



# CRA AT FORTY

## Hoarding the American Dream: NIMBYism and Inherent Segregation

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“It has such a great view! There is a better use for that site. Why put affordable housing **THERE?!’**”

This was heard at a community meeting held for a brand new workforce affordable housing development along the river with views of the city skyline, in a city desperate for reasonably priced housing options. NIMBYism (“Not In My Back Yard”) is alive and stronger than ever in communities of all breadths of income, backgrounds and ethnicities, throughout America.

The formation of the Community Reinvestment Act (CRA) and the Low-Income Housing Tax Credit (LIHTC) program have had a significant positive effect in creating and preserving affordable housing for families across America. However, much work still lies ahead to overcome systemic segregation, the “Not In My Backyard” mentality and the severe lack of funding available to create a stronger future for our children and our communities.

Since its inclusion in the Tax Reform Act of 1986, the Low-Income Housing Tax Credit owes much of its success to the Community Reinvestment Act and the requirement that banks invest in all the neighborhoods they serve, including low- to moderate-income communities. States are allocated the tax credits annually from the Federal government, and in turn, competitively award the tax credits to affordable developments. Banks will buy the tax credits with a dollar-for-dollar investment, helping to satisfy their CRA investment requirements and creating or preserving affordable housing.

The Low-Income Housing Tax Credit has helped create or maintain over 2.97 million affordable homes in a time of critical shortage.<sup>1</sup> The public-private partnership (PPP) set up through the tax credit program has also helped to

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<sup>1</sup> HUD User, “Low-Income Housing Tax Credits,” July 10, 2017, available at <https://www.huduser.gov/portal/datasets/lihtc.html#query>

create and sustain around 96,000 jobs annually,<sup>2</sup> with the \$8 billion in annual tax credits<sup>3</sup> being leveraged with over \$6.6 billion annually in private equity in affordable housing.<sup>4</sup>

So why do we create affordable housing? To give disadvantaged families equal opportunity to live in a safe and quality home in a prosperous neighborhood. The common misconception is that affordable housing is full of individuals who want to take advantage of a “welfare system” and have no desire to excel and live a better life. This is far from true. The people who call affordable housing home are working class members of society. They are your children’s pre-school teacher, the server at your favorite restaurant, your nurse or even your local police officer.

In all cities across the United States, there is a constant juggling act for working-class families to cover the bills to afford food, pay their rent or mortgage and, all the while, fight an uphill battle of little to no growth in income. Most working-class families are only one unfortunate event away from disrupting their entire lives (whether it’s a broken-down car or two weeks of debilitating sickness) and putting their family at serious risk of losing their housing. Affordable housing and the LIHTC program are working to stop this vicious cycle of generations of poverty and disadvantage.

There is still much needed in the way of progress for equitable housing for all, and despite the continued signs of a strengthening economy, severe housing problems are on the rise and near record highs. In August 2017, the U.S. Department of Housing and Urban Development (HUD) released their Worst Case Housing Needs Report and households classified as having worst case housing needs increased from 7.7 million in 2013 to 8.3 million in 2015, meaning more lower income families are paying more than 50 percent of their income for housing.<sup>5</sup>

Although the current national housing crisis is getting worse, the problem commenced when our cities first formed their future planning, incorporating exclusionary housing policies, leading to inherent segregation. This has been caused by the over-regulation of our land use policies, designed to protect home values, schools and neighborhoods of the prosperous while fueling a massive distortion in the housing market.<sup>6</sup> This exclusionary zoning is, as Richard Reeves, a Senior Fellow of Economic Studies at the Brookings Institute, puts it, “a form of ‘opportunity hoarding’ by the upper middle class, a market distortion restricting access to a scarce good (in this case, land), that restricts opportunities (such as good schools) to other children. Those upper middle class voters who oppose more mixed-use housing in their own neighborhoods are what I call ‘Dream Hoarders,’ keeping elements of the American Dream for themselves at the expense of others.”<sup>7</sup>

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<sup>2</sup> Robert Dietz, “How Many People Have Benefitted from the Affordable Housing Credit?” Eye on Housing, November 16, 2015, available at <http://eyeonhousing.org/2015/11/how-many-people-have-benefitted-from-the-affordable-housing-credit/>

<sup>3</sup> HUD User, “Low-Income Housing Tax Credits,” July 10, 2017, available at <https://www.huduser.gov/portal/datasets/lihtc.html#query>

<sup>4</sup> Daniel Garcia-Diaz, “Low-Income Housing Tax Credit: the Role of Syndicators,” U.S. Government Accountability Office, February 16, 2017, available at <http://www.gao.gov/assets/690/682890.pdf>

<sup>5</sup> U.S. Department of Housing and Urban Development and Office of Policy Development and Research, “Worst Case Housing Needs: 2017 Report to Congress,” August 2017, available at <https://www.huduser.gov/portal/sites/default/files/pdf/Worst-Case-Housing-Needs.pdf>

<sup>6</sup> Edward Glaeser, “Reforming land use regulations,” Brookings Institute Report, April 24, 2017, available at <https://www.brookings.edu/research/reforming-land-use-regulations/>

<sup>7</sup> Richard V. Reeves, “‘Exclusionary Zoning’ is opportunity hoarding by upper middle class,” Brookings.com, May 24, 2017, available at <https://www.brookings.edu/opinions/exclusionary-zoning-is-opportunity-hoarding-by-upper-middle-class/>

Continuing this demarcation on where a city can and cannot put workforce housing, local politicians and neighborhood leaders carry an omnipresent vision of NIMBYism. This Not-In-My-Backyard mentality only exacerbates what the exclusionary zoning got started. Because any site that is proposed for use as workforce housing needs some form of community gathering, either for rezoning, funding mandates or to engage the thoughts and ideas of the community, it is likely met with stiff resistance from the public. This often stems from a lack of understanding as to what affordable housing really is, leading it to be seen as the “black eye” of society, resulting in no one wanting affordable housing anywhere near their home. This is where the NIMBY term comes from. And Councilmembers are often held to this view whether they believe it or not because they are under political pressures to support what their constituents want, even if it runs counter to what is good for the community as a whole.

With the local and municipal hurdles facing workforce housing, there is also the broad role that Federal funding plays in the creation of workforce housing and the shrinking funding that is allocated to the overarching issue. Over the years, the Federal branch of government responsible for workforce housing and housing equality, HUD, has seen a continual decrease in available funding. Instead of finding an ultimate solution, the current Presidential administration has set forth the goal of cutting the HUD annual budget by 22.16 percent, or \$6.82 billion in the next fiscal year. Cutting federal funds would essentially put all funding responsibility for workforce housing creation and neighborhood building on the small shoulders of local municipalities. Given the tight budgetary condition of many cities, most do not prioritize workforce housing, and this opens the door for further NIMBYism from neighborhoods or local political leaders.

With the pivotal role that housing carries in helping to forge the future well-being of families, it is crucial for our country to address the challenges that still lie ahead. Equitable housing must be discussed openly and regularly. It should be considered across all parts of town, including all income levels and ethnicities. Our federal government must invest in workforce housing and local politicians as well as community leaders must make our country’s goal for equitable housing for all a priority. Our future generations deserve to live in a quality home with a beautiful view, in the neighborhood of their choice, no matter their income.

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## ABOUT THE AUTHOR

**EVAN HOLLADAY** is the Development Manager for LDG Development where he oversees future multi-family affordable housing deals concentrated on Kentucky and Texas. His responsibilities include site selection, acquisition, feasibility analysis and financing. He is experienced in a variety of development financing including securing Low-Income Housing Tax Credits, obtaining debt financing, managing equity payments and working with asset management. He is a graduate of the University of Louisville with a B.S. in Economics, Entrepreneurship and International Business and also studied at the University of Economics in Prague.

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## ABOUT THE BOOK

This article first appeared in **CRA at 40: Views on the Present and Future of Community Reinvestment**, published by findCRA in November 2017. The book was created in celebration of the 40<sup>th</sup> anniversary of the Community Reinvestment Act. It tells the stories of community development, from the perspective of those working in our communities who bring their knowledge and passion to bear every day in confronting the most critical problems facing communities in need. The book is about real-world experiences told in plain language by those who live them to provide a lens for readers to see CRA at work, ideas for its future and most importantly, what it means in people's lives. To access the full text or order copies of the book, please visit [www.findCRA.com/CRAat40](http://www.findCRA.com/CRAat40).