



**Historic Preservation and
Affordable Housing:
*The Missed Connection***

**Donovan D. Rypkema
for the
National Trust for Historic Preservation
August, 2002**

There is a crisis in housing in the United States

Headlines herald new levels of homeownership in America – recently reaching 68 percent. And that is indeed reason to celebrate. The National Association of Home Builders proclaims that the United States is the best housed country in the world – and they are no doubt correct.

But beneath the celebratory headlines another story is emerging – the story of a prosperous nation that is not meeting the housing needs of far too many of its citizens.

Voices are beginning to be heard on this other story – from real estate organizations to low income housing advocates, from columnists to business groups, from Mayors to the White House. There are a variety of identified causes and an assortment of proposed solutions, but there is one consistent description of the problem – *Crisis*.

*America is facing a silent housing affordability crisis.*ⁱ
National Association of Home Builders

*Rental Housing Assistance – The Worsening Crisis*ⁱⁱ
U.S. Department of Housing and Urban Development

*We have reached a point of crisis that will be solved only with sustained and dramatic action.*ⁱⁱⁱ
National Low Income Housing Coalition

Despite our nation's unprecedented economic prosperity, there is a continuing, growing crisis in housing affordability and ownership that is gripping our nation.^{iv}
National Association of Realtors

Housing crisis worsens as construction lags demand^v
USA Today

This is an American crisis whose solution can't be postponed much longer.^{vi}
Columnist Neal Pierce

Our nation's affordable housing crisis.^{vii}
U.S. Conference of Mayors

Historically lack of adequate and affordable housing has been seen as essentially a social service issue – taking care of the least fortunate among us. And that portion of the affordable housing problem is increasingly desperate. Of the over twelve million Americans with worst-case needs, 1.5 million are elderly, 2 million are disabled and 4.3 million are children.^{viii} The need for affordable rental housing by the poorest households exceeded the available supply by 1.8 million units in 1999.^{ix}

But today the crisis in affordable housing is not confined to the poorest of the poor. Today the housing crisis affects virtually every American family because it affects our children, our parents, our employees, and our public servants.

It is not just the unemployed who are being affected. In 1999 there were 3.7 million working families who were paying at least 50 percent of their income for housing.^x

Record numbers of adult children are living with their parents. Today 3.8 million adults aged 25 to 34 are living at home^{xi}, a pattern largely driven by rent levels too high to be affordable with their current incomes.

Nor is the problem confined to the bottom of the pay scale. Our communities cannot survive without teachers or police officers or nurses. But in two-thirds of metropolitan areas a household dependent on one teacher's or police officer's salary cannot afford to buy a median priced home, and licensed practical nurses are priced out of all but the lowest cost-to-income markets.^{xii}

The result is that people who provide the bulk of the services in these communities – teachers, policemen, firemen, laundry and restaurant workers – cannot themselves afford to live there^{xiii}.

Center for Housing Policy

The Urban Land Institute has noted that this need for “workforce housing” is not only critical today but is growing more rapidly than the need for any other type of housing.^{xiv}

While the affordable housing crisis is particularly apparent in urban areas, the problem is not confined there. Nearly 41 percent of low-to moderate-income families with critical housing needs live in the suburbs and another 16 percent live in non-metropolitan areas.^{xv}

The affordable housing crisis affects renters, homeowners, and those who would like to be homeowners. In America today there are 2.3 million lowest-income households who own their home but subject to a mortgage. 73 percent of these households are paying more than half of their income for housing.^{xvi} The standard for housing affordability has been generally accepted as being no more than 30 percent of income but today some 6 million families pay more than half of their income for rent.^{xvii} And for those who would like to be homeowners the U.S. Conference of Mayors points out that “moderate and middle income families increasingly struggle to afford a median-priced home in more than three-quarters of our nation’s largest housing markets.”^{xviii}

Thus affordable housing is no longer just a social service issue. It has become an issue of urban policy, of environmental protection, of community development and particularly an issue of economic development.

In some parts of the country where economic growth is the strongest, the labor force critical to sustaining the economy either cannot find housing that is reasonably priced or cannot locate within an appropriate commuting distance of their jobs.^{xix}

Center for Housing Policy

The lack of workforce housing has become an economic development issue as corporations decide not to locate in areas where their employees cannot acquire decent, safe, and affordable housing.^{xx}

Urban Land Institute

Corporate moves are prompted, as often as not, by the impact of the high cost of housing on available employees and the excessive burden commuting imposes on employees.^{xxi}

Center for Housing Policy

So the problem of affordable housing is wide-spread geographically, concerns renters, homeowners, and potential homeowners, has adverse impacts far beyond the poorest of the poor, affects young and old, and consequently is beginning to catalyze a diverse confluence of interests.

But this diverse array of interests has also reached another conclusion: without fundamental changes in programs and policies the problem is going to get much worse in coming years.

Over the next ten years around 20 million net new jobs are going to be created in America. But nearly seven million of those jobs – 34 percent of the total – are going to pay less than \$20,000 per year.^{xxii} What can those seven million workers afford as rent? About \$500 per month. But two-thirds of two-bedroom apartments built in 2000 rented for more than \$750 per month. In fact 87 percent of those units weren't affordable to renters earning the median income, let alone a minimum wage.^{xxiii} Researchers have noted that the affordability problem is particularly severe for new entrants to the workforce and those trying to get off welfare.^{xxiv}

Some would argue that as America moves into the “new economy” with high tech jobs and large paychecks, the affordability problem will solve itself. Well, in the next ten years for every new job for a computer programmer we'll need 7 clerical workers; for every chemist we'll need 43 cashiers; for every operations research analyst we'll need 73 janitors.^{xxv} Even today in ninety percent of the largest metropolitan areas those janitors are unable to rent a one-bedroom apartment within the range of affordability^{xxvi}. When one can't afford to rent a one-bedroom apartment, the American Dream of homeownership becomes a fading mirage.

Furthermore those so-called new economy workers are driven by quality of life issues on where they want to live. Quality of life means good childcare, and childcare workers make less than \$11,000 a year. Quality of life means nice restaurants – and waiters and waitresses, and we'll need 300,000 more of them over the next ten years, make \$12,730. Quality of life means clean and safe buildings, which require janitors and guards and they make less than \$16,000 a year.^{xxvii}

Without significant program and policy changes those who will be left out in the coming years are the same groups who have been left out in the past – minorities, families with modest incomes, inner city residents, the young and new immigrants.

Homeownership is widely seen not only as the fulfillment of the American Dream, but a crucial component of building household wealth, stabilizing neighborhoods, increasing citizen participation, improved property maintenance, and revitalizing cities. There is good cause to celebrate new records of homeownership. But there is a wide divergence in who those homeowners are.

- The white, non-Hispanic homeownership rate is 73.9 percent while the black rate is 47.8 percent and the Hispanic rate is 47.5 percent^{xxviii}
- The homeownership rate in the suburbs is 73.8 percent, while in the central city it is less than 50 percent.^{xxix}
- Households with incomes greater than \$120,000 per year have a homeownership rate of 92.3 percent while those with less than \$20,000 in annual income 47.2 percent.
- In spite of the increase in overall ownership rates over the last two decades, the percentage of young families owning their own home has actually fallen from 44.7 percent in 1979 to 41.2 percent today.^{xxx}

- Likewise with the immigrant population, in 1980 51.2 percent of immigrant households owned their own home but by 2000 that fraction fell to 47.4 percent.^{xxxii}

Over the next two decades most of the increase in both population and in households is going to be among precisely those groups that today are being left behind in homeownership growth. An estimated 24 million households will be formed between 2000 and 2020^{xxxiii}, and 64 percent of those will be minority households^{xxxiii}. The population aged 20 to 24 will grow nearly twice as fast as the overall population in the next five years.^{xxxiv} Even if the rates of immigration begin to decline as predicted, newcomers to America will constitute a third of the net growth in Hispanic households and almost two-thirds of the growth in Asian households.^{xxxv} White families will make up less than 30 percent of net new homeowners in the next 20 years.^{xxxvi}

President Bush has recognized this divergence and has noted, “We must begin to close this homeownership gap by dismantling the barriers that prevent minorities from owning a piece of the American dream.”^{xxxvii}

What are the solutions?

So can America build itself out of this housing crisis? Certainly new construction of both single-family homes and apartment houses will need to be a key component of addressing this issue. But there is one fact-of-life in real estate that must be reckoned with – you can’t build new and rent (or sell) cheap – it can’t be done. At least it can’t be done without either massive subsidies or very low quality units. In the first half of 2002 the median new house price approached \$185,000^{xxxviii}, meaning it is out of reach for over 60 percent of American households. For rental housing the same problem exists. “The private sector cannot produce apartments in most areas that are affordable to households with incomes under 70 percent of area median (and sometimes even higher) without a subsidy.”^{xxxix}

Furthermore, when affordable housing can be built, it’s often in locations that exacerbate other problems. As the Urban Land Institute’s housing expert notes, “It’s not how much we produce, it’s where it’s produced. In market after market, affordable housing is being built, but it’s in the fringes. Workers are being forced to move way out, and this compounds the cycle of sprawl.”^{xl}

Federal Reserve official Ron Feldman has noted, “Building new housing units appears to be a relatively expensive method of providing low-cost housing compared to the alternatives.”^{xli}

Manufactured housing provides an affordable homeownership alternative to traditional new construction. Today, greatly improved quality and technology are increasingly strengthening the role that factory-built homes play in long-term affordable homeownership. Such innovations along with continued design advances that heighten market appeal and integrate manufactured housing with site-built homes could someday place factory-built homes on par with traditional units as a means for acquiring wealth through homeownership.

But today a sizeable percentage of “manufactured housing” is, in fact, mobile homes. Between 1997 and 1999, 72 percent of new units built within affordable price ranges were mobile homes.^{xlii} As with new construction, additional mobile homes will, in some parts of the country, be an important part of the affordable housing solution. But certain other issues with mobile homes have to be considered. Two-thirds of mobile home units do not include the ownership of the land upon which they sit.^{xliii} The asset building character of homeownership may be more problematic without title to the underlying real estate. The steady rise of overall homeownership in the United States has been helped immeasurably by the availability of low cost mortgage

money. That economic boon hasn't always translated to buyers of mobile homes, however. "Many recent buyers of manufactured homes – especially with the lowest incomes who had the least ability to withstand household budget shocks – pay well above the prime mortgage rate."^{xliv}

Our older and historic neighborhoods

So new construction and mobile homes will be critical to addressing the affordable housing crisis in the next two decades, but clearly those are insufficient solutions given the magnitude of the problem. Where, then, can we find affordable housing? Exactly where it is being found today, in our older and historic neighborhoods.

The phrase *older and historic neighborhoods* refers to those buildings constructed prior to 1950. Certainly not every structure built before 1950 has been designated historic, and many do not merit that formal identification. However fifty years is time frame when the question, "Is it historic?" is appropriately asked. Furthermore, the historic preservation movement in recent years has moved beyond focusing on simply saving individual landmarks to being concerned, instead, with the conservation of neighborhoods. Historic preservation now encompasses more than the mansions of the rich and the homes of the famous. Historic preservation today celebrates and champions the neighborhoods, downtowns, and rural areas that are less grand architecturally, but perhaps even more significant in the building of America.

But older and historic neighborhoods contribute far more to America today than a sense of evolution and history. Older and historic neighborhoods, unlike any other areas, are providing homes for families from every financial strata, but particularly for those in need of affordable housing.

How significant are older and historic neighborhoods in providing affordable housing? Consider this:^{xlv}

- 32 percent of households below the poverty line live in older and historic homes
- 31 percent of homeowners whose household income is less than \$20,000 per year live in older and historic homes
- 34 percent of renters whose household income is less than \$20,000 per year live in older and historic homes
- 31 percent of black homeowners and 24 percent of Hispanic homeowners live in older and historic homes
- 29 percent of elderly homeowners live in older and historic homes
- 53 percent of all owner occupied older and historic homes have monthly housing costs less than \$500
- 48 percent of tenant occupied older and historic homes rent for less \$500 per month

To put it another way, if today we had to replace the older and historic homes currently occupied by households below the poverty level, using the most cost-effective of Federal housing programs, it would cost American taxpayers \$335 Billion. Numbers that large often lose their

meaning. How much is \$335 Billion? Nearly \$1,200 for every man, woman, and child in America.

Are we saving our older and historic neighborhoods?

So with the exceptional contribution not just to the culture, history, aesthetic quality and social fabric of our nation but to our desperate need for affordable housing, surely our older and historic neighborhoods are being protected and preserved, right? Unfortunately the numbers tell a different story.

In the last three decades of the 20th century we lost from our national inventory of older and historic homes 6.3 million year-round housing units!^{xlvi} Over 80 percent of those units were single-family residences. Now a few of those burned down or were lost to natural disasters. But the vast majority of them were consciously torn down – were thrown away as being valueless. And today millions of American families are paying the cost by paying for housing they cannot afford. Certainly not every one of those houses could or should have been saved. But if even half were retained instead of razed, the picture today would be much different for the millions of Americans inadequately or unaffordably housed.

For the last thirty years, every day, seven days a week, 52 weeks a year we have lost 577 older and historic houses. We as a nation can afford this no more. The Bipartisan Millennial Housing Commission almost got it right when they reported, “These units are disappearing at an alarming pace.” But these units aren’t disappearing – they are being intentionally torn down!

For our most historic houses – those built before 1920 – in just the decade of the 1990s 772,000 housing units were lost from our built national heritage. In fact we are moving backwards as we demolish a valuable part of the potential affordable housing inventory. Between 1997 and 1999 we lost over 160,000 older and historic homes. We will never address the crisis in affordable housing if this pattern is not reversed. President Bush is right – we have to dismantle the barriers to affordable homeownership. But we cannot do that if we are dismantling the very homes that could be affordable.

There is today almost universal agreement that the Urban Renewal demolition of large tracts of downtowns was misguided, self-defeating, and ultimately a failure as a revitalization strategy. The sustained success stories in downtown revitalization today are found in those cities that maintained and reinvested in their historic buildings and recognized their character, quality, and ultimate durability.

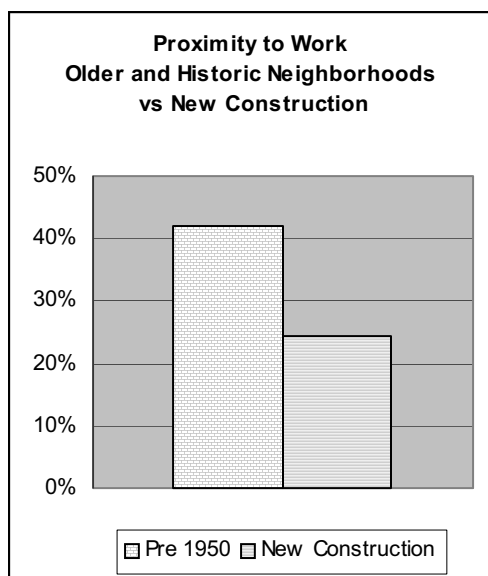
But today the same approach of wholesale destruction is being taken in neighborhoods in far too many American cities. And almost verbatim the same arguments are being made: “Those structures are about to fall down anyway.” “Those old buildings don’t meet the needs of today’s market.” “Once you fix them up you still have nothing but old buildings.” “They are an eyesore and we have to get rid of them.” “As soon as we tear those buildings down and have a clean site the developers will be lining up for a chance to redevelop the property.” The most charitable description of those arguments from the Urban Renewal days is that they were well intended but patently wrong. When George Santayana wrote that those who cannot remember the past are condemned to repeat it, he couldn’t possibly have imagined that the past would be forgotten so quickly. It is hard to conceive that cities are using what is a demonstrated failure in Urban Renewal as the strategy of choice in neighborhood renewal. It is not that no building should ever be torn down, rather that demolition should be the last resort not the first option.

Older and Historic Neighborhoods – Beyond the Architecture

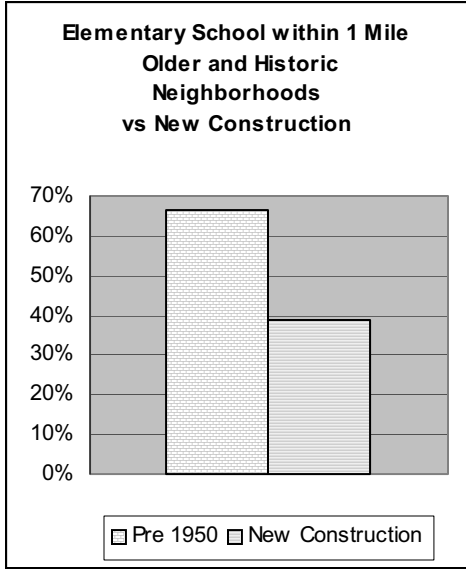
Preservationists are often accused of wanting to save buildings just because they are old, of valuing aesthetics over practicality, of standing in the way of progress for the sake of a bit of history.

So let's look at older and historic neighborhoods for a moment without the lens of the educational, cultural, social, and architectural values of preservation. There is a growing recognition that the affordable housing crisis can't be addressed with just housing – it must be addressed on the neighborhood level. So instead of looking at architectural styles, let's look instead at the needs of families, particularly families of modest means, and look at the nature of the neighborhood rather than the building. Families need proximity – to work, to schools, to shopping, and to public transportation. So compare older and historic neighborhoods to new housing.

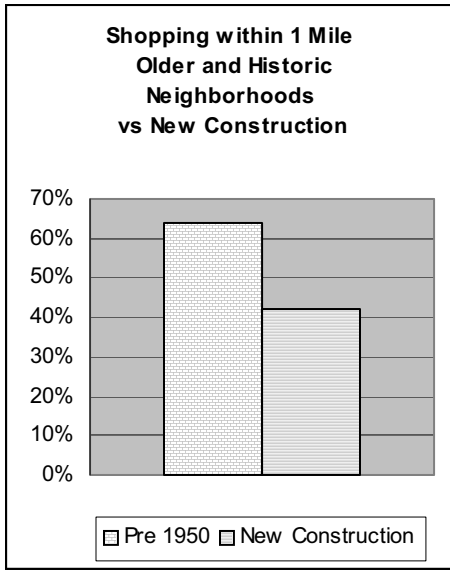
Over 40 percent of residents in older and historic neighborhoods are within five miles of work. Less than one resident in four in new housing is that close to their place of employment^{xlvii}



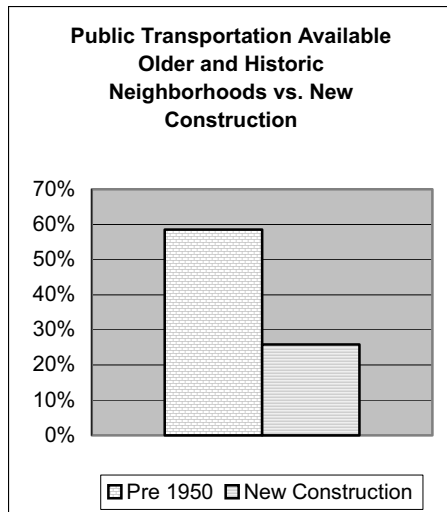
Over two-thirds of older and historic neighborhoods have an elementary school within one mile. Less than 40 percent of new construction does.



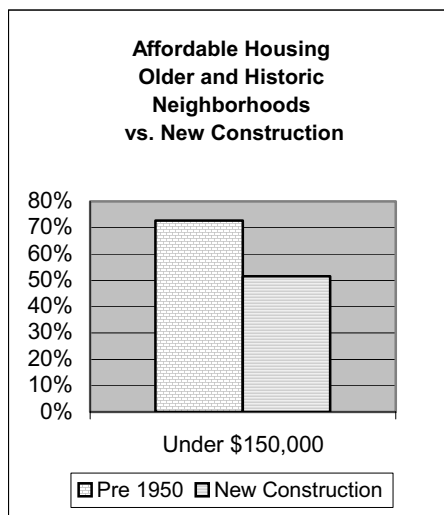
Over 60 percent of houses in older and historic neighborhoods have shopping within one mile. Barely 40 percent of new houses do.



Public transportation is available to residents in nearly 60 percent of older and historic neighborhoods. Three quarters of new housing has no public transportation available nearby. Recently lenders have recognized a household can, in fact, afford “more house” than would be the case under standardized formulas when public transportation is within walking distance.



And finally returning to the critical issue of affordability compare the percent of housing under \$150,000 in older and historic neighborhoods (over 70%) with the new units in that affordability range (barely half).



Taking Care of the Neighborhood

Public policy has not served older and historic neighborhoods well. The first step in reversing this pattern is to make the decision that “We have to destroy this neighborhood in order to save it” is no longer acceptable public policy. But stopping rampant demolition is not sufficient. We have to find ways to reinvest so that existing neighborhoods are stabilized. The National Association of Home Builders has identified the proximity of vandalized and abandoned housing as the variable having the greatest adverse impact on the value of single-family residences^{xlviii}. But where is that vandalized and abandoned housing found? Disproportionately in older and historic neighborhoods. Nearly 10 percent of our older housing stock is within half a block of vandalized and abandoned housing. What does that mean for property values? It means we are literally stealing an average \$8,000 of housing equity from each of those homeowners through our neglect. Twenty six billion dollars is missing from the value of housing because we have been

negligent. How can it possibly be fiscally responsible public policy to have simultaneously a housing affordability crisis and have empty and abandoned buildings? How can it possibly be fiscally responsible public policy to be building what is not affordable while we tear down what is affordable?

Will addressing these issues be cheap? No. But as the *Christian Science Monitor* has pointed out, “Affordable housing costs money. But a lack of it costs even more.”^{lix}

It will cost money, but just as an important lesson is finally being learned regarding the loss of federally subsidized units, there are similar parallels in the demolition of privately owned buildings:

U.S. housing policy must recognize that preservation is cheaper than new construction, that the rehabilitation and preservation of units returns the units to low-income families faster than new construction can provide such units, and that maintaining and renovating existing units combats blight and contributes to healthy communities
Bipartisan Millennial Housing Commission

That’s what preservationists have been saying all along.

Why Preserving Older and Historic Houses Won’t Work

To put it mildly there exists considerable skepticism about a strategy that focuses on conserving and preserving our older and historic neighborhoods. In some quarters skepticism gives way to outright hopelessness. “...the prospects for preserving much of the older unsubsidized stock are dismal.”^l But not as dismal, one suspects, as having millions of American families priced out of the housing they desperately need.

But the issues raised about older and historic neighborhoods are legitimate and deserve being answered. Below are the most commonly heard.

Those old houses are in terrible shape and need to be torn down.

In fact, only 3 percent of pre-1950 occupied housing is identified as having severe physical problems and another 8 percent having moderate physical problems. Leaving fully 89 percent as being adequate.^{li}

But it’s just too expensive to fix them up.

A recent HUD sponsored study estimated that the cost of repairing an older home with severe physical problems at \$75,000 and one with moderate physical problems at \$25,000.^{lii} Clearly the specific costs on a particular unit will vary widely. But the point is this: 1) only 11 percent of the older housing stock suffers from moderate or severe physical problems, and 2) the \$75,000 figure is comparable to the most cost effective of Federal housing programs and significantly cheaper than some programs.^{liii} It is sometimes possible to build *something* more cheaply than the rehabilitation of an historic building. But when quality is part of the equation, historic rehabilitation is always a competitive alternative.

Those old neighborhoods, they just aren’t safe.

Well there is certainly crime in neighborhoods. And there is a public responsibility to address crime. But the assumptions should be tested against the reality. In fact 16 percent of residents in older and historic housing say there is crime in the neighborhood. But nearly as many (11.2%) of residents in all neighborhoods say the same.^{liv} That is not to minimize the issue, but it does mean that 84 percent of older housing residents don't see crime as a neighborhood problem. More importantly 89% of the residents of older and historic neighborhoods view police protection as satisfactory, virtually the identical percentage as do residents of new construction.

Those historic districts are enclaves of rich people, not a place where you could find affordable housing.

There are more than 11,000 historic districts in the country, which include over 850,000 buildings. About 60 percent of those buildings are in census tracts with a poverty level of 20 percent or more.^{lv}

We need a housing program to also be an economic development program – creating jobs – so we need a new construction strategy.

The affordable housing crisis will not be solved solely through the rehabilitation of older and historic housing – new construction will be a critical component of a comprehensive strategy. The National Association of Home Builders has well documented the economic impact of the housing industry. They have calculated that the construction of 1,000 single-family homes generates 2,448 jobs in construction and construction-related industries and approximately \$79.4 million in wages – impressive indeed.^{lvi}

The same amount of money spent on housing rehabilitation, however – which would create two to three times more housing units – would generate 2,838 jobs and \$88.7 million in wages^{lvii} – certainly a major economic impact.

Nobody would choose to live in those old neighborhoods if they didn't have to.

Why did residents of older and historic neighborhoods choose the neighborhood? For the best of reasons: convenient to job (22.8%), the house was an important consideration (20.7%), the looks and design of the neighborhood (14.4%) and convenient to friends and family (14%).^{lviii}

Those old buildings just don't fit the needs of the marketplace.

Again it is worth finding out why those choices were made. Affordability again emerges as important with 32.1% choosing their particular housing unit for financial reasons. But the next two most common responses were the size of the unit (14.6%) and the design and layout of the house (14.5%).^{lix} Not everyone is in the market for the two-story, 2,265 square foot, 3+ bedroom, 2+ bath, 2+ car garage house that is the typical new home built today.^{lx}

And there is a public policy reason to be glad that the typical new home is not what everyone is searching for.

Finding solutions to the growing nationwide shortage of workforce housing hinges on ...a fundamental shift in the public mindset that has been programmed to equate the American Dream with large houses on large lots.^{lxi}

John McIlwain, Urban Land Institute

Furthermore, the changing demographics of the next two decades will increase demand for a different kind of housing than is typically being built today. By 2020 72 percent of households will be made up of three categories: families without children (39.7%) single person households (27.3%) and adults living with others (4.8%). Married couples with children will be only one household in five.^{lxiii}

But our problem is that there just isn't enough housing. We have to add to the supply.

There certainly is going to be a need for additional housing. The National Association of Home Builders estimates a need for over 18 million additional housing units during the first decade of the 21st century^{lxiii} and many of them will have to be created through new construction – many of them, but not all of them. An interesting pattern has emerged in the development of rental housing under the Historic Rehabilitation Tax Act. Over the last five years over 44,000 units of housing have been created (27,851 of them low and moderate income apartments)^{lxiv}. Over 40 percent of the housing units came from historic buildings that weren't originally built as residential structures – warehouses, factories, department stores, office buildings, previously vacant upper floors of downtown buildings. This is a strategy that adds to the supply of housing, within existing cities, without the demolition of existing structures and without adding to the problems of sprawl.

Additionally there are nearly 3 million vacant older and historic housing units that ought to be brought back into use.^{lxv} There certainly has to be an increase in supply, but reusing our existing older and historic buildings can add significantly to that housing inventory.

Those rules for fixing up historic houses are just too stringent to be practical for affordable housing.

This is an argument frequently heard – most frequently heard from those who have never redeveloped an historic property. While there are – and should be – standards to maintain the quality and integrity of historic buildings, preservationists are increasingly accommodating other considerations. The Advisory Council on Historic Preservation has issued specific recommendations for historic rehabilitation projects that are geared toward affordable housing.

Exterior rehabilitation should emphasize the preservation and stabilization of the streetscape of a district or community.

Recognizing funding constraints, exterior and interior treatments should balance architectural character with the objectives of providing safe, livable, and marketable housing units.^{lxvi}

But what about these new approaches for housing – Transit Oriented Design, New Urbanism, Neo-Traditionalism, and New Community Design – shouldn't we be pursuing those avenues instead of trying to fix up this old stuff.

Over the last decade some members of the building and design professions have rethought how towns and cities have been built over the last fifty years. They have concluded that the predominant current pattern is not economically or environmentally sustainable and is not conducive to healthy cities and neighborhoods. They recommend, instead, a return to development patterns that have stood the test of time not for five decades but for five thousand years. And they are right. To the extent that Transit Oriented Development, and New Urbanism, Neo-Traditionalism, and New Community Design represent infill construction within existing

towns and cities they should certainly be encouraged. Even the greenfield development that falls under their respective banners is superior to most conventional suburban development. So are Transit Oriented Development, New Urbanism, Neo-Traditionalism, and New Community Design good ideas? Absolutely.

But older and historic neighborhoods are *already* transit oriented.

But older and historic neighborhoods aren't the new urbanism, they are the real urbanism.

But older and historic neighborhoods aren't neo-traditional, they are traditional.

But older and historic neighborhoods aren't new community design, they are the model upon which new community design is based.

As part of the comprehensive strategy for affordable housing and better towns and cities these approaches are welcomed. But we shouldn't be erecting the replica in one part of town while we are razing the original in another.

We need to have neighborhoods that are diverse, economically and racially, so that affordable housing is not concentrated in isolated locations.

Indeed we do, and that may be the greatest strength particularly of historic neighborhoods. In fact in many communities the *only* place where there is racial, educational, economic, and occupational diversity is the historic districts.^{lxvii} A HUD commissioned analysis looked around the country at neighborhoods that, over an extended period, managed to maintain ethnic and racial diversity.^{lxviii} Virtually every neighborhood was made up of older and historic housing and the vast majority of the diverse neighborhoods were either National Register Historic Districts, local historic districts, had a concentration of historic structures, or a combination of all three.

Historic neighborhoods are diverse for two simple reasons: 1) the building stock, regardless of its current condition, is usually of a quality, scale, and design that appeals to wide segments of the market, and 2) unlike newer neighborhoods, historic districts typically have a wide variety of housing sizes, conditions, ages, quality and price. When you have a wide diversity of housing options you get a wide variety of human beings who choose those options.

Nobody would live in those old neighborhoods if they didn't have to.

Certainly older and historic neighborhoods have their drawbacks. Mostly because of a failure of public commitment there are more abandoned and boarded up buildings, streets are in worse condition, crime is slightly worse and other adverse impacts are apparent. But in spite of those deficiencies residents in older and historic neighborhoods like where they live. When asked to rate their neighborhood on a scale of 1 to 10, residents of older and historic neighborhoods give an average rating of 7.7, just slightly less than all neighborhoods rating of 8.0.^{lxix}

Everyone knows that when you have a historic neighborhood there is gentrification.

Gentrification is a serious issue, especially when discussing affordable housing and merits a reasoned response.

First, diverse neighborhoods should be a public policy goal. Neighborhoods that are all poor can, in no sense of the definition, be considered diverse. What all neighborhoods need is economic integration.

Second, the ultimate defense against gentrification is homeownership, and historic preservation strategies for neighborhood revitalization consistently strive for homeownership by existing residents as a top priority.

Third, recent analysis indicates that far from having a negative impact on low-income residents, the revitalization of historic urban neighborhoods can improve the quality of life among disadvantaged households.^{lxx}

Fourth, since there is often significant vacancy in older and historic neighborhoods, there can be significant in-migration while keeping long-term residents in place.

Fifth, the reality of what happens in “gentrifying” neighborhoods is decidedly different than the rhetoric would suggest.

Low-income households actually seem less likely to move from gentrifying neighborhoods than from other communities. Improving housing and neighborhood conditions appear to encourage the housing stability of low-income households to the degree that they more than offset any dislocation resulting from rising rents.^{lxxi}

Citizens Housing and Planning Council

Sixth, historic preservation is often the erroneous target in the gentrification debates.

Clearly gentrification is occurring in our city...I don't chock that problem up to historic preservation, in fact I think in some ways by preserving and upgrading and restoring the housing in a neighborhood you can keep the prices more affordable than when new construction comes into a neighborhood.^{lxxii}

Seattle Mayor Greg Nickels.

Finally, “gentrification” is the result of too little historic preservation, not too much. People of all income brackets are attracted to historic neighborhoods because of the quality of the housing, because of the investment protection that a local historic district often provides, because there is usually a wide range of housing styles and sizes available, because typically there are citizen activists committed to advocating for the neighborhood, and because there are few tools other than local historic districts that can defend a neighborhood against inappropriate uses, out-of-scale development, low quality construction, and the encroachment of objectionable uses. Because the number of households looking for neighborhoods with those characteristics exceeds the supply, historic neighborhoods are in high demand. The answer is not to have fewer historic districts – the answer is to provide historic district protections to more neighborhoods

The 10 Policy Initiatives for Older and Historic Neighborhoods

The Bipartisan Millennial Housing Commission was very clear on the urgency to address the issue of “disappearing” affordable housing. They stated

The need to preserve at-risk units is immediate and pressing. Because time is of the essence, any proposed tools or approaches that can quickly and efficiently preserve

housing should receive heightened attention, support, and funding from the federal government.^{lxxiii}

The historic preservation community should respond with a policy agenda for older and historic neighborhoods that would include, but not be limited to the following:

On the local level:

1. Create more local historic districts to protect valuable cultural resources and preserve a rapidly vanishing inventory of affordable housing.
2. Inaugurate a fast-track system for the acquisition and redevelopment of vacant, abandoned, and tax-foreclosed properties.
3. Give priority to older and historic neighborhoods for infrastructure improvements, police attention, recreation and park facilities, and especially schools.

On the state level:

4. Adopt a rehabilitation-friendly building code as in New Jersey that has had an immediate and dramatic impact on the feasibility of the renovation of older and historic structures.
5. Institute Smart Growth initiatives that give priority to redevelopment within current municipalities.
6. Give priority to Low Income Tax Credit projects that utilize historic buildings.
7. Create state tax credits for the rehabilitation of historic properties as have been successfully enacted in Maryland, Missouri, Virginia, North Carolina and elsewhere.

On the national level:

8. Allocate bonus points for all competitive federal housing programs for building rehabilitation projects.
9. Take the suggestion of the Bipartisan Millennial Housing Commission to “undertake a study of the Davis-Bacon requirements and make improvements in such areas as the accuracy of the wage data, the applicability threshold, and the reporting requirements”^{lxxiv}
10. Adopt tax credits and other incentives, particularly those that would expand the use of the existing historic tax credit for commercial properties and provide for a historic homeownership equivalent. One example is the “Historic Homeownership Assistance Act.”

The Historic Homeownership Assistance Act

The proposed Historic Homeownership Assistance Act is modeled after the Historic Rehabilitation Tax Credit that has been operating successfully for over twenty-five years having spurred over \$25 Billion in private investment. Like the commercial rehabilitation this act would provide a 20 percent tax credit for the qualified expenditures made in rehabilitating a historic residence. But unlike the current credit which only applies to income-producing property, the HHAA would provide the credit for owner occupied housing.

The credit could be used in five different ways:

1. The homeowner could do the rehabilitation and take the credit him/herself if there was a sufficient federal income tax liability.

2. The housing developer could rehabilitate a historic house and pass the credit onto the buyer.
3. The housing developer could take the credit, which would effectively lower the required selling price.
4. The homeowner could assign the credit to a regulated lending institution in exchange for a lower interest rate.
5. The homeowner could assign the credit to a regulated lending institution as a down payment on the purchase price of the property.

Three separate barriers have been identified for increasing affordable home ownership: supply of units, affordability (purchase price and/or amount of monthly payment), and wealth (down payment capacity). The Historic Homeownership Assistance could, in the alternative, deal with each of these.

1. If the homeowner uses the credit – increased affordability.
2. If the developer passes the credit to the buyer – increased affordability.
3. If the developer keeps the credit – increased supply and increased affordability.
4. If the bank takes the credit in exchange for lower interest rate – increased affordability.
5. If the bank takes the credit in exchange for down payment – increased wealth.

What impact might the Historic Homeownership Assistance Act have? One analysis concluded that a \$10,000 asset infusion [the amount that a \$50,000 rehabilitation could produce] could allow more than one-third of all renters (and 20 percent of Hispanic and 30 percent of black renters) to realize moderately priced homeownership.^{lxxv}

The Three Principles for Housing Initiatives

Three principles should guide policy makers in seeking additional solutions to the housing crisis – quality, affordability, and responsibility. The best alternatives should meet all three principles.

Consider the possible combinations:

- We could build very low cost housing in existing neighborhoods. That would meet the affordability test and the responsibility test (not adding to the problems of sprawl) but would fail the quality test – and likely have an additional adverse impact on surrounding properties.^{lxxvi}
- We could build cheaply constructed housing far out where the land is inexpensive. That would meet the affordability test but fail the quality and responsibility standards.
- We could build well-constructed, traditionally-built housing out on the periphery, meeting the quality and affordability principles but failing on responsibility.
- We could build mobile homes and place them out of town, and only the affordability test is met.
- We could tear down older and historic homes and replace them with large new houses, which would pass the quality and responsibility measures, but at the expense of affordability.

- Or we could commit to the rehabilitation of older and historic houses and achieve affordability, quality, and responsibility.

The Time is Now

If the battle for conserving and preserving our older and historic neighborhoods were a battle fought only by preservationists, the outlook might be dismal indeed. But more voices are being heard – voices beyond the traditional preservation movement – that have grasped the lessons as well.

When they're done correctly [historic rehabilitation projects] make the finest affordable housing projects you can come across. The biggest advantage is that it's much more situated for mixed-income housing, if your basic premise is that mixed-income housing is a good objective. The kind of apartments created are so superior that they're attractive to people of a variety of income levels.^{lxxvii} Developer Richard Arnesen, Stone House Development, Inc.

Resuscitating dilapidated housing stock must become a priority if city neighborhoods are to thrive and support business.^{lxxviii}
PriceWaterhouseCooper's

By 71% to 24%, the public supports the idea of state and local governments giving tax credits to for-profit housing development companies if they build housing for low- to moderate-income working families.^{lxxix}
Fannie Mae Foundation Affordable Housing Survey

Revitalizing older neighborhoods is the perfect antidote to sprawl.^{lxxx}
Sierra Club

Restoring life to "undesirable" areas helps us make better use of our resources and reduces the pressure to develop new areas.^{lxxxi}
Miriam Axel-Lute, National Housing Institute

Common Ground's effort to restore old New York City buildings – preferably historic landmarks – to their former splendor and then place them into the care of homeless or low-income individuals seemed like a "far fetched vision" in the early 1990's when the nonprofit started out. Four projects later, and one on the way, its innovative approach has not only proven to be a success, it shows the path to cost-effective supportive affordable housing in the city and elsewhere.^{lxxxii}
National Mortgage News Daily

Provide tax credits and low-interest loans for people to rehabilitate historic houses and revitalize neighborhoods in cities and older suburbs – Strongly Favor – 44%, Somewhat Favor – 35%.^{lxxxiii}
Smart Growth America

The nexus of historic preservation and housing would be furthered by extending tax credit benefits, now limited to income-producing properties, to rehabilitation of historic structures occupied by the taxpayer as a principal residence.^{lxxxiv}
Housing Facts & Findings, Fannie Mae Foundation

Conclusion

America's historic resources have long been recognized for their contribution to our nation's cultural, aesthetic, educational, and social character. Many of our historic buildings are the physical manifestation of the challenges overcome in years past.

Today there is another challenge – the challenge of securing affordable housing for every family in America. Our older and historic neighborhoods have served generations of families well. Our older and historic neighborhoods now have a new mission – to provide homes for the young, homes for new immigrants, homes for those of limited means, homes for first homebuyers, homes for the retired citizen.

We can no longer throw away our older houses and our historic neighborhoods. They are needed today, they will be needed tomorrow, but they demand our attention right now.

ⁱ *Decent, Affordable Housing: It's the American Dream*. National Association of Home Builders, July 2002.

ⁱⁱ *Rental Housing Assistance – The Worsening Crisis: A Report to Congress on Worst Case Housing Needs*, Office of Policy Development and Research, U.S. Department of Housing and Urban Development, March 2000

ⁱⁱⁱ *Out of Reach 2001*, National Low Income Housing Council, Washington, DC 2001

^{iv} *Affordable Housing Production Initiatives*, National Association of Realtors, <http://www.realtor.org>, 2002

^v *Housing crisis worsens as construction lags demand*, USA Today, July 21, 2002

^{vi} *Housing: Back into the Political Limelight*, Neal Peirce Column, July 7, 2002

^{vii} U.S Conference of Mayors news release, May 22, 2002

^{viii} *Rental Housing Assistance – The Worsening Crisis: A Report to Congress on Worst Case Housing Needs*, Office of Policy Development and Research, U.S. Department of Housing and Urban Development, March 2000

^{ix} *Meeting Our Nation's Housing Challenges*, Report of the Bipartisan Millennial Housing Commission, May 2002

^x *Paycheck to Paycheck: Working Families and the Cost of Housing in America*, Barbara J. Lipman et.al., Center for Housing Policy, Washington, DC 2001

^{xi} *The State of the Nation's Housing 2002*, Joint Center for Housing Studies of Harvard University, 2002

^{xii} *Paycheck to Paycheck: Working Families and the Cost of Housing in America*, Barbara J. Lipman et.al., Center for Housing Policy, Washington, DC 2001

^{xiii} *Paycheck to Paycheck: Working Families and the Cost of Housing in America*, Barbara J. Lipman et.al., Center for Housing Policy, Washington, DC 2001

^{xiv} *Challenges to Developing Workforce Housing*, Urban Land Institute, Washington, DC 2002

^{xv} *Paycheck to Paycheck: Working Families and the Cost of Housing in America*, Barbara J. Lipman et.al., Center for Housing Policy, Washington, DC 2001

^{xvi} *The State of the Nation's Housing 2002*, Joint Center for Housing Studies of Harvard University, 2002

^{xvii} *National Housing Agenda: A Springboard for families, for communities, for our nation*, The United States Conference of Mayors, Washington, DC, May 2002

^{xviii} *National Housing Agenda: A Springboard for families, for communities, for our nation*, The United States Conference of Mayors, Washington, DC, May 2002

^{xix} *Paycheck to Paycheck: Working Families and the Cost of Housing in America*, Barbara J. Lipman et.al., Center for Housing Policy, Washington, DC 2001

^{xx} *Challenges to Developing Workforce Housing*, Urban Land Institute, Washington, DC 2002

-
- ^{xxi} *Paycheck to Paycheck: Working Families and the Cost of Housing in America*, Barbara J. Lipman et.al., Center for Housing Policy, Washington, DC 2001
- ^{xxii} *Employment Outlook: 1998-2008*, U.S. Department of Labor, Bureau of Labor Statistics, September 2000
- ^{xxiii} *Meeting Our Nation's Housing Challenges*, Report of the Bipartisan Millennial Housing Commission, May 2002
- ^{xxiv} *Paycheck to Paycheck: Working Families and the Cost of Housing in America*, Barbara J. Lipman et.al., Center for Housing Policy, Washington, DC 2001
- ^{xxv} *Employment Outlook: 1998-2008*, U.S. Department of Labor, Bureau of Labor Statistics, September 2000
- ^{xxvi} *Paycheck to Paycheck: Working Families and the Cost of Housing in America*, Barbara J. Lipman et.al., Center for Housing Policy, Washington, DC 2001
- ^{xxvii} *Employment Outlook: 1998-2008*, U.S. Department of Labor, Bureau of Labor Statistics, September 2000
- ^{xxviii} *Housing Policy Debate*, Volume 12, Issue 3, Fannie Mae Foundation, 2001. "The Potential and Limitations of Mortgage Innovation in Fostering Homeownership in the United States." David Listokin, et. al., Rutgers University
- ^{xxix} *American Housing Survey for the United States - 1999*, U.S. Department of Commerce, U.S. Department of Housing and Urban Development, 2000
- ^{xxx} *Housing: Facts, Figures and Trends*, National Association of Home Builders, Washington, DC 2001
- ^{xxxi} *Homeownership in the Immigrant Population*, Douglas G. Duncan for the Research Institute for Housing America, 2002
- ^{xxxii} *The State of the Nation's Housing 2002*, Joint Center for Housing Studies of Harvard University, 2002
- ^{xxxiii} *Keeping the American Dream Alive: Proceedings of the Home Ownership Summit 2001*, Summit 2001, Washington, DC, 2001
- ^{xxxiv} *The Next Decade for Housing*, NHAB Economics, Washington, DC 2001
- ^{xxxv} *The State of the Nation's Housing 2002*, Joint Center for Housing Studies of Harvard University, 2002
- ^{xxxvi} *The State of the Nation's Housing 2002*, Joint Center for Housing Studies of Harvard University, 2002
- ^{xxxvii} *White House press release*, June 15, 2002.
- ^{xxxviii} http://www.nahb.com/facts/forecast/New_Home_Prices_monthly.html
- ^{xxxix} *Meeting Our Nation's Housing Challenges*, Report of the Bipartisan Millennial Housing Commission, May 2002
- ^{xl} *ULI press release*, "Have House, Have Job, Have Awful Commute: ULI Looks at Ways to Build Housing Closer to Jobs", Urban Land Institute, Washington, DC, July 1, 2002
- ^{xli} *The Affordable Housing Shortage: Considering the Problem, Causes and Solutions*, Ron Feldman, Federal Reserve Bank of Minneapolis, 2002
- ^{xlii} *Examining Supply-Side Constraints to Low-Income Homeownership*, Michael Collins, et. al, Joint Center for Housing Studies of Harvard University, 2001
- ^{xliiii} *Minding the Gap: Issues in Overcoming the Information, Income, Wealth, and Supply Gaps Facing Potential Buyers of Affordable Homes*, J. Michael Collins, Doug Dylla, Neighborhood Reinvestment Corporation, 2001
- ^{xliiv} *The State of the Nation's Housing 2002*, Joint Center for Housing Studies of Harvard University, 2002
- ^{xlv} *American Housing Survey for the United States 1999*, U.S. Department of Commerce, U.S. Department of Housing and Urban Development, Washington, DC, 2000
- ^{xlvi} *American Housing Survey for the United States 1999*, U.S. Department of Commerce, U.S. Department of Housing and Urban Development, Washington, DC, 2000
- ^{xlvii} Data from *American Housing Survey for the United States 1999*, which defines "new construction" as units built within the last four years. Unless otherwise noted that definition is used here.
- ^{xlviii} "Explaining House Prices", *Housing Economics*, Paul Emrath, National Association of Home Builders, 2002
- ^{xlix} *Christian Science Monitor*, "Affordable housing – the nest still unbuilt", May 29, 2002
- ¹ *The State of the Nation's Housing 2002*, Joint Center for Housing Studies of Harvard University, 2002
- ^{li} *American Housing Survey for the United States 1999*, U.S. Department of Commerce, U.S. Department of Housing and Urban Development, Washington, DC, 2000

-
- ^{lii} *Barriers to the Rehabilitation of Affordable Housing*, David Listokin, Barbara Listokin, Center for Urban Policy Research, Rutgers University, U.S. Department of Housing and Urban Development, 2001
- ^{liii} *Federal Housing Assistance: Comparing the Characteristics and Costs of Housing Programs*, United States General Accounting Office, 2002
- ^{liv} *American Housing Survey for the United States 1999*, U.S. Department of Commerce, U.S. Department of Housing and Urban Development, Washington, DC, 2000
- ^{lv} *Address to the U.S. Conference of Mayors – Madison, Wisconsin*, Richard Moe, National Trust for Historic Preservation, Washington, DC 2002
- ^{lvi} *Housing: The Key to Economic Recovery*, National Association of Home Builders, 2001
- ^{lvii} Based on relationship between new construction and rehabilitation multiplier from *Regional Multipliers: A User Handbook for the Regional Input-Output Modeling System (RIMS II)*, US Department of Commerce, 1992
- ^{lviii} *American Housing Survey for the United States 1999*, U.S. Department of Commerce, U.S. Department of Housing and Urban Development, Washington, DC, 2000
- ^{lix} *American Housing Survey for the United States 1999*, U.S. Department of Commerce, U.S. Department of Housing and Urban Development, Washington, DC, 2000
- ^{lx} *Housing: Facts, Figures and Trends*, National Association of Home Builders, Washington, DC 2001
- ^{lxi} *ULI press release*, “Have House, Have Job, Have Awful Commute: ULI Looks at Ways to Build Housing Closer to Jobs”, Urban Land Institute, Washington, DC, July 1, 2002
- ^{lxii} *The Implications of Changing U.S. Demographics for Housing Choice and Location in Cities*, Martha Farnsworth Riche, for the Brookings Institution Center on Urban and Metropolitan Policy, March 2001
- ^{lxiii} *The Next Decade for Housing*, National Association of Home Builders, Washington, DC 2001
- ^{lxiv} *Federal Tax Incentives for Rehabilitating Historic Buildings*, U.S. Department of the Interior, Washington, DC 2001
- ^{lxv} *American Housing Survey for the United States 1999*, U.S. Department of Commerce, U.S. Department of Housing and Urban Development, Washington, DC, 2000
- ^{lxvi} *Affordable Housing and Historic Preservation*, Advisory Council on Historic Preservation, Washington, DC 1995
- ^{lxvii} *The Economic Benefits of Preserving Philadelphia’s Past*, Donovan D. Rypkema, Preservation Alliance for Greater Philadelphia, 1998 and *Preservation & Property Values in Indiana*, Donovan D. Rypkema, Historic Landmarks Foundation of Indiana, 1997
- ^{lxviii} *Cityscape: A Journal of Policy Development and Research*, Volume 4, Number 2, US Department of Housing and Urban Development, Washington, DC 1998
- ^{lxix} *American Housing Survey for the United States 1999*, U.S. Department of Commerce, U.S. Department of Housing and Urban Development, Washington, DC, 2000
- ^{lxx} *Housingonline*, “Two Studies Challenge the Notion That Gentrification Harms Low-Income Residents”, National Housing and Rehabilitation Association, June 19, 2002
- ^{lxxi} *The Urban Prospect*, “Gentrification and Displacement”, Citizens Housing and Planning Council, Volume 8, Number 1, January/February 2002
- ^{lxxii} *Historic Seattle*, “Gentrification and Historic Preservation”, 2001
- ^{lxxiii} *Meeting Our Nation’s Housing Challenges*, Report of the Bipartisan Millennial Housing Commission, May 2002
- ^{lxxiv} *Meeting Our Nation’s Housing Challenges*, Report of the Bipartisan Millennial Housing Commission, May 2002
- ^{lxxv} *Housing Policy Debate*, Volume 12, Issue 3, Fannie Mae Foundation, 2001. “The Potential and Limitations of Mortgage Innovation in Fostering Homeownership in the United States.” David Listokin, et. al., Rutgers University
- ^{lxxvi} *The Affordable Housing Shortage: Considering the Problem, Causes and Solutions*, Ron Feldman, Federal Reserve Bank of Minneapolis, 2002
- ^{lxxvii} *Shelterforce Online*, National Housing Institute, July/August 1999
- ^{lxxviii} *Emerging Trends in Real Estate*, PriceWaterhouseCooper’s, 2002
- ^{lxxix} *Results of the Fannie Mae Foundation Affordable Housing Survey*, Hart/Teeter, Fannie Mae Foundation, 2002
- ^{lxxx} *Solving Sprawl: 1999 Sierra Club Sprawl Report*, Sierra Club, 1999
- ^{lxxxii} *Solving Sprawl: 1999 Sierra Club Sprawl Report*, Sierra Club, 1999

^{lxxxii} *National Mortgage News Daily*, “Common Ground Weds Affordable Housing with Historic Preservation”, April 8, 2002

^{lxxxiii} *National Survey on Growth and Land Development*, Belden Russonello & Stewart, Smart Growth America, 2000

^{lxxxiv} *Housing Facts & Findings*, Volume 3 Issue 2., Fannie Mae Foundation.