

STATEMENT OF

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Mr. Chairman, ten years ago the Congress passed legislation that reaffirmed the 1949 national housing goal of achieving "a decent home and a suitable living environment for every American family." To help realize this goal, the 1968 act established a ten-year target for the production of additional housing. With the end of that ten-year period, the Congress faces decisions about future housing goals and the design, funding, and implementation of programs to achieve them.

As background for these decisions, I would like to review briefly the purposes that a statement of policy goals can serve. Next, I will present evidence regarding current housing conditions and examine the progress that has been made towards achieving the national housing goal. I will then review experiences since 1968 that might bear on the choice of a goal and the mechanisms for achieving it.

#### PURPOSES OF A STATEMENT OF POLICY GOALS

Housing goals are important for three reasons. First, a statement of goals establishes policy objectives and the dimensions against which policy and budget proposals may be examined. Second, explicit goals can bring coherence to the policy development, program design and implementation, and budgetary processes. Third, as a result of a clear statement of goals and a more coherent process of policy review and debate, the nature of needed information--both data on the achievement of goals and knowledge about the impact of policy options--should become more apparent.



THE MULTIDIMENSIONAL NATURE OF HOUSING  
NEEDS AND CURRENT HOUSING CONDITIONS

Since the enactment of the national housing goal in 1949, the goal of assuring a decent home and a suitable living environment for every family has come to include the separate but related elements of:

- o Reducing the incidence of housing deficiencies;
- o Reducing overcrowding;
- o Reducing neighborhood blight;
- o Reducing the incidence of excessive housing costs;
- o Expanding homeownership; and
- o Guaranteeing equal housing opportunities for all persons.

Significant progress has been made on a number of these objectives in the three decades since 1949. However, in some instances this progress has been at the expense of achieving gains in other areas.

Trends in Housing Deficiencies

In the years since 1949, steady progress has been made in eliminating the most severe housing deficiencies, but problems still remain. Between 1950 and 1970, the proportion of the occupied housing stock that was dilapidated (according to the Census definition) declined from about 9 percent to just under 4 percent. During the same period, the share of all occupied units lacking some or all plumbing facilities declined from 34 percent to about 5 percent; by 1976, the rate was down to only about 2.6 percent.



A more comprehensive measure of housing condition, which utilizes data from the HUD-sponsored Annual Housing Survey, reveals that in 1976 approximately 5.8 million occupied units had deficiencies such that they were likely to be in need of some degree of rehabilitation. 1/ However, between 1974 and 1976, the number of occupied units in need of rehabilitation declined by 24 percent. The number of units exhibiting five or more deficiencies dropped by 39 percent to 419,000 units during that two-year period. Nearly all of this improvement in quality was due to improvement among existing units rather than their replacement by new ones. It should be noted that these figures represents a net improvement among units occupied in both years; over this two-year period, improvement in some units was accompanied by deterioration of others.

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1/ A unit was classified as likely to be in need of rehabilitation if it had at least one of the following conditions: (1) the absence of complete, unshared plumbing facilities; (2) the absence of complete, unshared kitchen facilities; (3) the absence of either a public sewer connection, a septic tank, or cesspool; (4) three or more breakdowns of six or more hours each time in the sewer, septic tank, or cesspool during the prior 90 days; (5) three or more breakdowns of six or more hours each time in the heating system during the last winter; (6) three or more times completely without water for six or more hours each time during the prior 90 days; (7) three or more times completely without flush toilet for six or more hours each time during the prior 90 days; and/or if the unit had two or more of the following conditions: (1) leaking roof; (2) holes in interior floors; (3) open cracks or holes in interior walls or ceilings; (4) broken plaster over greater than one square foot of interior walls or ceilings; (5) the presence of any unconcealed wiring; (6) the absence of any working light in public hallways for multi-unit structures; (7) loose or no handrails in public hallways in multi-unit structures; (8) loose, broken or missing steps in public hallways in multi-unit structures.





During the past three decades, occupancy of substandard units by lower-income households has also declined. In 1950, among the poorest 40 percent of all households--which roughly corresponds to the population eligible for lower-income housing assistance programs--57 percent were living in units that were dilapidated and/or lacked complete plumbing; by 1970 the fraction was 14 percent.

Despite these gains, lower-income families remain less well-housed than higher-income families. In 1976, 3.9 million, or 13 percent of all households with incomes low enough to qualify for housing assistance, were living in units in need of rehabilitation. Only 4 percent of higher-income households lived in similar circumstances. Approximately 352,000 lower-income households were living in units with five or more deficiencies.

#### Trends in Overcrowding

The overall improvement in the physical quality of housing has been accompanied by a reduction in the incidence of overcrowding. Between 1950 and 1976, the proportion of all households with more than one and one-half persons per room--one of the standards used to define overcrowding--declined from 6.2 percent to less than 1 percent. Applying a more stringent standard of no more than one person per room, 4.8 percent of all households lived in overcrowded conditions in 1976.



Even among lower-income families, overcrowding is uncommon today. Of all households eligible for federal assistance, approximately 500,000, or 1.7 percent, were living in units with more than one and one-half persons per room in 1976; 2 million, or 6.7 percent were living in units with more than one person per room.

#### Trends in Neighborhood Quality

There is no generally agreed upon or readily measurable standard for assessing neighborhood quality. Nonetheless, concern for neighborhood conditions has grown in recent years as the standard for what constitutes a suitable living environment has come to encompass housing-related services as well as freedom from safety and health hazards. Selected indicators of blight can be used to provide some insight into neighborhood quality. In 1976, 23 percent of all households reported the presence of litter or trash in the streets, abandoned buildings, or run down, but occupied, housing in their neighborhoods. Seven and one-half percent of all households reported the presence of two or more of these conditions.

Reports of blight conditions vary with both household income and location. Among low- and moderate-income households living inside central cities, more than 34 percent reported the presence of some neighborhood blight, and 15 percent reported two or more blighting conditions. Overall, the proportion of households reporting undesirable neighborhood conditions has increased slightly in recent years.



### Trends in Housing Costs

As housing quality has improved, housing costs and the number of households devoting a large share of their income to housing have gone up. Between 1950 and 1970, the proportion of all renters paying one-fourth or more of their incomes towards housing rose from 24 percent to 40 percent. By 1976 nearly 47 percent of all renter households were paying a quarter or more of their incomes towards rent and utility expenses. 2/

The problem of high housing costs is especially acute among lower-income households, for whom the burdens of heavy housing costs are more likely to represent real hardships and more often reflect necessity rather than choice. Among lower-income renter households, 8.4 million, or over 62 percent, were paying more than one-fourth of their incomes towards housing as of 1976; 5.3 million of these households were paying over 35 percent of their incomes for rent and utilities; 2.6 million, or 19.3 percent of all lower-income rental households, were paying more than one-half of their incomes towards housing.

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2/ Percentages are expressed as a proportion of all households for whom a total housing expense is reported. Excluded are single-family homes on ten acres or more and residences with a business on the property.



The cost of housing is not an issue for renters alone. Among homeowners whose incomes are low enough to make them eligible for homeownership assistance programs, 5.2 million, or nearly 40 percent, were devoting more than one-fourth of their incomes towards housing expenses, including mortgage payments. Approximately 2.7 million of these households were paying over 35 percent of their incomes towards housing, and more than 1.1 million lower- and middle-income homeowners were paying more than one-half of their incomes towards shelter.

It should be noted that all of these figures reflect housing-cost burdens after the intervention of government housing and income supplementation programs.

#### Trends in Homeownership

Promoting homeownership is an objective of a variety of federal programs. Overall, the rate of homeownership in the United States is high and has grown steadily during the past thirty years. In 1950, 55 percent of all households owned the homes in which they were living. By 1976, this proportion had grown to nearly 65 percent.

Despite this increase, growing concern has been expressed in recent years regarding the ability of young households--first-time homebuyers in particular--to afford homeownership in the face of rising acquisition and maintenance costs. Available evidence indicates that, while recent buyers are devoting somewhat greater shares





of their incomes to housing expenses, the burden for most first-time home-buyers remains within the guidelines reflected in federal assistance programs. The median proportion of income devoted to housing for first-time buyers in 1976 was 22 percent, up by one percentage point from 1974. For lower- and middle-income buyers in 1976, the median ratio of housing costs to income was 30 percent.

Throughout the period of rising costs, the rate of homeownership has continued to increase; the increase has been especially marked among younger families. The rate of homeownership among husband-wife households with the head of household under 30 years-of-age went from 39.4 percent in 1970 to 45.2 percent in 1973 and 47.8 percent in 1976.

#### Trends in the Equality of Housing Opportunity

Equal housing opportunities is another objective of federal policy. Assuring equal access to housing for all persons regardless of race, religion, national origin, sex, marital status, or age is an essential component of an effort to achieve decent housing for everyone. The effects of discriminatory practices on the housing opportunities and conditions of minority households is well documented, and the residential segregation resulting from these practices has affected the range of living environments open to all. Available evidence indicates that residential segregation increased during the decade of the 1960s. Firm evidence for the 1970s is not available.



As formal prohibitions against discriminatory sale, rental, and credit activities are enforced, public policy will have to find means of dealing with the consequences of discrimination that remain. One of the effects of discrimination can be seen in the greater disparities in housing quality that exist between black and white households within more highly segregated housing markets. In 1976, lower-income black households were more than twice as likely as lower-income white households to be living in units in need of rehabilitation. Among large metropolitan areas, the differential was greater in more segregated markets.

EFFECTS OF MARKET FORCES AND FEDERAL  
POLICIES ON HOUSING CONDITIONS

The varied nature of federal policy objectives suggests a multidimensional statement of housing goals. Multidimensional goals and complex policies are also suggested by the character of the housing sector. Each of the housing conditions that I have discussed can be affected by a variety of market forces and policy instruments, and each policy instrument is likely to affect several different housing conditions.

When reaffirming the national housing goal in 1968, the Congress placed particular emphasis on additional production. Congress specified a target for the construction or rehabilitation of 26 million units of housing over a ten-year period. Later the statement of the



national goal was amended to place greater emphasis on utilizing the existing stock as a means of improving housing conditions. Policies enacted since 1968 have included mechanisms for promoting construction and rehabilitation and for subsidizing the occupancy of existing units. A review of the experience of the last ten years reveals the range of factors that can affect housing conditions and the tradeoffs that exist among different means of bringing about improvements in housing quality.

A wide variety of factors have affected the supply and quality of the occupied stock since 1970, including: the level of new construction; the rate of loss of units from the housing inventory; the rate of additions through conversions, mergers, and rehabilitation; and the level of maintenance of existing units. Since 1970, the rate of production of new units has fallen short of targeted levels and has varied widely from year to year. Nevertheless, progress has been made in terms of both the quantity and quality of the occupied stock because periods of reduced construction activity have been associated with improved utilization of existing structures and increased levels of maintenance.

In the years between 1970 and 1973, additions to the inventory through new construction averaged nearly 2.3 million units per year. In the following three years, the rate of additions through new construction declined to slightly over 1.7 million units annually.



However, due to a sharp increase in conversions of nonresidential structures, mergers and renovations, the overall rate of additions to the housing stock declined by less than 20,000 units per year between the two periods. Maintenance and repairs to the existing stock also increased in real-dollar terms during the period of reduced construction activity.

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ANNUAL CHANGES IN THE HOUSING INVENTORY, 1970-1976: UNITS IN THOUSANDS

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	<u>April 1970 to October 1973</u>		<u>October 1973 to October 1976</u>	
	Number of Units	As a Percent of the Stock Ex- isting at the Start of the Period	Number of Units	As a Percent of the Stock Ex- isting at the Start of the Period
Net Additions Through New Construction	2,286	3.26	1,741	2.29
Losses of Previously Existing Units	690	0.98	757	1.00
Net Additions Through Conversions, Mergers, and Renovation of Existing Structures	57	0.08	654	0.86
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Overall Net Increase in the Housing Stock	1,653	2.36	1,637	2.15

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As a consequence of the increased levels of maintenance and improvements to existing units and increased utilization of available structures, the reduction in the rate of new construction between 1973 and 1976 was not accompanied by any appreciable reduction in the rate of improvement in overall housing quality as measured by the proportion of occupied units lacking complete plumbing facilities--the only indicator for which comparable data are available over the entire six-year period. 3/

The experience of the last decade does not suggest any single strategy for the future. Instead, that experience illustrates the variety of factors that can affect the quantity and quality of housing and suggests the variety of approaches that might be taken to bring about desired changes with respect to any of the policy dimensions already discussed. Past experience and our knowledge of housing market dynamics also suggest that any single policy is likely to affect more than one of the dimensions of housing need and often in

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3/ This relationship between the rate of new construction and utilization and maintenance of the existing stock almost certainly reflects the impact of other factors as well. For example, the pattern of change in the housing inventory between 1973 and 1976 includes the effect of the shift in population back towards nonmetropolitan areas and the central cities of selected large metropolitan areas, many of which enjoy an excess of available, but unutilized, structures. It is unclear whether these trends will continue into the future, nor is it clear to what degree available but unutilized structures can continue to be relied upon to contribute substantially to net growth in the housing stock.



unintended ways. For example, policies aimed at improving housing quality by replacing substandard units through new construction may also serve the special needs of those for whom the private market is not producing an adequate supply of units. On the other hand, increased levels of new construction may discourage the maintenance of still-sound units and encourage abandonment of salvageable structures, particularly if the increased production occurs in areas with high levels of vacancies among existing standard units. Programs designed to reduce housing costs by subsidizing the occupancy of existing, standard units might also serve to expand the housing opportunities of lower-income families by allowing them to afford homes in areas previously closed to them. But, such programs may have little effect on the quality of existing, severely substandard units.

No single policy or short-term policy target that relies on any one mechanism alone is likely to be the most efficient or effective approach for addressing all of the Nation's housing objectives. Moreover, the eventual impact of any approach will depend on many factors, only some of which are within the control of those making and administering policy. Whatever approach is chosen for the future, it will be important to monitor a range of conditions in order to be certain of the continued appropriateness of any course of action.



AVAILABILITY OF DATA TO ASSESS HOUSING  
CONDITIONS AND MEASURE POLICY IMPACTS

Since the Congress last considered the issue of housing goals, improved sources of information have become available, making it possible to assess housing conditions and changes in those conditions on a yearly basis. The availability of such data further suggests the appropriateness of a statement of housing goals that recognizes the range of underlying objectives and invites assessments as to each condition in judging policies.

Data available each year since 1973 from the Annual Housing Survey provide a base for evaluating the magnitude of different kinds of housing needs; make possible a better understanding of the underlying market forces that affect housing conditions; and will permit the Congress to better assess the effects of policy over shorter intervals of time.

CONCLUSIONS

In resetting housing goals this year, the Congress has the opportunity to provide a framework for subsequent policy and budgetary decisions. A review of current housing problems, an examination of the manner in which housing conditions have changed in recent years, and an assessment of the factors that have been associated with changing conditions suggest that:

- o Any restatement of the national housing goal should recognize the full set of policy objectives embodied within the goal;
- o A range of options should be considered in pursuing those objectives; and
- o A variety of housing conditions should be examined in assessing the effects of whatever policies are chosen.

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