Excerpt from the United States Housing Act of 1937

It is the policy of the United States (1) to promote the general welfare of the Nation by employing the funds and credit of the Nation... (A) to assist States and political subdivisions of States to remedy the unsafe housing conditions and the acute shortage of decent and safe dwellings for low-income families; [and] (B) to assist States and political subdivisions of States to address the shortage of housing affordable to low-income families....

The United States Housing Act of 1937 (P.L. 75-412, 50 Stat. 888) created the public housing program. The act is also known as the Wagner-Steagall Housing Act (after Representative Henry B. Steagall, Democrat of Alabama, and Senate Robert F. Wagner, Democrat of New York) and the Low-Rent Housing Act. Under the program, the federal government, through the Department of Housing and Urban Development (HUD), provides subsidies to local public housing agencies (PHAs) that rent housing to low-income families.

The financial structure of the program rests on three subsidies: (1) one subsidy covers the cost to build the units, (2) another subsidy goes to investors who buy federally guaranteed bonds that the PHAs issue to raise money to build the units (but the investors do not pay taxes on the interest the bonds pay them), (3) a subsidy added in 1969 pays some of the PHAs’ operating expenses.

PHAs are independent entities with limited accountability to local governments. However, local governments determine where public housing may be located. In addition, local governments charge for certain services such as water and sewers. Instead of collecting taxes to pay for police and fire protection, local governments charge the PHAs 10 percent of their rental collections for those services. The low-income tenants who live in the public housing pay rent equal to just 30 percent of their income. At the start of the twenty-first century, over three million residents lived in roughly 1.3 million units of public housing throughout the nation.

PROONENTS AND OPPONENTS OF THE ACT

The public housing program has always been controversial. The act, based on Congress’ power, under Article I, section 8 of the United States Constitution, to provide for the general welfare, was a late part of President Franklin Roosevelt’s Depression-era legislation. Proponents included social reformers who wanted to remedy “unsafe and insanitary” housing for poor people. Some argued that bad housing contributed to other problems, including poor health, political
corruption, crime, and even immorality. Others argued that housing assistance should be provided to the "submerged middle class" that was temporarily out of work because of the Depression. Labor unions and political leaders supported housing subsidies as aids to recovery from the Depression because building housing would create jobs and stimulate the construction industry.

Opponents objected that providing housing subsidies was inappropriate for the federal government on three grounds. They believed subsidies would 1) undermine the private housing market, 2) diminish homeownership incentives, and 3) be a form of socialism. Opponents included chambers of commerce, business organizations, and real estate interests, such as associations of home builders. To meet opponents' objections, President Roosevelt accepted the limitation that only the "poorest and lowliest people" would qualify to live in public housing. This provision would ensure that a government program would neither interfere with the private sector nor diminish personal incentives for those the private sector could serve.

Under the act, assistance would go through the states to local entities that would provide and operate the subsidized housing. The policy assured that local government would share in the responsibility and public housing would not be forced upon communities that did not want it.

**EXPERIENCE UNDER THE ACT**

Whether public housing has been partly successful or mostly a failure depends on the individual observer's perspective. The federal law enables many low-income families to gain access to housing that may otherwise be unavailable. Yet serious financial, social, and safety problems have plagued the low-income housing program.

**Problems Created by Restricted Rents** The original concept of the act was for federal subsidies that would cover the costs to build the housing, and rent from tenants would cover the PHAs' operating costs. Although some tenants paid rents that required a large share of their income, the PHAs sometimes suffered from deficits because restricted rent payments did not cover operating costs. In 1969 Congress enacted the Brooke Amendments, named for Senator Edward Brooke, a Republican from Massachusetts and the third African American elected to the U.S. Senate since the reconstruction period of the 1870s. Brooke sponsored an amendment limiting the rent that tenants could be charged to 25 percent of their income (later raised to 30 percent during President Ronald Reagan's term in 1980). Another Brooke amendment authorized operating subsidies to cover the PHAs' deficits. Congress never appropriated sufficient funds to cover all deficits, and HUD, which had opposed operating subsidies, did not use all the funds that Congress provided.

**The Problem of Changing Tenant Demographics** By 1937 the Depression had thrown masses of people out of work. Many in government assumed that when prosperity and jobs returned, tenants would move out of public housing. Some "wealthier" tenants did in fact leave public housing as the economy improved, but they were replaced by tenants with dim economic prospects. The people in this new demographic were poorer and not just temporarily out of work: they were welfare recipients, elderly persons, the chronically unemployed, people with disabilities, female-headed households, and families with multiple economic and social needs. Moreover, public housing developments started out and stayed racially segregated. White tenants left at a faster rate than did black tenants. In many metropolitan areas, the view of public housing was that only very poor members of racial
Policy Problems. Some policies adopted by Congress or imposed by HUD added to public housing's problems. Building sites were chosen that reinforced racial and economic segregation. Some sites were unsuitable environmentally or were in undesirable locations. Local zoning caused "over-concentration" of public housing in distinct parts of municipalities. Construction was sometimes shoddy because of scandalous mismanagement and lack of HUD oversight. The buildings were frequently high rises located in high-density developments that proved to be unsuitable for families with young children. As a result of these powerful social, economic, and political forces, many associated public housing with problems in older, deteriorating urban centers of our nation.

Attempts to Improve Public Housing

Congress has enacted many amendments to try to solve some of public housing problems. One program, called HOPE VI, derived from a related series of programs under the name "Homeownership and Opportunity for People Everywhere," was enacted in 1992. HOPE VI funds may be used to offer homeownership opportunities, demolish deteriorated units, and rebuild low-density developments. The HOPE VI program is funded by a process in which PHAs apply to and compete for funding from HUD. At the beginning of the twenty-first century, the success of HOPE VI programs was not yet clear.

Drugs and crime in public housing present a difficult and controversial problem. Many tenants support stringent measures to rid public housing of drugs and crime. Congress enacted the Anti-Drug Abuse Act to provide for evictions of entire families if any family member is involved with drugs or crime, even when the other family members are innocent. These evictions are known as "one-strike" (one strike and you're out) and "no fault." The U.S. Supreme Court upheld the provisions in 2002. Civil libertarians objected that tenants in public housing were being denied basic civil liberties that included privacy, due process, and fairness.

Interaction with Other Laws

The act is the precursor of all subsequent housing legislation. Indeed, many housing programs are named for the section number of the Housing Act of 1937 in which they were placed (for example, the Section 8 program).

- The Housing Act of 1949 announced a goal of a "decent home and suitable living environment for every American family" and funded "slum clearance" activities.
- The Housing Act of 1954 enacted the urban renewal program.
- The Department of Housing and Urban Development Act of 1965 created HUD to consolidate federal agencies that dealt with urban housing, including, the Public Housing Administration, the Federal Housing Administration, and Federal National Mortgage Association (popularly know as Fannie Mae), which operates extensive insurance and mortgage-buying operations from banks and selected other lenders.
- The Housing Act of 1965 created a rent supplement program for use in privately owned housing.
- The Housing and Urban Development Act of 1968 enacted a series of assisted programs for private housing that continued the shift to using federal

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subsidies for privately owned housing and away from publicly owned housing.

- The Housing and Community Development Act of 1974 consolidated community development programs into block grants and created the Section 8 housing assistance program.
- The Civil Rights Act of 1964 prohibited certain forms of racial discrimination in federally assisted programs.
- The Civil Rights Act of 1968 enacted the Fair Housing Act, which prohibits racial discrimination, with a 1974 amendment prohibiting sex discrimination, and a 1988 amendment prohibiting discrimination against families with children or handicapped persons.

See also: HOUSING AND URBAN DEVELOPMENT ACT OF 1965; NATIONAL HOUSING ACT.

BIBLIOGRAPHY


Did this raise a question for you?