

What Should A State Housing Policy Contain?

by Michael A. Stegman

North Carolina must adopt a comprehensive housing policy for three reasons. First, a large number of North Carolinians still live in substandard housing units. Just six other states in the nation have higher proportions of housing without complete plumbing than does North Carolina. Second, a large and growing number of North Carolinians cannot afford to buy a house at today's high interest rates. As a result, high rates of unemployment exist in the state's homebuilding industry, and the state's lending institutions face severe hardships. Third, the federal housing policies and funding levels are going through a critical transformation. After cutbacks in fiscal year 1982, housing programs face major new reductions in 1983 (see article on page 27). At the same time, the Reagan administration is turning over some major housing programs, such as the Community Development Block Grant, to the states for administration.

How can the state respond to the dramatic changes in federal housing policies and programs without a plan for action? If President Reagan has his way, virtually all of the Department of Housing and Urban Development's (HUD) low-income new construction programs will be eliminated in FY 83, which begins October 1, 1982. Equally important to North Carolina, which has the nation's largest rural housing program, the Farmers Home Administration (FmHA) housing budget may be slashed by more than 75 percent across the country. *Rural America* has estimated that North Carolina will receive around \$59 million in FmHA

housing loans next year compared to \$198 million this year, a 70 percent reduction. Under this budget, the number of FmHA-supported housing units in North Carolina would decline from some 5,500 this year to less than 1,500 next year.

A state housing policy should contain at least nine elements.

1. **Specify the state's housing goals and the relative importance of each.** Reducing the incidence of substandard housing, increasing home ownership opportunities for young families, and strengthening the homebuilding and lending industries during recessionary periods could be considered. Such goals should be ranked in importance, and the rankings should determine the relative quantity of resources devoted to each.

2. **Detail the nature of the state's relationship with local governments on housing issues.** The state must determine how and to what extent it will facilitate and support local housing efforts through technical and financial assistance. When a local government abandons its responsibility, the state must be prepared to intervene.

3. **Address a wide range of housing needs.** Hous-

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ing needs range from making home ownership more affordable to improving the condition of migrant farmworker housing, and all types of needs must be addressed. The state's principal housing agency, the N.C. Housing Finance Agency, works primarily through marketing tax-exempt mortgage revenue bonds; consequently, defining all housing needs in terms that can be solved solely by such bonds is tempting. But housing needs should suggest programs and delivery systems, not the other way around.

4. **Target available resources, either geographically or to particular population groups.** Housing problems are not distributed uniformly throughout North Carolina, so the state must target its resources where the need is greatest. Problems are more serious in the eastern counties than in the Piedmont, are worse for renters than for owners, and are more concentrated among low-income blacks and Indians than other population groups. The state is beginning to assume administrative responsibility for federal housing programs that assisted people and places most in need. These new state resources must not be treated as another form of general revenue sharing and distributed equally, on a per capita basis, throughout the state.

5. **Define the state's relationship to housing producers.** The state must be willing to direct its housing efforts through the private homebuilding and lending industries as well as through nonprofit sponsors, self-help efforts, and other types of production systems.

6. **Explain how the state will organize itself to carry out its housing responsibilities.** The state is not well organized to carry out a coordinated housing program. Though its housing activity is dominated by a strong and increasingly effective housing finance agency (HFA), this agency's interests and expertise are still quite narrow. From an organizational standpoint, the HFA is also not yet suited to assume non-bond-financed housing program responsibilities, nor to become the principal advocate of the housing needs of the poor in North Carolina.

7. **Articulate a state housing plan which can be carried out by a politically accountable agency or institution.** The Housing Finance Agency, now the centerpiece of the state's housing effort, is overseen by a board of directors, not by a member of the Council of State or a secretary of a cabinet-level agency like other state functions such as transportation and commerce. Some argue that because of mortgage finance and bond underwriting responsibilities the housing agency must operate as a quasi-independent, corporate entity. But other state agencies also engage in capital market activities, are responsible for hundreds of millions of dollars, and are mandated to operate in a businesslike fashion. Should the HFA's responsi-

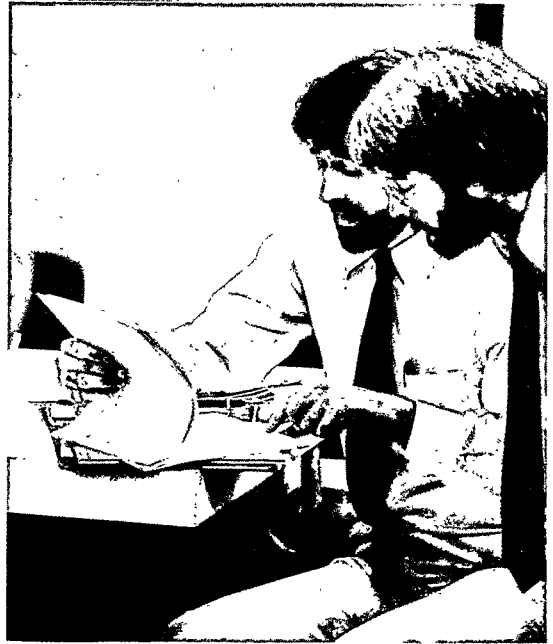


Photo by Paul Cooper

Michael Stegman (left) at a recent meeting of the N.C. Housing Programs Study Commission.

bilities be broadened to include housing activities unrelated to tax-exempt bond financing, consideration should be given to making the agency part of a larger departmental entity, to altering the composition of the HFA's board of directors to include members of the Cabinet or Council of State, and/or to making the executive director an appointee of the governor rather than of the board of directors.

8. **Provide for a means to monitor the progress that is made, so as to refine existing programs and design new ones as needed.** No state agency has the overall responsibility of assessing what is happening on the housing scene. In adopting a set of housing goals, the state must also develop a system to monitor progress in achieving these goals. An annual or biennial report on state housing could serve as the basis for the General Assembly's ongoing consideration of housing issues.

9. **A housing policy must have adequate appropriations behind it to give it meaning.** The state cannot afford to replace the federal housing budget dollar for dollar. Yet the state must consider a major commitment to housing, akin to its commitment to education or transportation — and the appropriations such a commitment represents — if a comprehensive plan has meaning. In the last decade, many states have abandoned the "silent partner" role with federal housing programs and have begun to supplement federal efforts. As the federal role declines sharply, the state has a far greater challenge in determining to what extent it will enter the housing arena in a meaningful and lasting way. □