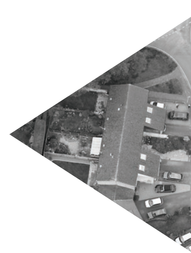
THE EVOLUTION OF HUD'S PUBLIC-PRIVATE PARTNERSHIPS

A HUD 50TH ANNIVERSARY PUBLICATION



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The Evolution of HUD's Public-Private Partnerships

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Disclaimer

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Introduction

The New York City Department of Housing Preservation and Development, the New York City Housing Development Corporation, and private developer Preservation Development Partners are teaming up to rehabilitate the North Shore Plaza public housing complex. Through the U.S. Department of Housing and Urban Development's (HUD's) Rental Assistance Demonstration (RAD), the Staten Island complex will shift from public housing to project-based voucher units. Now, private investment and Low-Income Housing Tax Credits (LIHTCs) will finance long-needed upgrades for the project (*Real Estate Weekly*, 2014).

The City of Chicago, a nonprofit developer, and local service agencies are partnering to transform the Woodlawn neighborhood into a "neighborhood of choice." HUD's Choice Neighborhoods program supports the Woodlawn project's planning and implementation (Preservation of Affordable Housing, Inc., n.d.).

In July 2015, HUD launched the ConnectHome initiative, which aims to provide free or highly subsidized broadband access to hundreds of thousands of HUD-assisted tenants (White House, 2015). ConnectHome is a partnership with Internet service providers, foundations, and local governments across the country.

Today, most HUD programs are structurally public-private partnerships (P3s) or have some public-private aspects. The nation's foremost low-income tenant assistance subsidy can be viewed as a grand P3: housing choice vouchers (HCVs) support more than 2 million families in housing chosen from the private market, and each voucher involves a contract between a local public housing authority (PHA) and a private entity. For decades, Community Development Block Grants (CDBGs) have financed local private services organizations. HUD has described the Federal Housing Administration (FHA) single-family home mortgage insurance program as "one of the most successful public-private partnerships in history" (HUD, n.d.a). Ginnie Mae, as described by its president, Ted Tozer, is "a perfect example of a public-private partnership" (Ginnie Mae, 2013).

P3s were part of the political and housing policy toolbox long before HUD's creation. In the 1930s, the New Dealers incorporated public-private aspects at the advent of the federal government's intervention into housing policy. The New Deal home loan programs provided for guarantees of loans and mortgages issued by private banks, enabling the Roosevelt Administration to temper commercial banks' opposition to a federal role in home mortgage lending (Salamon, 2000). The Roosevelt Administration also attempted to develop housing in "slums" by providing subsidized federal loans to private developers. The federal government adopted the typical method of public housing construction—through funds directed to local housing authorities— only after that and other strategies proved infeasible (Jackson, 1985). The *Housing Act of 1954* [1] authorized new FHA mortgage insurance programs for affordable housing, including lower cost housing for displaced families. In 1955, one commentator wrote in the *Harvard Business Review* that the Eisenhower Administration deflected private opposition to public housing by "allocating to business interests the share of responsibility for which they have long asked" (Phalan, 1955: 112). In 1959, President Eisenhower signed legislation creating the Section 202 Supportive Housing for the Elderly Program, a P3 that has endured for more than 50 years (Caves, 1989). Section 202 provided direct loans to nonprofit organizations at a below market interest rates, introducing a model that the government would adopt in several other public-private programs in the 1960s (Listokin, 1991).

The involvement of public-private partnerships in housing programs has grown steadily since HUD's formation in 1965. Depending on their goals, previous administrations have framed P3s as a means of either expanding or reducing the federal government's role in housing and urban development. President Lyndon Johnson employed P3s as an essential narrative tool as he sought to expand federal housing programs. Presidents Nixon through George H.W. Bush, however, used P3s to devolve housing programs to local control, introducing voucher assistance

[1] Public Law 83–560.

and making it permanent. Under Presidents Clinton through Obama, HUD relied on P3s as a key policy tool to promote mixed-finance affordable housing and place-based development. Although this article is organized by Presidential administrations, other key stakeholders—such as HUD leadership, legislators, developers, and advocates—have also used the public-private frame to further their policy aims.

There are good reasons to use P3s. P3s enable government to share risks with the private sector, leverage investments for far greater effect, take advantage of efficiencies outside government, and employ broader knowledge and skills. Evidence has shown, however, that P3s can have drawbacks as well (Sagalyn, 2011). For example, if incentives in the partnership's structure are not carefully designed, P3s can reduce access to government programs and increase costs. P3s can provide opportunity for corruption. P3s can make housing policy more complicated to evaluate and understand as new intermediaries spring up between government and a program's implementation (Erickson, 2006). Programs throughout HUD's history have demonstrated both the benefits and downsides of P3s.

This article describes programs and policies with significant public-private aspects as "public-private partnerships," although they might not qualify under a strict interpretation of that term. The National Council for Public-Private Partnerships defines P3s as "contractual arrangement[s]" between a "public agency and private company" (NCPPP, n.d.). A toll road constructed and operated by a private company on public land is a classic P3. Housing choice vouchers, for example, do not fit that more strict definition because the federal government does not choose individual private partners. In addition, many distinctions fall within this broad framework. The "private" in a public-private partnership can refer to for-profit entities or nonprofit organizations; developers or lenders; and industry groups, private civic organizations, or individuals. These distinctions have consequences for the design, implementation, and evaluation of P3s.

Public-Private Partnerships of the Great Society

President Johnson's signing of the *Housing and Urban Development Act of 1968*[2] constituted a major pivot toward P3s as both a political frame and a policy tool (von Hoffman, 2013). The act's public-private elements helped ensure its passage and provided for a landmark expansion of federal housing programs, building on public-private initiatives established by Congress in 1965.

The Johnson Administration employed P3s across its Great Society agenda. Although Johnson would not use the phrase "public-private partnership" until 1967—becoming the first President to use the expression—early on he emphasized the necessity of public-private cooperation (von Hoffman, 2013). For example, in his *Special Message to the Congress Proposing a Nationwide War on the Sources of Poverty*, Johnson (1964) called for new public-private cooperation.

> But poverty is not a simple or easy enemy. … Nor can it be conquered by government alone. For decades American labor and American business, private institutions and private individuals have been engaged in strengthening our economy and offering new opportunity to those in need. We need their help, their support, and their full participation. (Johnson, 1964)

Johnson (1964) also pointed to the need for local decisionmaking as part of that strategy, commenting that the Community Action program would involve "local plans calling upon all the resources available to the community: federal and state, local and private, human and material." The Community Action Program, which continues today, supports local nonprofit private and public organizations to "fight America's War on Poverty" (Community Action Partnership, n.d.). Years later, as federal leaders embraced devolution, local decisionmakers would gain greater autonomy in implementing housing and urban development P3s.

[2] Public Law 90–448.

The Johnson Administration had also introduced housing programs that engaged private industry. In 1966, HUD Secretary Robert Weaver announced the Turnkey public housing program, which enabled housing authorities to contract with private developers to construct public housing on private land (Burstein, 1967). When the project was complete, the developer turned over the keys to the housing authority. The Turnkey II pilot, launched in 1967, invited private management firms to manage public housing projects (Burstein, 1967). Turnkey III, also announced in 1967, provided for private ownership opportunities for residents of public housing (Burstein, 1967).

The 1968 act built on these initiatives and set an ambitious goal: to build 6 million homes for low- and moderate-income families within 10 years, at a cost of $5.3 billion for the first 3 years and an eventual estimated cost of $50 billion (von Hoffman, 2013). Although several of the act's programs were soon canceled or transformed, they served as the foundation for many HUD programs today.

P3s as a Political Framing Tool

Johnson touted the 1968 act as a vehicle for public-private partnerships. He proposed the act to Congress as a "new partnership between business and Government" (Johnson, 1968) and heavily involved private industry in the bill's creation, while also enlisting supporters of public housing (von Hoffman, 2013). As Johnson noted in his 1968 address to Congress (Johnson, 1968), the legislation was developed in part by the Kaiser Commission, a group of business leaders charged with developing plans for new urban development (von Hoffman, 2013).

By framing the act in this way, Johnson converted potential private-sector opponents into partners and beneficiaries. For example, the National Association of Home Builders gradually became a stronger supporter of the bill's initiatives, such as the Section 235 homeownership program, which enabled new home construction and thus new business (Hays, 2012). These programs also appealed to moderate Republicans (Hays, 2012). In comparison, new public housing programs would risk provoking instinctual opposition from private industry (von Hoffman, 2013).

Mainstream support for public housing had declined at this point as public attention focused on troubled projects such as St. Louis' Pruitt-Igoe. By 1968, advocates accepted the idea of P3s as a vehicle for social welfare policy (von Hoffman, 2013). The backdrop of riots and upheaval led both reformers and industry to share "a deep sense that the urban crisis demanded a massive rebuilding effort, which current housing programs could not accomplish" (von Hoffman, 2013: 185).

Johnson took the lead in framing the 1968 act, but Congress also embraced the narrative of P3s. The House Report for the act stated, "There must be a reaffirmation of a federal commitment to provide decent and affordable shelter to lower income persons, as well as a recognition that private sector involvement with the government is necessary" (U.S. House of Representatives, 1968). The House Report asserted, "Congress declares that in carrying out the programs . . . the fullest practicable utilization of the resources and capabilities of private enterprise . . . should be employed" (1968). The act repeated that language and stated, "it is the policy of the United States to encourage the widest possible participation by private enterprise in the provision of housing for low or moderate income families."[3]

Legacy of Great Society Housing P3s

Several enduring public-private housing and urban development strategies were first implemented under Johnson. The 1968 act's Section 235 homeownership program was the first direct federal subsidy to support homeownership (Schwartz, 2010). Only weeks before HUD was formally established, the *Housing and Urban Development Act of 1965*[4] created the Rent Supplement program, the first project-based rental assistance program for tenants living in privately owned housing (Coan, 1969).[5]

Some of the Great Society P3s survive intact. For example, the 1968 act established Ginnie Mae as separate from Fannie Mae. Ginnie Mae, which insures mortgage-backed securities and in turn fosters investment in affordable home mortgages, now issues a greater share of single-family mortgage-backed securities than ever before (HUD, 2014a). Since the 2007-to-2008 lending crisis, Ginnie Mae has played a countercyclical role in supporting the private mortgage market.

Subsequent programs with public-private aspects replaced other Great Society P3s. For example, the 1968 act established the Section 236 rental housing program, which subsidized private construction of rental housing (Schwartz, 2010). President Nixon suspended Section 236 in 1973, and in 1974 Congress passed another subsidized production program, Section 8 New Construction. Section 236, in turn, had replaced the Section 221(d)(3) Below Market Interest Rate program, which had been established only 7 years previously (Schwartz, 2010).[6] During its 7-year life, the Section 236 program produced about 544,000 units (Edson, 2011), whereas Section 221(d)(3) produced only about 184,000 units (Schwartz, 2010). Although short lived, these programs have a lasting legacy. As of 2013, about 126,000 Section 236 units remained in service and, as recently as 2012, HUD spent more than $400 million on subsidies for Section 236 housing (HUD, n.d.c).[7]

The 1968 act also established the National Corporation for Housing Partnerships as a government-sponsored enterprise. This corporation intended to serve as a vehicle for consolidation for investors, builders, or other sponsors who lacked the necessary expertise to initiate a housing construction program on their own (Bartlett, 1969). The Corporation raised substantial private capital, but developers were not as interested. The Corporation helped develop only 40,000 units over 10 years, and in 1986 the Corporation's directors sold its portfolio to focus on LIHTC instead (von Hoffman, 2013). The Clinton and George W. Bush administrations similarly formed broad partnerships with developers and investors, although their partnerships were more informal.

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[3] At Section 2, the Declaration of Policy for the act, Congress declared, "[A]nd in the carrying out of such programs there should be the fullest practicable utilization of the resources and capabilities of private enterprise and of individual self-help techniques" (Public Law 90–448).

[4] Public Law 89–117.

[5] Although Congress suspended the issuance of new contracts under the program in 1973, a few thousand units continue to receive subsidies. These units are now being converted under the Rental Assistance Demonstration (HUD, n.d.b).

[6] The move to Section 236 also touched on another tension in housing policy: What group should the programs target? Section 221(d)(3) was intended to provide affordable housing for a higher income group than public housing and was attacked for providing aid to those who did not need it (Hays, 2012; Weicher, 2012).

[7] Section 236 contracts are quickly expiring, however, and in 2013, HUD stopped requesting new funding for the program (HUD, n.d.d).

The Transition to Devolution

Beginning with the Nixon Administration, many of HUD's programs devolved to local control. Nixon had framed his social programs as part of a new partnership with states and local governments. According to Nixon, under this New Federalism, "power, funds, and responsibility will flow from Washington to the States and to the people" (Nixon, 1969).[8] These programs often involved P3s.

A Dramatic Shift Under Nixon and Ford

On January 8, 1973, HUD Secretary George Romney announced that the Nixon Administration would place a moratorium on all new housing-subsidy and community-development spending, including under the mortgage and loan programs (Scruggs, 1995). In turn, this moratorium forced a major shift in subsidized housing policy—and many public-private programs—in 1974.

The Nixon Administration publicly justified the moratorium by asserting that the subsidized housing programs were inefficient and ineffective (Lamb, 2005).[9] HUD had encountered challenges in implementing the Johnson Administration's supply-side P3s: Section 235 housing "suffered from foreclosures, inefficiency, and high costs," and Section 236 had sparked well-publicized corruption scandals (von Hoffman, 2000: 320). Concerning Section 236 specifically, the administration cited issues with costs, inefficiency, ineffectiveness in providing affordability to lower income families, and the loans' soundness (HUD, 1974). Nonetheless, the program had already produced more than 350,000 units—with more coming in the pipeline—since its creation a few years beforehand. The mounting and ongoing cost of the programs was the major consideration leading to the moratorium (Greenberg, Leven, and Little, 1979).

Section 235, Johnson's low-income homeownership program encompassing both new and existing homes, had another major issue. Although the program spurred a substantial increase in housing production, it also reinforced residential segregation (Lewis, 1993). Private brokers enjoyed substantial autonomy in determining which existing homes would be selected—and typically steered low-income buyers into segregated areas (Lewis, 1993). Also, because White suburbs opposed construction of new units within their borders, many newly constructed Section 235 homes were in low-income, minority suburbs (Lewis, 1993). As Lewis (1993: 45) commented, Section 235's problems demonstrate that "in the absence of clear national standards, rules, and priorities, private enrichment may emerge as the only unambiguous objective" for P3s.

In 1973, HUD performed a lengthy study of federal housing programs, *Housing in the Seventies*, which favored rehabilitation and direct cash assistance to low-income tenants over supply-side programs (Foote, 1995; HUD, 1974). At the same time, affordable housing advocates convinced Congress to reject the Nixon Administration's most radical proposals toward devolution (Hays, 2009).[10]

Each of these factors contributed to the design of the *Housing and Community Development Act of 1974*,[11] which passed with bipartisan support shortly after President Ford took office (Caves, 1989). The 1974 act provided for three major new HUD programs with public-private aspects: the CDBG program, Section 8 tenant-based rental assistance, and Section 8 New Construction and Substantial Rehabilitation (NC/SR).

The CDBG program consolidated eight preexisting grant programs into a single formula grant to municipalities and states (Schwartz, 2010). Recipients have broad discretion to use CDBG funds for community development, so long as at least 70 percent of CDBG spending benefits low- and moderate-income people (Schwartz, 2010). Communities often use CDBG funds to pursue P3s, which HUD has promoted. For example, in 1984, HUD sent CDBG grantees a booklet titled "Public/Private Partnerships-Leveraging Your CDBG" (HUD, 1984). In particular, the CDBG program has fostered the growth of community development corporations (CDCs; O'Regan and Quigley, 2000). CDCs

[8] Nixon did not mention private organizations in this speech.
[9] The moratorium also blocked Secretary Romney's plan to integrate communities through the Fair Housing Act, which Romney had launched without the administration's approval. In fact, Bonastia (2004) argued that the Nixon Administration used the struggles of FHA programs as a pretext to stop federally driven residential integration, without doing so explicitly.
[10] Congress passed the Budget and Impoundment Control Act of 1974 to prevent future impoundments. To do so, Congress had to "invent a rational process to guide its own budget decisions" (Penner, 2002: 5).
[11] Public Law 93–383.

are nonprofit organizations that focus on place-based revitalization in low-income, underserved areas and usually include community members on their boards (Community-Wealth.org, n.d.). CDCs often pursue multiple strategies for community development, from affordable housing development to social services (Community-Wealth.org, n.d.).

The new Section 8 tenant-based rental assistance program followed an experiment—in 1970, Congress had directed HUD to design and implement the Experimental Housing Allowance Program (HUD, 2000a). Recipients of Section 8 tenant-based rental assistance initially paid 15 or 25 percent (later raised to 30 percent) of their income on rent in privately owned units (HUD, 2000a). Recipients could generally rent only units with costs up to the Fair Market Rent established by HUD for the local area (HUD, 2000a).

Section 8 NC/SR was the project-based component of Section 8. As a rental assistance program designed to subsidize the ongoing annual maintenance and operating costs of housing, NC/SR could reach more lower income families than Section 202, Section 221(d)(3), or Section 236. Instead of paying an amount linked to the mortgage, HUD subsidized the difference between an affordable rent paid by low-income tenants and the area Fair Market Rent (Schwartz, 2010). Participating owners also received a federal tax break (Schwartz, 2010). NC/SR was very expensive, because project rents increased each year by an annual adjustment factor based on rental changes in the entire metropolitan area—rents in the projects' neighborhoods, however, often increased at a much lower rate than rents in the metropolitan area as a whole (Schwartz, 2010). Project-based Section 8 was soon expanded to include the Loan Management Set-Aside (LMSA),[12] which provides annual operating subsidies for buildings developed under the older financing subsidy programs.

Further Devolution Under Carter

Like Johnson, President Carter sought to use P3s as a means to increase federal support for American communities and, like Nixon, Carter promoted devolution. In 1978, the Carter Administration released the United States' first comprehensive urban policy statement (Neumann, 2014), *A New Partnership to Conserve America's Communities: A National Urban Policy. A New Partnership* highlighted P3s alongside voluntarism and decentralization, focusing on leveraging of federal investment.

> [A]s urban problems have intensified, more local governments at all levels have looked increasingly to Washington for help. . . . President Carter's policy seeks to gradually undo this dependency. For the first time, the federal government will be the catalyst – acting as the starting gun to set off a chain reaction of private and other public investment in cities. One federal dollar will be used to encourage five or six dollars of private investment, making the impact on cities so much greater. . . . The Carter approach strengthens the flexibility offered to local officials, but reintroduces stronger economic and social objectives to guide the urban programs. (President's Urban and Regional Policy Group, 1978: 5–6)

The Carter Administration institutionalized this attitude in a formal office of public-private partnerships within HUD (von Hoffman, 2013). Carter's approach aligned with local activism for neighborhood-oriented planning and policy, described by Osman (2008) as "neighborhoodism." Neighborhoodism was bipartisan: Ford had declared 1976 the "Year of the Neighborhood" (Osman, 2008).

The Carter Administration emphasized the concept of leverage in pursuit of this urban strategy (Lyall, 1986). The Urban Development Action Grant (UDAG), the Carter Administration's premier urban program (Foote, 1995), was the first federal economic development program to require a prior guarantee of private-sector investment (Eisinger, 1988).[13] UDAG provided flexible development grants to help cities and urban counties recover from "severe economic distress" (24 CFR §570.450). The minimum leveraging ratio for UDAG was 2.5 private dollars to each UDAG dollar. In total, the actual ratio far exceeded the minimum: through 1985, $22.9 billion private dollars had been leveraged against $3.9 billion in UDAG funding, an aggregate leveraging ratio of about 5.9 to 1 (Eisinger, 1988). A 1982 HUD evaluation of the program found UDAG to be "generally very successful," and stated that, "[a]s a development tool, UDAG is providing primary and secondary benefits to distressed localities that constitute a net addition to their economies . . . with few adverse side

[12] Also sometimes called "Older Assisted" properties.

[13] Local officials were required to secure a legally binding commitment with a private organization before UDAG funds were released.

effects" (HUD, 1982: vii). From 1977 until its demise in 1988, UDAG helped create more than 500,000 permanent new jobs at the relatively cheap rate of $8,068 in direct UDAG dollars per new job (Reed, 1989).

The Carter Administration promoted nonprofit organizations as key actors in community development. NeighborWorks America, established in 1978, funds 235 local organizations to promote reinvestment in their communities (HUD, n.d.e). Carter also created the Neighborhood Self-Help Development Program (NSHP), which provided encouragement, grants, and technical assistance to community-based groups in neighborhoods (Brophy, 2013). A prospective HUD analysis of NSHP stressed the importance of community development through local organizations, commenting, "Prospects for substantial impact of self-help initiatives by making assistance directly to individuals are limited; operation through some kind of neighborhood organization (NORG) would seem required" (HUD, 1979b: i). A subsequent Urban Institute evaluation of the program found NSHP had a positive effect (Bratt, 1998).

Reagan Cuts and Pushes To Reduce the Federal Role

The Reagan Administration emphasized private-sector initiatives across policy areas. The administration created formal structures to promote P3s, including an action plan for private-sector initiatives, a Presidential Task Force on Private Sector Initiatives, and a White House Office of Private Sector Initiatives (Berger, 1986).

This approach aligned with the federal direction in urban policy during the previous 15 years. By the time President Reagan took office, P3s were established as a framework through which government could devolve housing and urban development policy to local communities. The Reagan Administration took one step further, aiming to use private-sector initiatives to replace federal funding and oversight in urban programs. In some instances, this approach meant replacing the "public" in public-private partnerships with full privatization. As the 1982 *Report of the President's Commission on Housing* asserted, "The Commission seeks to create a housing sector that functions in an open environment—with minimal government participation. Government's role should emphasize individual freedom of choice" (President's Commission on Housing, 1982). Leaders within HUD, such as Assistant Secretary E.S. Savas, advocated for the role of the private sector in housing policy (Savas, 1983).

The fate of UDAG demonstrates the Reagan Administration's approach to P3s. UDAG, a highly flexible grant program that required P3s, seemed like a good fit—Berger, reviewing Reagan's private-sector initiatives in 1986, highlighted UDAG as a preexisting program apparently aligned with the administration's approach. In 1988, however, the Reagan Administration eliminated the UDAG program, consolidating it with the CDBG program. According to the Reagan Administration (1982), UDAG's "excessive amount of federal intervention" rendered it "incompatible with their block grant philosophy." On the other hand, the *Housing and Urban-Rural Recovery Act of 1983* [14] created the Neighborhood Development Demonstration Program (NDDP). NDDP, a small program funded at $7 million from 1984 to 1989, sought to increase the local fundraising capacity of community-based organizations and enable them to become more self-sufficient (Bratt, 1998).

The Reagan Administration doubled down on demand-side rental assistance, ending the Section 8 NC/SR programs and most new construction of public housing (Keyes et al., 1996). In 1983, HUD proposed and Congress created a Section 8 voucher demonstration. Although Section 8 tenant-based aid recipients were usually limited to housing with rents up to the area Fair Market Rent, families with vouchers could rent more expensive housing if they paid more (HUD, 2000a). Voucher holders could also use their vouchers in areas beyond the issuing PHA's jurisdiction, potentially enabling greater mobility (HUD, 2000a). In the *Housing and Community Development Act of 1987*, [15] Congress made the voucher experiment permanent (HUD, 2000a). Signing the bill, Reagan (1988) commented, "A key feature of this housing bill is the permanent authorization of the housing voucher program that we first proposed in 1982. The housing voucher program exemplifies our commitment to community development through public-private partnerships."

The LIHTC program, authorized in the *Tax Reform Act of 1986*, [16] has become the primary low-income rental housing production program for the federal government. The LIHTC program has financed more than 2.2 million affordable

[14] Public Law 98–479.
[15] Public Law 100–242.
[16] Public Law 99–514.

units since its creation (Furman Center, n.d.). According to the Joint Committee on Taxation's (1987) explanation of the act, Congress was concerned that previous tax-code provisions providing incentives for rental housing, such as accelerated depreciation, were inefficient. The Joint Committee's (1987: 153) report noted several issues, including that previous incentives were not targeted to "truly low-income" people, were not tied to the number of low-income units produced, and failed to limit the rents that could be charged to low-income people.

As compared with previous supply-side programs, the LIHTC program provides for a reduced federal role. State housing finance agencies allocate federal tax credits to developers, who agree to maintain rent-capped housing for low-income residents on a long-term basis (HUD, 2014b). LIHTC has created a substantial secondary market for the tax credits, which developers typically sell to private investors (Schwartz, 2010). LIHTC is more decentralized than previous supply-side programs and more clearly tied to market forces, which could reduce the potential for corruption (Freeman, 2004). HUD plays a limited role in the LIHTC program, which the Internal Revenue Service administers at the federal level (Schwartz, 2010). Developers receive bonuses for developing in two types of areas, designated by HUD: Qualified Census Tracts, which are high-poverty areas, or Difficult Development Areas, those with high development costs (Schwartz, 2010).

George H.W. Bush Emphasizes Volunteerism and Community Organizations

The George H.W. Bush Administration continued to emphasize private organizations' role in addressing social issues, with a focus on volunteerism and local community organizations. In his inaugural address, President Bush (1989) spoke of "a thousand points of light, of all the community organizations that are spread like stars through the Nation, doing good."

In 1990, Bush signed into law the *Cranston-Gonzalez National Affordable Housing Act*.[17] The act established two enduring public-private initiatives, the Family Self-Sufficiency (FSS) program and HOME Investment Partnerships Program. FSS provides participating HUD-assisted families with a greater incentive to work and earn more—their additional income that would otherwise go to rent is put into an escrow account, and families can access it after completing an agreement with their PHA. P3s are a core element of FSS. PHAs partner with community organizations—businesses, nonprofit organizations, and other local agencies—to provide assisted families with access to education and job training, helping families become more economically self-sufficient (Ficke and Piesse, 2004).

The HOME program, developed out of the Senate Banking Committee, was created explicitly to foster P3s to develop affordable housing for low-income and very low-income families (42 U.S.C. § 12721; Jones, 2014). HOME funds can be used flexibly for a wide range of affordable housing activities, and grant recipients must provide matching funding.[18] Since its establishment, HOME has financed more than 1 million new affordable housing units (HUD, n.d.f).

HOME also provides a setaside for nonprofit private organizations. The program earmarks 15 percent of funds for Community Housing Development Organizations (CHDOs) to act as owners, developers, or sponsors of eligible projects. To qualify as a CHDO, nonprofit organizations must meet several requirements: staff with demonstrated capacity to develop affordable housing, experience serving the community, and a board with at least one-third of its membership composed of low-income community members (HUD, n.d.g).[19] It appears that HOME fostered significant growth in the number of nonprofit housing organizations. In the decade after HOME's establishment, the number of CHDOs grew from 229 in 1992 to 990 in 1998, far outstripping any growth in HOME funding and probably linked to state-level LIHTC allocations to nonprofit organizations (O'Regan and Quigley, 2000).

[17] Public Law 101–625.

[18] By comparison with the UDAG program, HOME's leveraging amount is far less. Whereas UDAG required 2.5 private dollars per federal dollar, HOME requires only that grant recipients match at least 25 percent of federal funds.

[19] In 2013, HUD amended some of the regulations governing CHDOs, including a stricter requirement for CHDOs' demonstrated, internal development capacity (24 CFR § 92.2).

Housing and Urban Development Public-Private Partnerships Through Today

HUD has continued to use public-private programs as a key tool under the Clinton, George W. Bush, and Obama Administrations to improve mobility and implement mixed-income, mixed-finance housing. Facing a loss of units in public housing and privately owned, publicly subsidized units, HUD has implemented new public-private programs to attempt to maintain the existing affordable housing stock.

Clinton Focuses on Homeownership and Mixed-Finance Housing

New P3s took center stage in urban policy during the Clinton Administration, from public housing to homeownership. As for existing P3s, financial support varied. The relatively new HOME program was funded at more than $1 billion every year of the 1990s but one, including more than $300 million per year for CHDOs (HUD, 2015a).[20] Although Section 8 certificates and voucher appropriations stalled after the 1994 election, at the end of the decade the federal government committed significant funding in renewing existing Section 8 contracts (Bratt, 2002).

HOPE VI, the $5 billion public housing redevelopment program enacted in the fiscal year 1993 appropriations law, introduced new public-private elements (Popkin et al., 2004).[21] Starting in 1995, HUD allowed PHAs to use mixed-finance development, enabling them to partner with private developers to leverage HOPE VI funding, and many PHAs chose to participate (Turbov and Piper, 2005).[22] Under HUD's new terms, PHAs could lend or grant their federal public housing funds to development partners (HUD, 2001). Private partners supplemented this funding with other forms of financing, most often Low-Income Housing Tax Credits (Turbov and Piper, 2005). The new projects included both public housing and nonpublic housing units, although all units were required to include the same amenities (HUD, 2001). More than 100,000 public housing units were demolished through HOPE VI, with a portion—although, controversially, not all—replaced through vouchers or new mixed-income public housing (Sard and Staub, 2008).

HOPE VI also encouraged public housing authorities to implement linked, place-based community and supportive services such as childcare, health care, and job skills training (Holin et al., 2003). PHAs outlined community and supportive services plans in their initial grant applications, and a portion of their grants were set aside for that purpose (Holin et al., 2003). PHAs often partnered with private organizations to fund and implement these programs (Parkes and Wood, 2001). The effectiveness of these partnerships is difficult to assess because communities used very different models (Popkin et al., 2004).

In 1998, Congress revisited the P3 for vouchers, among other structural changes to the program.[23] The *Quality Housing and Work Responsibility Act of 1998*[24] permanently repealed the "take-one, take-all" provision for vouchers. Under the "take-one, take-all" rule, enacted in 1987, a multifamily landlord could not refuse potential tenants because they were Section 8 recipients if the landlord already had a Section 8 tenant in the property. Congress had intended the rule to increase the pool of apartments open to Section 8 recipients. That requirement, however, had backfired: many landlords now refused to take a single Section 8 tenant (Bernstein, 2010). The 1998 repeal represented a concession to the private side of the public-private Section 8 partnership, as Congress sought to

[20] In FY 1993, HOME was funded at slightly less than $1 billion.
[21] First named the "Urban Revitalization Demonstration," HOPE VI emerged from the findings of the National Commission on Severely Distressed Public Housing, established by Congress in 1989.
[22] The change occurred after HUD's general counsel ruled in 1994 that public housing could be privately owned if it was also operated as public housing and subject to public housing rules and regulations.

[23] Congress merged Section 8's certificate and voucher programs into a single Housing Choice Voucher Program in 1998 as well, with the intention of expanding options for voucher holders and increasing the likelihood that voucher holders would find housing. Three-fourths of Section 8 households before the merger had certificates, which could only be used for units that rented for less than a set maximum rent. Households can use vouchers to rent higher cost units if they are willing to pay more than 30 percent of their adjusted incomes (Lubell, 2001).
[24] Public Law 105–276, Title V.

make participating in the voucher program more palatable to landlords.

The 1990s also saw the passage of major reforms to maintain the project-based Section 8 rental assistance program, saving the government money and keeping units affordable in the long term. Known as "Mark to Market," the *Multifamily Assisted Housing Reform and Affordability Act of 1997* [25] constituted a renegotiated partnership between the government and landlords. The program's basic structure stayed the same: private entities owned and managed project-based affordable housing, and HUD provided subsidies to the owners through direct contracts with the federal government. Under Mark to Market, project rents were reduced to market levels, and owners could refinance their HUD-insured or HUD-held mortgages with reduced debt service so long as they accepted new and cheaper long-term Section 8 contracts (Schwartz, 2010).[26] Mark to Market also increased the role of state housing finance agencies, which refinance FHA-insured mortgages to reduce ongoing debt service and thereby lower Section 8 contracts' annual subsidy costs (Econometrica, Inc., and Abt Associates, 2006; Ray et al., 2015).

P3s were a significant element of the Clinton Administration's messaging on homeownership. As President Clinton put it in June 1995, the administration's National Homeownership Strategy aimed "to boost home ownership to 67.5 percent by the year 2000 . . . helping as many as 8 million American families across that threshold" through an "alliance of the public and private sector" (Clinton, 1995). The Strategy's key implementing group was a P3, the National Partners in Homeownership, "representing every major national association involved in housing policy" (Weiss, 2002: 11). Secretary Henry Cisneros and his successor, Secretary Andrew Cuomo, oversaw the Strategy's implementation (HUD, 1995).[27] In 1997, the Clinton Administration declared that the nation had achieved its all-time high homeownership rate (White House, 1997).

[25] Public Law 105–65.

[26] The first mortgage was set at the value of the property with market-level rents. The second mortgage, held by HUD, was set at the difference between the first mortgage and the property's outstanding debt; owners only pay interest on this mortgage if the property generated more revenue than expected.

[27] The Strategy had six prongs: (1) cutting housing production costs, (2) expanding financing, (3) targeting assistance to underserved communities, (4) opening the market to underserved populations, (5) raising awareness of homeownership opportunities, and (6) expanding homeownership education and counseling.

It is not apparent, however, that the National Homeownership Strategy—as opposed to broader macroeconomic trends and unrelated developments in the private mortgage industry—significantly affected the extent of homeownership (Doms and Motika, 2006). The Strategy involved "100 major actions" implemented by public and private entities, not major new legislation (Weiss, 2002). A 1997 White House press release, for instance, notes that HUD signed 141 Fair Housing Best Practices agreements with real estate leaders. Other touted programs were relatively small in scale. For example, the Homeownership Zone demonstration program made competitive grants to fund large-scale, mixed-income homeownership developments in distressed neighborhoods—the program in total created a few thousand additional units nationwide (Exceed Corporation et al., 2007). On the other hand, FHA initiatives may have helped expand homeownership opportunities for low-income and minority families specifically (HUD, 2000b).

Finally, the Clinton-era HUD first implemented the Section 4 program, which seeks to increase CDCs' and CHDOs' capacity to perform community development and affordable housing work (HUD, n.d.h). Section 4 funds designated national organizations—initially the National Community Development Initiative and today Enterprise Community Partners, the Local Initiatives Support Corporation, and Habitat for Humanity—to provide technical and financial assistance to local CDCs and CHDOs (HUD, n.d.h; Public Law 103–120). An independent qualitative evaluation suggests that Section 4 has helped CDCs increase their revenues, staff, and programs (Social Compact and Weinheimer & Associates, 2011).

George W. Bush Prioritizes Cuts, Messaging on Homeownership

The Bush Administration sought major cuts to some of HUD's programs with public-private aspects. After continuing HOPE VI for several years, the Bush Administration moved to end the program, asserting that it had achieved its objective of demolishing 100,000 units of severely distressed public housing (Sard and Staub, 2008). Congress in turn reduced HOPE VI's annual funding by more than 80 percent (Sard and Staub, 2008). The administration also cut funding for vouchers, project-based assistance, and public housing (Sard and Rice, 2009). HOME, on the other hand, enjoyed increased funding throughout the decade (HUD, 2015a).

President George W. Bush continued Clinton's messaging related to homeownership and P3s. In 2002, the Bush Administration launched America's Homeownership Challenge to encourage the private sector to increase minority homeownership (White House, 2004). As with the Clinton-era public-private homeownership initiatives, however, it is unlikely that these initiatives had a significant effect compared with other factors (HUD, 2010; Levitin and Wachter, 2013).

The Bush Administration also encouraged local reform of zoning and land use restrictions through P3s. In 2003, HUD created America's Affordable Communities Initiative to "encourage[ ] a public/private partnership with state and local coalitions that addresses regulatory reform at state and local levels" (HUD, 2005: 14). As with the administration's homeownership P3, this initiative constituted political framing, not substantive policy change. HUD did not set aside funding specifically for the project (HUD, 2004).

Obama Focuses on Inclusive Development and Stabilization

When President Obama took office, the nation's homeownership policy was in crisis. Other long-brewing housing and urban development challenges, such as the distressed state of public housing after decades of disinvestment, also came to the fore. The Obama Administration used P3s as a means to address these issues. On the other hand, existing P3s have experienced major cuts in the past few years. A hundred thousand vouchers were eliminated in the 2013 budget sequester and have not yet been fully restored (Rice, 2015), and HOME's budget was slashed in 2012 (HUD, 2015a).

The Neighborhood Stabilization Program (NSP), structured as a part of the CDBG program, provided $6.9 billion in three rounds of funding to acquire and redevelop foreclosed properties. The program was intended to stabilize neighborhoods and prevent them from falling into blight, because foreclosures could have a ripple effect (Enterprise Community Partners, Inc., 2012). Many private organizations participated in NSP, and public recipients often used their NSP grants as leverage to secure additional private financing (National Housing Conference, n.d.). The first round of NSP, passed under Bush in 2008, provided $4 billion to state and local governments in formula funding.[28] The second round, which provided $2 billion in competitive grants, was enacted under Obama in the *American Recovery and Reinvestment Act of 2009*.[29] Nonprofit organizations and consortia of nonprofit organizations could also apply for the second round of funding and could submit proposals in partnership with for-profit organizations (H.R. 1-104). Nonprofit organizations were added as potential grantees for the second round because some first round grantees lacked sufficient capacity, and HUD encouraged partners to collaborate (Spader et al., 2015). The third round provided an additional $1 billion in formula funding to state and local governments (HUD, n.d.i).

NSP grantees used the funds primarily to acquire and rehabilitate properties (HUD, n.d.i). A HUD evaluation of NSP's second round, however, found that the program had only a limited effect on local housing markets—possibly because the investments were not sufficiently dense, at only about seven properties per targeted census tract (HUD, n.d.i). In at least one area, however, NSP funding appeared to significantly reduce property and violent crime (HUD, n.d.i). Also, grantees typically coordinated their NSP funds with other community development activities and with other partners, which could help revitalize neighborhoods over a longer timeframe (HUD, n.d.i).

The Obama Administration is now attempting to address another looming challenge, the enormous backlog of public housing repair costs. A HUD analysis found that unmet public housing capital repairs totaled more than $26 billion in 2010 (Finkel et al., 2010), and more than 200,000 public housing units have been lost since the mid-1990s (Fischer, 2014). The public housing operating fund is perpetually underfunded (Fischer, 2014), and budget constraints and public housing's poor image mean the shortfall is unlikely to be addressed soon.

The Rental Assistance Demonstration, launched in 2012, enables public housing authorities to leverage public and private financing to reinvest in public housing developments (HUD, n.d.j). PHAs can manage RAD properties through long-term contracts for either project-based vouchers or project-based rental assistance (HUD, n.d.j). RAD adopts the mixed-financing approach that HUD introduced for

[28] Public Law 110–289. https://www.hudexchange.info/resources/documents/DivisionB_TitleIII_HERA.pdf.
[29] H.R. 1–104. https://www.hudexchange.info/resources/documents/DivisionA_Title%20XII_ARRA.pdf.

HOPE VI, although HUD envisions that nearly all units involved would be rehabilitated, not demolished and rebuilt (HUD, n.d.j). RAD was launched initially as a demonstration capped at 60,000 units, but significant interest led Congress to raise the cap to 185,000 in the fiscal year 2015 appropriations bill (HUD, 2014c). HUD expects the program to be revenue-neutral for the federal government (HUD, n.d.k).

After HUD approves a housing authority to participate in RAD, the authority must secure financing and HUD must approve the financing plan (HUD, 2012). Many PHAs have used Low-Income Housing Tax Credits, but financing varies substantially between properties and PHAs often use many sources. One RAD property in Nevada, for example, draws financing from sources including LIHTC, FHA mortgage insurance, Federal Home Loan Bank funding, HOME funds, and a grant from Wells Fargo (HUD, n.d.l).

HUD expects that rent will not increase for most current tenants in RAD units, who will not lose their housing assistance or be rescreened (HUD, n.d.k). Most PHAs have not fully privatized their public housing units under RAD, so tenants retain PHAs as their landlords (Fischer, 2014). Also, tenants in RAD developments will gain the ability to move from public housing without losing their public assistance (Fischer, 2014). Some tenants' groups and commentators, however, are concerned that tenants need more substantial protections than are currently available (Smetak, 2014). A full evaluation of RAD is ongoing (Econometrica, Inc., 2014).

HUD has also aimed to revitalize HUD-subsidized housing through Choice Neighborhoods, the Obama Administration's place-based successor to HOPE VI. As with HOPE VI, Choice Neighborhoods encourages mixed public and private financing. Whereas HOPE VI focused on public housing, Choice Neighborhoods expanded eligibility to privately owned, federally subsidized developments (Urban Institute, 2013). Choice Neighborhoods also responded to criticisms concerning tenants dislocated by HOPE VI—grantees must construct at least one replacement subsidized unit for every demolished assisted unit (Urban Institute, 2013).

Choice Neighborhoods also demonstrates the Obama Administration's focus on P3s and local planning through place-based programs. The design of Choice Neighborhoods emphasizes coordination among different local systems—for example, health or education—among public, for-profit, and nonprofit partners (Urban Institute, 2013). HUD rewarded these partnerships when scoring the grant proposals (HUD, 2014d). Similarly, the Sustainable Communities Regional Planning and Community Challenge grants provided $240 million for local planning, which was matched with $253 million in private investment and local funds (Partnership for Sustainable Communities, 2014).

HUD has added institutional support for P3s through the Office for International and Philanthropic Innovation (IPI; Scheid, 2015). Since 2010, IPI has served as a dedicated portal for public-private engagement, helping to start partnerships and then institutionalize them in other offices in HUD (Scheid, 2015). For example, IPI helped enable Rebuild by Design, a resilient design competition funded by HUD, the Rockefeller Foundation, and other philanthropic organizations (HUD, 2014e). Subsequently, the Rockefeller Foundation has run a capacity building initiative that supports HUD's National Disaster Resilience Competition, a competitive $1 billion grant program (HUD, 2014e). The Rockefeller Foundation has provided technical assistance and training workshops to help state and local applicants plan resiliently and apply for the grants.

Conclusion

After 50 years of development, HUD's P3s constitute an essential part of its programs and policies, from community development to fair housing enforcement. P3s will likely continue to play a significant role in new HUD initiatives, especially in an era of severe restrictions on new domestic spending.

The ConnectHome broadband pilot program, for instance, commits no new federal funding from HUD and relies on extensive private investment (HUD, 2015b). The ongoing Rental Assistance Demonstration, if successful, could reduce the nation's public housing maintenance backlog without substantial new federal investment. Choice Neighborhoods enables local public and private organizations to partner for systemic change, leveraging public dollars to greater effect. Public-private partnerships could also help administer HUD's programs more efficiently. As Katz and Turner argued, empowering public and private organizations to administer vouchers at a broader scale would be more efficient than the current system, in which many PHAs serve relatively small areas (Katz and Turner, 2001).

P3s provide both solutions and unique challenges for HUD. At the same time, the ambiguity of "public-private partnerships" renders them flexible for political framing (Linder, 1999). If history is any indication, future administrations will continue to use and describe P3s to accommodate their housing and urban development priorities.

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