Excerpts from the new book, "Rebuilding a Dream," By Andre F. Shashaty

"Rebuilding a Dream" is on sale now at http://www.sustainabilitystore.org/

After five decades of progress, older cities are slipping back into decay, and the blight is spreading to suburban locations and Sunbelt towns previously thought immune to "urban problems."

The shortage of affordable housing is reaching crisis proportions, especially for poor residents of our cities, but also for moderate-income people in suburban and rural areas. The failure of the government to get the mortgage markets back in order has put the American dream out of reach for more and more families.

City streets, parks, and highway underpasses have become the living rooms, bedrooms, and bathrooms for many thousands of homeless people, including young adults, the elderly, and veterans returning from war, many with chronic mental and physical health issues.

There were 1.17 million homeless children of school age during the 2011-2012 school year, according the Department of Education.

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The foreclosure crisis has turned many fledgling middle-class areas into the new American slums. Since 2007, there have been roughly 4.5 million completed foreclosures in the country. More than 900,000 homes in the United States were in some stage of foreclosure and about 2 million owners were seriously delinquent on their mortgages as of August 2013.

The rash of foreclosures affects entire neighborhoods, as lenders take control of homes but don't always maintain them or resell them. These vacant homes deteriorate, creating blight and inducing crime. They put added demands on city services while reducing overall property tax revenues, the mainstay of municipal finances.

But instead of redoubling efforts to help cities and address housing quality and affordability, the federal government and many states are doing the exact opposite: They are rolling back a 50-year record of government programs aimed at improving lower-income communities and helping minorities move up the economic ladder.

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The concentrated poverty that worried President Lyndon Johnson so much in the 1960s was a problem once again in 2014.

After substantial progress to reduce concentrations of poverty during the booming economy of the 1990s, the economically turbulent 2000s saw those gains largely erased, according to a study by the Brookings Institution. The report analyzes data on neighborhood poverty from the 2005-2009 American Community Surveys and Census 2000.

It found that about 75 percent of the nation's largest 100 metro areas saw an increase in the number of "extreme-poverty neighborhoods" within their borders, along with an increase in the number of poor living in them. Only 16 metro areas experienced decreases in the number of such neighborhoods.

Midwestern metro areas registered a 79 percent increase in extreme-poverty neighborhoods in the 2000s.

An extreme poverty neighborhood is one where at least 40 percent of individuals live below the poverty line.

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Among lower-income households, including those working minimum-wage jobs, a startling percentage pays more than half their income for rent. In Miami, for example, the 2012 data showed that 35 percent of all renters paid more than half their income for rent, according to "The State of the Nation's Housing 2014" report from Harvard University's Joint Center for Housing Studies.

Nationwide, more than 1 in 4 renters (27 percent) paid more than 50 percent of their income for rent and utilities in 2012.

From 2001 to 2007, median monthly rental costs rose 4 percent while renter incomes fell by 8 percent. The slide in renter incomes continued through 2011 with another 8 percent decline. Although conditions improved somewhat in 2011-2012, the changes were not nearly enough to make up for lost ground.

As a result, median renter incomes were 13 percent lower in 2012 than in 2001, falling from $36,000 to only $31,500. Meanwhile, the median rent paid, at $880, was up about 4 percent over this period, Harvard reported.

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The foreclosure crisis hit predominantly black and Hispanic areas especially hard. Data shows that unscrupulous lenders targeted these areas for the highest-risk, highest cost types of mortgage loans, such as adjustable-rate mortgages and loans with high prepayment penalties.

This led to higher-than-average default rates within the Hispanic and African-American communities, according to the Housing Commission established by the Bipartisan Policy Center, which consists of equal numbers of Republican and Democratic housing experts.

The commission said many of the families had good credit, decent incomes, and everything else necessary to qualify for traditional long-term, fixed-rate loans. Despite that fact, they were not offered those kinds of loans. They were "steered into exotic and costly mortgages they did not fully understand and could not afford," the commission said.

This "deliberate targeting of minority areas for the sale of risky and expensive loans," as the commission described it, continued to have an impact every day in inner cities and lower-income towns across America long after the press declared the housing crisis to be "over."

African-American and Latino borrowers were almost twice as likely to have lost their homes to foreclosure as non-Hispanic whites, according to CRL.

"Communities of color got the worst of everything. They were given the highest-risk, most expensive mortgages, they received the worst servicing from their mortgage lenders, and they have suffered the most damage from the nation's long economic slump," said Liz Ryan Murray, policy director for National People's Action, a Chicago-based group that has been fighting against discriminatory home lending practices since the 1970s.

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Housing economists have coined the term "extreme rent burden" to describe paying more than half one's income for rent. In 2011, 28 percent of renter households at all income levels paid more than 50 percent of their incomes for housing, according to JCHS.

A total of 11.3 million households were in that position, 2.5 million more than in 2007.

Among households earning less than $15,000 per year, an astounding 70 percent paid more than half their incomes for rent. That meant they had only $7,500 left for every other household expense—for a full year.

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Many parents expect at least one of their children to come back to live in their family home for a year or two after graduating college. But, with the new economics of housing, many young adults are staying much longer than that. Some people are even coming back to their parents' homes in middle age, after finding they can no longer earn enough to afford their own place.

The affordable housing crisis affects lower-income people the most. But the increasing number of "bounce-back kids" shows that affordability is also a problem for the middle class. And while lower-income people are eligible for government housing assistance, the children of the middle class generally get no such help.

"So far, many young adults prevented by the Great Recession from living on their own have still not formed independent households," Harvard University's Joint Center for Housing Studies (JCHS) reported in 2013.

"As unemployment rates rose during the downturn, the share of young adults living independently dropped significantly even as the population under age 35 climbed," JCHS reported. That means more young people headed home to Mom and Dad's house: 15.3 million adults in their 20s and 3.1 million in their 30s lived in their parents' homes in 2013, JCHS said in its 2014 report.

That means a substantial portion of those 18 million people who would be forming households of their own in normal economic times, when housing costs and incomes were more in line, are NOT doing so. That means they are not generating the economic activity that comes from buying furniture, household utilities, and other home-related purchases. They are also far less likely to start families and buy the things that young parents need (and that create jobs).

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When Wilmina Augustin was offered a lease on a brand-new affordable apartment at Broadcreek Renaissance in Norfolk, Va., she was overjoyed. "I felt like God was right there with me," she said.

She and her two young children had been living in an emergency shelter and transitional housing after she moved out of her home to get away from an abusive relationship.

She had been earning about $20,000 a year working for a credit union, but that was not enough to rent an apartment and cover all her family's expenses. At the peak of the recession, she was laid off. With no income and nearing the end of the time limit for staying in the transitional housing, the 32-year-old faced the grim prospect of being out on the streets with her children.

Wilmina applied for assisted housing in Norfolk and other communities. All the existing affordable properties were full. It would have taken two or three years or longer to get to the top of their waiting lists. But The Community Builders, a Boston-based nonprofit developer, had just completed Broadcreek, thanks to substantial funding through the federal HOPE VI program. She was able to land an apartment there just before her stay in transitional housing was scheduled to end.

She knows she is very lucky to have an apartment with a bedroom for each member of her family at a rent she can afford. She says the property gives her and other single mothers an opportunity to build a better life for themselves and their children.

Her goal is to move back into the private housing market, maybe even get a house with a yard and a swimming pool for those hot Virginia summers.

"I cannot wait to see what the future brings. I want to be fully self-sufficient and give my space in the property to someone else," she said. She is attending classes toward obtaining a bachelor's degree in human services. If it wasn't for Broadcreek, she added, she would probably have very little chance to make that happen.

When she talked about how Broadcreek had changed her life, she kept coming back to one simple fact: She knew that her children were safe at the property.

Wilmina is one of the tens of thousands of parents who trade a life of fear and uncertainty for a new start in life when they get to live in affordable housing. They go from scraping by in survival mode to being able to look for work or better work and begin saving money. The parents can get more education, and the children do better in school.

In many cases, people in affordable housing increase their incomes and their ability to pay taxes, and reduce their reliance on public services. Some families manage to do well enough to move to private, market-rate housing or save sufficient cash for a downpayment to buy a home.

Such is the power of the affordable housing being developed today. That's why housing advocates, civic leaders, elected officials, and business owners all over America are increasingly vocal in supporting it.

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The range of efforts being made at the state and local level on housing and community development is impressive. Despite many obstacles, nonprofit groups, for-profit developers, bankers, and government agencies are still finding ways to:

- Provide supportive housing for elders, the homeless, and the disabled, including veterans;
- Create affordable homes for farm laborers and rural workers;
- Repair the damage foreclosures did to the social and physical fabric of communities;
- Keep millions of people who still have mortgage problems from losing their homes;
- Redevelop blighted blocks and attract job-creating private business; and Better link housing development to public transit to help people get to jobs without having the cost of owning a car (or the greenhouse gas emissions).

Other groups are hard at work trying to save millions of units of existing low-rent housing from decay and demolition, including publicly owned housing and market-rate buildings.

It's hard to change entire neighborhoods and reverse years of physical and economic decline. But the combination of physical improvements, social programs, and educational efforts is making a difference. It is helping break the cycle of poverty, underachievement, and crime in America's inner cities.

The longest-running success story in public policy on housing is officially known as the Low-Income Housing Tax Credit (LIHTC). It is the only nationwide program for constructing and rehabilitating affordable rental housing in America.

It is the key ingredient in everything from new apartments for low-income elders to the rehabilitation of decaying public housing. It provides critical funding for such diverse

things as supportive housing for homeless people and the adaptive reuse of unused school buildings for housing.

Housing finance agencies in all 50 states, plus the District of Columbia, Puerto Rico, and the Virgin Islands, used tax credits to finance more than 2.6 million affordable rental homes from 1987 through 2011, according to the National Council of State Housing Agencies. By the end of 2014, the total was expected to be well more than 3 million units of housing.

The positive results are evident in the program's track record, according to the Bipartisan Policy Center's Housing Commission. "Over the first 24 years of the LIHTC program's existence, it financed more than 16,000 properties. During that period only 98 properties experienced foreclosure, an aggregate foreclosure rate of just 0.62 percent. This record is unmatched by any other real estate class, including residential and nonresidential real estate," the commission reports.

But that only describes the program from a statistical point of view. The true legacy of the program is its power to improve the lives of Americans and create supportive, safe communities. There is powerful testimony from many people who say their lives were changed or even saved thanks to housing produced by the tax credit.

"Once I found out I would be able to get an apartment [at a tax credit property in Michigan], it seemed to be a dream come true, like a terrible weight had been lifted from my shoulders," said Deborah Helbig. Prior to finding that housing, the U.S. Army veteran was homeless and could not find a job. "I was really without any hope of where or how I would be able to find or afford to have a home. I was praying that I would be accepted (at the property)."

The tax credit is the lynchpin in a complex but highly effective public-private partnership. It has encouraged private developers and city and state governments to work together in hundreds of creative ways.

They joined forces to combine funding from multiple sources, from foundations and social service organizations to state mental health departments. They acquired land for construction from the surplus supply held by school districts or city departments.

The program always provides good quality rental housing, but, in most cases, it goes far beyond that. Many developments for families provide services like job training, social services, youth programs, and more. Properties designed for the elderly usually incorporate basic social services.

The program also provides a critical building block for developments that combine the provision of housing with the delivery of social and health services. These developments serve people with all kinds of special needs, including veterans, the elderly, and the chronically homeless.

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The foreclosure crisis left many people, including members of Congress, believing that helping low-and moderate-income families become homeowners only leads to trouble. But every day, government housing agencies and nonprofit groups are proving that assumption is unfair, shortsighted, and just plain wrong.

Their message is as simple as it is hopeful: Homeownership remains a viable option for working people when it is done deliberately and prudently, without using risky kinds of mortgages and without the "get rich quick" hype that drove people to leap before they looked during the early 2000s.

"We've proven over almost 20 years of providing opportunity for low- and moderate-income people that the American dream of sustainable homeownership is alive and well," said Marietta Rodriguez, vice president of homeownership and lending programs at NeighborWorks America. Her organization works with a network of 235 local, community-based nonprofit groups to deliver services and

programs that help low-income people buy homes and stay in those homes.

The foreclosure crisis did not deter state housing finance agencies and private nonprofits all across America from helping less affluent families become first-time homeowners. They do that with a wide range of programs, from development of low-cost homes and counseling about household finances and mortgage loan options to the provision of safe, low-cost mortgage financing.

The potential to create equity by becoming a homeowner is a critical step for people to achieve upward economic mobility. It is also important for the creation of stable, mixed-income communities.

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The biggest myth about government housing assistance is that it's only provided to people who are poor. Along with that belief comes a great deal of resentment. Many taxpayers believe that it’s not fair that the poor should get help while middle-income Americans get none.

The underlying assumption is categorically incorrect.

Plenty of middle- to upper class Americans own housing subsidized by the federal and state governments, it's just that the subsidy comes through the tax code. Their benefits come in the form of tax breaks for homeownership. These so-called “tax expenditures” are less visible than direct appropriations for housing subsidies but have the same impact on the budget deficit.

Homeowners who itemize on their tax returns can deduct the interest paid on mortgages on first and second homes up to a total mortgage amount of $1 million. They also get to deduct local property taxes paid. Finally, they get a break on capital gains taxes for any gain on the sales of their primary residences, which basically means that most people receive all their appreciation on their homes completely free of taxes.

The tax expenditure for the home mortgage interest deduction in fiscal year 2010 was $103.7 billion, according to the congressional Joint Committee on Taxation. In that year, the cost of the state and local property tax deduction was $16.4 billion. The cost in lost revenue of the reduced tax rates on capital gains on owner-occupied housing was $15.3 billion. That comes to $135.4 billion in foregone federal tax revenue for just one year.

"More than three-quarters of federal housing spending in 2012 (counting both federal outlays and the costs of tax expenditures) went to homeowners. Renters received less than one-fourth of federal housing subsidies despite making up more than a third of households," said Barbara Sard, vice president for housing policy at the Center on Budget and Policy Priorities.

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With the exception of recessionary periods, housing costs have risen consistently, increasing the number of people in need of government help as well as the government's costs for helping the subset of needy households lucky enough to receive assistance at all. This is partly because of the fact that housing development has gradually become one of the most heavily regulated industries in America.

The web of local, state and federal regulation has grown year by year with remarkably little public discussion of its impact on housing costs.

"An army of regulators at every level of government is choking off the supply of affordable housing," said the late Congressman Jack Kemp in 1992. He was referring to the fact that local governments add costs to housing by virtue of their control over how land may

be used and how buildings should be designed and constructed, as well as their fees to provide basic utilities like water and sewage treatment.

Over the years, housing development has become

Many times, the regulations have legitimate public purposes, like increasing energy efficiency, saving endangered species of animals, or protecting the safety of workers.

It may be a bit strong to call it a conspiracy because the many separate decisions that pile on costs are not coordinated to achieve that particular result, at least not consciously or explicitly. But if one looks only at the results, it's easy to impute the intent to drive up costs. Only a handful of jurisdictions, mainly large cities like Boston and Seattle, have made any serious effort to balance the legitimate need for regulation against the need to keep housing affordable.

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In 1992, President G. H. W. Bush's commission on barriers to housing affordability said zoning restrictions were being used to create communities dominated by single-family homes. Downs wrote that local zoning codes that exclude housing developments with moderate or high density were "one of the most widespread and serious regulatory barriers to housing affordability."

If the opposition to density was serious in 1992, it was out of control in 2014.

For single-family, detached homes, the main point of control is lot size. Most suburban areas have a minimum lot size per dwelling unit, which ensures homes will be fairly expensive.

For multifamily housing, zoning is the key point of control. In years past, a city would designate various zones where it was legally authorized to construct certain kinds of buildings for certain uses. These included zones for multifamily rental housing. As long as a proposed building met a town's basic building and design codes and was no bigger than the zoning allowed, the private property owner was within his or her rights to build it. There were debates about what areas should be zoned for higher density, but once a decision was made, developers had some security that buying a piece of land in a properly zoned area would allow them to build an appropriately-sized building.

That is called "as of right" construction, and it's slowly going the way of the dinosaur. It has already disappeared in many cities and is under attack in many others.

Increasingly, developers can no longer get a building permit just by following pre-established zoning criteria. Every single development requires a full review, up to and including a vote of one or more commissions—plus a vote of the entire city council—before the permit is granted and the project can move forward.

This can take years and may require enduring the uncertainty of elections for city council or mayor that give voters a chance to kill a project by voting against anyone who supports it. It is not unusual for developers to watch as officials who supported their development are voted out of office for their pro-housing positions.

Developers, whether profit-motivated or nonprofit, are left with a complete lack of certainty about how long it will take or how much it will cost to get a property built.

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Environmental concerns are like the improvised explosive devices of the entitlement process: Anyone can place them, and they can be very effective in frightening politicians and disrupting a fair and expeditious process of reviewing proposed developments.

In many places, it has become impossible to distinguish between legitimate concerns about negative environmental impacts and trumped up objections that are intended to prevent affordable housing development, not to protect the environment.

A handful of citizens can kill a project just by voicing their concern that it might have some future negative impact on a park or a stream—or even that it will obstruct the view of a scenic vista. No hard evidence or objective facts are required to convince politicians that they should not take a chance by approving a building permit.

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Polls show that most Americans think affordable housing is important to the health and longevity of communities, not to mention their own children's futures. But when it comes to a development planned in their own community, affordable housing is about as welcome as a nuclear waste dump. Nobody wants it to be built near them.

Anti-housing arguments range from the fear of increased crime and traffic to reduced property values and increased tax burdens. But scratch the surface, and the reasons often reveal incorrect assumptions, deep flaws in data, and entrenched cultural biases.

"NIMBY sentiment [is] frequently widespread and deeply ingrained. [It] is so powerful because it is easily translatable into government action, given the existing system for regulating land use and development. Current residents and organized neighborhood groups can exert great influence over local electoral and land-development processes, to the exclusion of nonresidents, prospective residents, or, for that matter, all outsiders. Restrictions on affordable housing [development] are the result."

That is not the opinion of a housing trade association or a liberal think tank. It is from the Advisory Commission on Regulatory Barriers to Affordable Housing appointed by President George H.W. Bush. The commission's report, issued in 1991, notes that neutralizing the power of NIMBY to block housing development was critical to meeting our nation's affordable housing needs.

With the winds of opposition to affordable housing howling, it's no wonder that cities have met no resistance to using their regulatory and fee-charging powers to drive up the cost and delay or prevent construction of affordable housing.

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Today, in the wake of the foreclosure crisis, the federal government has more power than ever over the mortgage financing that makes ownership possible. But it has struggled for years without setting clear goals for how to reshape the mortgage lending business, including the all-important issue of how to help lower-income people reap the benefits of ownership.

Banks and profit-motivated lenders are no longer interested in making mortgage loans to lower-income families, and are not so sure about middle-class, working people either.

The old policy of encouraging homeownership for almost anyone had an obvious downside. But the new approach of lender caution, regulatory indecision, and conflicting political goals may be worse in some ways, especially for communities hit hard by foreclosures. It certainly isn't doing the economy any good either.

After allowing mortgage loans to be made to almost anyone with a pulse, the government and the banks reversed course drastically, slamming the door on homeownership for young families, low-income people, and minority households.

"It seems likely that the pendulum has swung too far the other way, and that overly tight lending standards may now be preventing creditworthy borrowers from buying homes, thereby slowing the revival in housing and impeding the economic recovery," said former Federal Reserve Chair Ben Bernanke in 2012.

In 2014, all indications were that the pendulum would stay on the side of conservative lending well into the third decade of the new century.

"Homeowners with excellent credit scores are not getting access to properties to buy," a coalition of 60 housing advocacy groups wrote to Federal Reserve Chair Janet Yellen and other financial regulators. "This appears to represent an ongoing reluctance of the industry as a whole to make reasonably priced mortgage loans to qualified households," the letter said.

The problem was not just a temporary increase in conservative loan underwriting. It was a systemic failure, with government at its center. After the mass production of profitable but risky loans brought us the foreclosure disaster, the U.S. government stepped in to clean up the mess and took an unprecedented degree of control over the home mortgage market.

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The foreclosure crisis was a kind of Rorschach test for Americans. Looking at the same disturbing statistics, people saw two remarkably different things.

One group saw liberal Democrats like James Johnson, who ran Fannie Mae from 1991 to 1998, and President Bill Clinton pushing too hard to increase mortgage lending to lower-income and minority homebuyers who, the critics say, were not creditworthy.

The other group blamed Wall Street investment bankers and slick mortgage brokers like Angelo R. Mozilo for pressuring unsophisticated borrowers into taking very high-risk mortgage loans in a rush to earn loan origination fees, regardless of the borrower's ability to repay. Mozilo headed Countrywide Financial until it collapsed under the burden of too many bad loans.

Those widely divergent views were not an academic debate about the history of the mortgage crisis. They were pushed aggressively by legions of lobbyists and hundreds of op-ed pieces in a high-stakes battle over how Washington should reshape the mortgage market.

This struggle involved lobbyists for financial services firms, home builders, real estate brokers, and investment banks worried about their business plans and profits. It also pitted political conservatives who wanted less government involvement in mortgage lending against social liberals and housing advocates who sought more government intervention to make sure minority and lower-income borrowers have the opportunity to buy homes.

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After years of legislative and regulatory debate in Washington, the reality was disturbing: Mortgage lending was still up in the air, and no one really knew if any of the new rules or proposed new market structures would succeed in preventing another foreclosure crisis while still maintaining the flow of credit needed to maintain healthy housing markets and provide less affluent families with the upward mobility of homeownership.

History does not provide much evidence to support the positive potential of new regulations on the process of how loans are made. There have been federal and state laws on the books for years to prevent deceptive credit practices and predatory lending. In the days of rapidly rising housing prices and increasing homeownership, those laws were not actively enforced.

What's more, there are always ways to circumvent regulations on lending, especially when home prices are rising rapidly, as they were in the early 2000s.

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The cost of addressing housing and urban issues is high. But the cost of ignoring them is much higher. There are many ways it costs our society and our taxpayers. However, the biggest cost is the least apparent or measurable.

You may have read news reports or books about the growing extent of income inequality in America. There are many macroeconomic causes and long-term solutions to that problem.

But what many analysts overlook is that neighborhoods of concentrated poverty are the factories of inequality in America.

Long-term macroeconomic goals are important, like increasing employment at decent wages and improving education. However, much can be achieved by investing in physical and social improvements to those areas. Housing and community development groups have been consistently turning neighborhoods of dysfunction and hopelessness into communities that offer new opportunity.

Some 50 years ago, President Lyndon Johnson knew we had to do exactly that kind of revitalization in such places or children living in them would grow up poor and stay poor.

Using the programs he convinced Congress to pass, and those pushed through by other presidents, thousands of organizations and local agencies work on using housing and community development to increase opportunity and upward mobility.

They know it's incredibly hard it to reverse decades of decay, isolation, and marginalization in the old public housing projects and in other districts with large percentages of poor people. They also know that it's worth every dollar and every ounce of energy they put into it.

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The more we let cities decay and the more we neglect housing costs and conditions, the harder and more expensive it will be to fix later.

Inequality will continue to be translated from an abstract concept into "facts on the ground" – the concrete, wood and brick of bad housing and worse neighborhoods –constant reminders to millions of people of their low social standing and nonexistent economic prospects. The cycle of decay and disinvestment will continue, punctuated by the occasional burst of economic exploitation whenever business interests see a chance to fleece the poor.

The more that affluent areas succeed in excluding lower-income folks and forcing them to live in places of concentrated poverty, the more the gaps between groups will widen, with all the fear, distrust and anger that brings.

No one knows what the future will bring, but the warning signs are there for all to see, if they can be bothered to look.