowance programs (vouchers and certificates) that have different standards and various specialized programs (such as Moving to Opportunity) to target these allowances for specific purposes. HUD is also in the fair housing business, monitoring (often through contracts with community-based groups) discrimination by landlords, lenders, and local governments. Most HUD funds go directly to cities and towns, but some circumvent local governments and go to community groups and owners of HUD-assisted projects. Through the Federal Housing Administration, HUD also insures mortgages for individual home buyers and developers of subsidized low-income housing.
A choice must be made: Activist groups can either fight one another for the crumbs that remain as social program budgets are dismantled, or they can join forces and develop a common approach that will be more effective in addressing the needs of low-income and working-class people.

However, like the housing movement, the foundation world is also fragmented. There is no overall housing and community development strategy within the philanthropic world, even among those funders that support organizing and advocacy. Several problematic foundation practices contribute to the fragmentation of grassroots organizing and advocacy groups.

First, foundations all have different guidelines, application forms, and funding cycles. Thus, grassroots and advocacy organizations are constantly rewriting and revising proposals to different foundations asking for grants to do essentially the same thing. Second, most foundations like to provide seed funding to a group for one to three years and then withdraw, hoping that in that time the group will have learned how to raise funds from its own members or other sources. This, of course, is an unrealistic expectation for organizations based in low-income neighborhoods, but it remains the guiding principle of many foundations. Third, most foundations want to get some credit for being innovative. Thus, they carve out a programmatic niche to demonstrate their distinctiveness. In the business world, where companies need to show how their brand of car or toothpaste is different from and better than their competitors’, this is called “product differentiation.” But foundations are not profit-maximizing corporations, and this approach to grantmaking can be burdensome to grassroots and advocacy organizations, which have to figure out what foundations are looking for and tell them what they want to hear without significantly changing their advocacy or organizing agendas.

As a result of these foundation practices, grantee organizations spend an inordinate amount of their time hustling grants from a wide variety of foundations, which diverts their attention from their primary task of mobilizing and advocating for the disenfranchised.

In other words, grassroots or advocacy organizations and foundations concerned about housing have a common stake in getting their acts together. A multiyear national effort is needed to coordinate grassroots organizing, provide technical assistance to local and state housing activist groups, improve media coverage of housing issues, and expand public awareness of housing policy.
so that activists can better educate their elected officials and expand the public resources available for housing programs.

A coordinated national campaign for affordable housing—linked to local and state advocacy—can succeed in reshaping national housing policy. For housing advocacy to be more effective, the crazy quilt of local, state, and national groups must become more coherent, more strategic, and more sophisticated. Foundations must recognize that the key to a successful campaign is strategic advocacy.35

Organizing networks and training centers

America’s foundations should begin to direct an increasing part of their resources toward supporting the development of the national organizational infrastructure and of a strategically planned campaign of public education that will galvanize both grassroots community and national leaders to devise an effective housing policy. This effort could make the American public, the media, and elected officials aware of and willing to change the inadequacies of national housing policy and resources.36 The most effective way to target resources toward this goal is to focus grantmaking on intermediary organizations, such as national networks and organizing training centers. They should play a key role in any philanthropic commitment of housing advocacy.

There are lessons about advocacy and organizing to be learned from this recent experience with the CDC sector. As noted

35 There are some useful examples of collaboration among foundations around housing advocacy: In 1993 the Boston Foundation spearheaded a collaboration among private funders to issue a position paper on federal policy to address homelessness (see Boston Foundation Fund for the Homeless 1992). San Francisco-area foundations formed a task force to deal with the issue (Northern California Grantmakers’ Task Force on Homelessness 1992).

36 In Massachusetts, for example, these groups played a key role in pushing the state to significantly expand its housing efforts during the boom years of the 1980s. During that period, Massachusetts was frequently seen as an innovator in housing policy. But the state’s economic downturn, its fiscal crisis, and the failure of most elected officials to address these problems led to a sweeping attack on housing and other programs. Mirroring the Reagan-era agenda in Washington, the state’s housing budget under Republican Governor William Weld was slashed in 1991. In response, housing advocate groups formed the HOME Coalition (with key funding from the Boston Foundation) to develop a common agenda and a common organizing strategy to protect state housing resources and to build a stronger grassroots movement to fight for housing reform in the future.
earlier, a key ingredient in the numerical growth and improved capacity of the community development sector has been the creation and expansion of national, regional, and local nonprofit intermediary institutions. During the past 15 years, the philanthropic community has succeeded in expanding the community development sector, partly by targeting funding through intermediary organizations. These organizations provide technical assistance to help existing organizations improve their skills and to help new organizations learn the basics of community development. They channel private, philanthropic, and government funding to community-based development groups to help them undertake projects successfully. Thanks in part to the work of these intermediary institutions, community-based development organizations have become increasingly sophisticated in terms of finance, construction, management, and other key functions. This has been accomplished not only by targeting technical assistance and funds to individual groups, but also by enabling groups to learn from one another, build on one another’s successes, and form partnerships and coalitions.

Foundations should apply the same approach to funding organizing and advocacy by targeting funds through national and regional intermediaries with successful track records. One of the most important functions of these networks and training centers is linking local and state-level organizations to national issues, so that local groups can work on issues whose solutions require them to move outside their neighborhood, city, or state, such as efforts to address redlining at both local and national levels. Even local foundations might consider not funding local housing reform groups that are not linked with one of these intermediaries.

There are two kinds of national networks. Some—including organizations like the National Coalition for the Homeless, the National Low-Income Housing Coalition, the National Community Reinvestment Coalition, the Center for Community Change, and the National Congress for Community Economic Development—focus almost entirely on housing and community development issues. Others—such as ACORN, the Industrial Areas Foundation, Citizen Action, and National People’s Action—are multi-issue networks that focus on housing as one of a number of priority issues.

These include organizations such as LISC, the Enterprise Foundation, the Neighborhood Reinvestment Corporation, Telesis Corporation, the Development Training Institute, Community Builders, Community Economics, the Institute for Community Economics, and the McAuley Institute.
Those in the first group occasionally activate their loose affiliates of local housing activists (tenant groups, homeless shelters, community and church organizations, nonprofit developers) to protect or expand federal housing programs for the poor. They tend, however, to be engaged more in advocacy than in mobilization. The organizations in the second group are somewhat tighter national federations with the capacity to mobilize their member groups around both local and national issues simultaneously. ACORN, the Industrial Areas Foundation, and Citizen Action, in particular, have a strong movement-building agenda and have some capacity to carry out a coherent strategy. These organizations and networks have different strengths and weaknesses in grassroots organizing, leadership development, research, legal advocacy, lobbying, media relations, and political strategy. Their strengths could complement one another if they worked cooperatively. Efforts to get these national networks and organizations to work together have been problematic.

In addition to these national organizing networks and organizations, more than 20 organizing training centers have successful track records of teaching community organizations the skills needed to develop indigenous leaders, build strong community organizations, and win victories that improve social and economic conditions in their neighborhoods. Many local groups and thousands of leaders and staff members have participated in these training programs during the past decade. Some training programs (like those linked to the Industrial Areas Foundation and ACORN) are affiliated with national community organizing networks, while others provide training and support to any group that wants it. For example, the Midwest Academy in Chicago provides training and technical assistance to statewide and neighborhood organizations linked to the Citizen Action network, but it also provides these services to hundreds of other community organizations, including many housing groups. Some centers provide technical assistance to groups across the country, while some focus on particular regions. These training

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38 The two oldest training centers are the Industrial Areas Foundation and the Highlander Center. Others now include the Midwest Academy, the Center for Third World Organizing, the National Training and Information Center, the Institute for Social Justice, the National Housing Institute, the Gamaliel Foundation, the Organizing and Leadership Training Center in Boston, the Organize Training Center in San Francisco, the Center for Community Change, Grassroots Leadership, the Pacific Institute for Community Organizations in Oakland, the Community Training and Assistance Center in Boston, the Regional Council of Neighborhood Organizations in Philadelphia, and United Connecticut Action for Neighborhoods. The Center for Community Change is both an organizing network and a training center.
centers have developed well-honed techniques, books, manuals, videos, and other materials to train grassroots leaders and create vibrant community organizations (see Delgado 1994; Dreier 1996; Rogers 1990; Wolter 1991, 1993).

Like their counterparts among intermediaries and training programs in the community development sector, organizing networks and training centers have the capacity to expand significantly the scope and effectiveness of the nation’s grassroots organizations engaged in housing. They have the staff, experience, track record, staying power, and vision to help community groups put in place the components they need for broader success: leadership development, organizational capacity building, and the ability to forge alliances. Compared with their community development counterparts, however, community organizing networks and training centers operate on shoestring budgets. They comprise an incredible untapped resource. Both they and the groups that could take advantage of their expertise lack the funds to move much beyond their current level of activity. These networks and training centers could play a more important role in catalyzing successful housing advocacy and organizing at the local level and in helping local housing groups form alliances with their counterparts in other neighborhoods, cities, and regions.

The housing agenda has always made the most headway when the concerns of the poor and the middle class were joined. In the Progressive Era, that meant improving health standards for tenements for immigrant workers in the teeming slums, as well as building apartment houses for the middle class. In the Depression and the postwar years, it meant building subsidized housing for the working class and shoring up homeownership for the middle class. But the political vehicles to fashion this coalition need to be rebuilt if the issue is to move from the margins to the mainstream of the nation’s agenda.

The key to success is to broaden the political constituency for housing and to develop a coherent organizational strategy for putting the housing issue on the nation’s agenda. A strategy of this type could include the three common goals that are emerging as priorities among national, state, and local housing advocacy groups.

First, mobilize and educate large numbers of poor and moderate-income Americans around housing issues. This requires building strong local and state-level grassroots advocacy organizations and coalitions. It involves leadership development and staff
training. It involves helping groups develop a common legislative agenda around which to focus organizing efforts.\textsuperscript{39}

Second, help grassroots citizens’ groups educate their public officials, journalists, and opinion leaders—at both the national and local levels—about the inadequacy of current housing policy and the need for new approaches and additional resources. This involves providing support for a national media campaign to improve media coverage of housing issues and housing organizations (Dreier and Dubro 1991). It also involves providing support for research and public policy analysis linked to housing advocacy work.\textsuperscript{40}

Third, help link national organizing networks and advocacy groups around a common strategy. This involves providing incentives for national groups to join forces, to mobilize their constituents around a common agenda, to agree on targets of opportunity for influencing elections and legislation, and to forge alliances with various groups (unions, churches, government organizations, businesses, environmental groups, and women’s groups) for which housing is not a central focus but does significantly affect their constituencies.

With the housing problems of vast numbers of poor and working-class Americans rapidly increasing, the national mood is changing, and housing is becoming a more visible issue. The building blocks for a strong national housing policy are in place, but grassroots and national housing groups need to develop a common agenda and a broader constituency if they are to translate their successes at the local level into meaningful national policy changes.

America’s foundations can help make this happen. Foundations can pool resources to work together. By strategically expanding their resources for housing advocacy and organizing and by supporting a grassroots-based national infrastructure for a more progressive federal housing policy, the philanthropic community can make a dramatic impact on our current housing crisis.

\textsuperscript{39} For a proposal to fashion a new progressive housing policy, see Dreier 1997.

\textsuperscript{40} A good example of this is the growing number of academics who analyze Home Mortgage Disclosure Act data on behalf of local and national organizing and advocacy groups. This is a highly technical and specialized area of expertise, but these academics have worked closely with activist groups not only to provide essential information around mortgage lending trends, but also to teach staff how to assemble and use the information.
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