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GHC as an object of public policy: A first look

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GHDC POLICY PAPER

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Overview

Across the country, interest is mounting in the promise of Generations of Hope Communities (GHCs). A GHC is an intentional, intergenerational neighborhood, organized to address complex social problems that are often resistant to intervention from conventional social service systems. These systems tend to view their target populations (e.g., youth exiting foster care or juvenile justice, vulnerable young mothers, or homeless youth) as problems-to-be-managed. GHCs offer a new approach that recognizes these “problems” as children and youth whose families and communities have catastrophically failed to provide them with a safe and supportive environment necessary for healthy growth and development. In a GHC all residents are viewed as individuals deserving the same embeddedness in family and community that we want for ourselves and our family. A GHC’s main premise is that under the right circumstances ordinary people will care for one another in ways, and to a degree, that go beyond the capacity of traditional service systems. This approach has been validated by Hope Meadows, a successful GHC begun in Illinois in 1994 to support families adopting children from the foster care system. In 2006, the Generations of Hope Development Corporation (GHDC) was formed to advance the development of neighborhoods based on the GHC model.

To become widespread, GHCs will, in all likelihood, eventually require affirmation in public policy. In the short run, policy change may not always be necessary. Some GHC sites may be able to follow the same path Hope Meadows did by convincing state administrative

officials to interpret existing child welfare policy in a GHC-favorable way. Other sites, however, may encounter officials unwilling to use their discretion at all or in a manner consistent with the requirements of a GHC. Moreover, creative interpretation of existing policy tends to invite scrutiny, is easily reversed when public management offices change hands or preferences shift, and lacks the ability of democratically made policy to confer legitimacy on new ideas. So, while in the short term public policy change may play a limited role, in time it will probably be difficult for the GHC cause to advance without it.

This report is a first attempt to define the policy landscape for GHCs. It explores the three policy domains that appear to be most relevant to the development and operation of GHCs based on Hope Meadows: policy toward children and youth, policy toward seniors, and housing and community development policy. Although Hope Meadows has only had to deal with the first of these domains, emerging GHCs, more often than not, have to contend with housing and community development policy as they seek to acquire land and the financing to build on it. Policy toward seniors enters the picture because of the indispensable role older people play in making a GHC work, a reality that is much clearer now than when Hope Meadows began.

The report examines existing policy and policy trends in each domain to assess how they may foster or hinder GHCs that seek to reflect the principles of design promulgated by the Generations of Hope Development Corporation. While federal policy is the main focus,

occasional references are made to state policies and conditions to illustrate important points and

Although the GHC concept arose in response to the particular problem of children mired in foster care, it may have the potential to alter policy and practice affecting many social issues.

substantive variations in the application of federal policy. From this examination, policy changes are identified that would, if made, likely create a more favorable legal environment for the adoption of the GHC approach to solving social problems. The intent is not to provide a definitive account of the role of public policy in enabling the development of GHCs, but rather, to establish a starting point for considering policy as a necessary element in the evolving strategy for enabling greater use of the approach.

Methods of policy change

Before investigating the three domains, it is useful to set the overall context in which public policy aids social development. There is a conventional way in which policy change can be pursued to promote and support GHCs, and an alternative. The conventional way may work for a time but is prone to diminishing returns. The alternative, while more difficult and uncertain, has the potential for more long-term and broader impact.

The conventional path

The conventional or typical way in which policy is used to address social needs or problems works something like this: First, interested

people identify a problem and take action to deal with it. Usually, these people are, like the founders of Hope Meadows, locally situated and grappling with the issue in its most concrete form. They may, each within their own local setting, find ways to take advantage of opportunities latent in existing policy or to obtain slight adjustments in policy to facilitate their problem solving efforts. Eventually, these people find one another, and they begin building a network, normally on an informal basis at first, to share their experiences. This, in turn, may lead to the identification of common policy interests. If their issue is sufficiently salient and they are organized well enough, they may take joint action to influence public policy.

To have more legitimacy in shaping policy, network members are likely to begin doing a better job, through systematic research or information gathering, of trying to demonstrate the validity of their interpretation of the issue and how to resolve it. The development of knowledge not only helps with public policy, it also informs and solidifies practice. As the resulting field consolidates around particular beliefs, norms, and habits of action, it becomes more likely to define the focus of its attention as a service system for which it has the main responsibility and to seek ratification of this notion in policy. The service system is a source of jobs and vocational identity for those who operate within it. Protecting those jobs and that identity become important policy objectives in their own right. The system, thus, grows to be more conservative and less open to new knowledge that contradicts or challenges its established way of operating. Although it may have evolved rapidly early, it now moves forward, if it moves forward at all,

incrementally, with little hope of benefiting more than a modest share of the people affected by the problem or need that motivated those first local problem solving efforts.

Nearly every social problem solving innovation has ended up this way in the past fifty or more years. They extend their reach for a time, and then stop or get watered down as support ebbs or more attractive substitutes emerge. The major exceptions have been the federal entitlement programs, with their inclusive coverage of eligible populations. Less significant exceptions have been a handful of interventions such as Head Start and Job Corps, which reach many people but still far from everyone who could use them. Even these, however, have shown political vulnerability in recent years.¹

The alternative path

The entitlement programs are an exception because they have not followed the conventional path of policy change but, instead, exemplify the alternative. Most innovative efforts to solve social problems start as discrete undertakings to address a particular problem or set of interrelated problems. If they are successful, they evolve into an identifiable service system as noted above. By contrast, entitlement is not a

¹ There is another, currently rare type of exception worth mentioning: model programs that allow themselves to be used in flexible, adaptive ways. An example is multi-systematic therapy. While it adheres to certain core principles and beliefs rooted in Bronfenbrenner's theory that people exist in social ecologies where the influences on behavior are many and overlapping, ample room exists to incorporate other, model-compatible knowledge in the course of adapting therapy to individual situations. See Henggeler, S.W., Schoenwald, S.K., Rowland, M.D., & Cunningham, P.B. (2002), *Serious Emotional Disturbance in Children and Adolescents: Multisystemic Therapy*, New York: Guilford Press.

solution to a specific problem, but rather, an overarching concept used to shape specific problem solving through public policy.

A GHC shifts the locus of problem solving from professional service providers to the members of a community.

It is, in a sense, an "architectural" innovation² that changes the overall design of policy in dealing with a potentially wide variety of problems, from income security to health care to hunger. Needless to say, architectural innovations in policy design are difficult to achieve. Consequently, most innovative social problem-solving efforts, anxious for short-term gain, either fail to perceive or pursue any fundamental, architectural implications of their problem solutions or, if they grasp them, opt to forego the rigors and uncertainties of this more arduous path as too costly.

Although the GHC concept has arisen as a response to the particular problem of children mired in foster care, it has characteristics that suggest an architectural innovation with the potential to alter policy and practice affecting many social issues.

First, a GHC shifts the locus of problem solving from professional service providers to the

² The idea of an architectural policy innovation is derived from a similar concept in the evolution of technologies. See Henderson, R.M. & Clark, K.B. (1990), Architectural Innovation: The Reconfiguration of Existing Product Technologies and the Failure of Established Firms, *Administrative Science Quarterly*, 35, 1: 9-30.

members of a community. In a way, it is a reversion to how problems used to be handled, before the rise and prominence of formal service systems, although with one important difference. A GHC is a community created for the express purpose of addressing a given problem. As Hope Meadows' experience shows, this purpose, and not the place, is what chiefly binds together the members of the community. A GHC marries the purposefulness of a formal organization with the organic functioning of a community.

Professional services may still be needed in a GHC, but as a problem-solving method they become subordinate to the regular, lay functioning of the community. Services occupy a narrower niche more consistent with the actual knowledge they are able to bring effectively to bear on problems. The larger, day-to-day problem-solving role is played by the caring relationships that form among community members united behind the same purpose. In the absence of a shared purpose, such relationships would not form as readily or be as reliable.

Since a GHC is a deliberately designed residential community, it has more potential to transcend the class, race, and other social distinctions that often stigmatize service programs as for "the poor" or "disadvantaged." Social policy has fought an uphill battle trying to convince the American people to do more to help those in need, in large measure because efforts are invariably defined and perceived as exclusively for the needy. In a GHC, there is only one group that falls into this category: those whose situation gives the community its purpose. Everyone else lives there because they desire that purpose for their lives. Based on Hope Meadows' experience, there is no reason to believe that desire is confined to the members

of particular socioeconomic groups. Research has demonstrated time and again that people prefer to live among others similar to themselves in relevant ways.³ In a GHC, that similarity is its common purpose. (It is also worth noting here that transcending socioeconomic divisions is crucial to the economics of GHCs, a point that will be discussed at greater length in the section on housing and community development policy.)

The GHC approach is suited to complex problems that defy short-term or narrow solutions.

The GHC approach is suited to complex problems that defy short-term or narrow solutions. Children trapped in foster care, chronic juvenile offenders, developmentally disabled youth and adults, pregnant and parenting teenagers – these are people who, often, are unlikely to benefit enough from singular solutions, like better schooling or getting a job, or from attempts to package multiple, unrelated solutions through integrating services. What they seem to need most is a fundamental change in their daily circumstances, a different – and, arguably, less costly – way to live that is more conducive to their development as responsible and productive people. Hope Meadows has found that the answer, at least for children enmeshed in foster care, is an adoptive family situated in a caring, intergenerational

³ McPherson, M., Smith-Lovin, L., & Cook, J.M. (2001), Birds of a Feather: Homophily in Social Networks, *Annual Review of Sociology*, 2001, Vol. 27: 415-444, Palo Alto, CA: Annual Reviews.

community. While GHCs for other groups might need to look somewhat different, the same commitment to caring and intergenerational living would seem to provide what members of these groups most need, as well.

The foregoing discussion is not meant to minimize the challenges involved in pursuing a GHC as an architectural innovation. Indeed, realistically speaking, the odds are probably against success. However, despite the odds, there is reason to perceive some hope in current conditions.

By and large, existing service systems have not been effective dealing with the situations of the groups just mentioned above⁴, and this is leading to more attention than in the past to evidence of what works and what doesn't.⁵ Evidence-based skepticism may create an opening for the kind of paradigm shift in social problem solving that the GHC concept represents.

In addition, a growing and more diverse older population will in the years ahead increase

⁴ For example, as of 2004, in the first round of Child and Family Service Reviews – the new federal system used to monitor states' foster care and adoption performance – most states failed, and even the handful that passed did not achieve “substantial conformity” with the federal standards in certain areas. See Stoltzfus, E. (Jun 29, 2005), *Child Welfare: State Performance on Child and Family Service Reviews*, Washington, DC: Congressional Research Service.

⁵ A variety of federal, state, and nonprofit initiatives have been launched during the past several years to identify and catalogue social programs that work. Perhaps the acme of this movement was the formation in 2001 of the Coalition for Evidence-Based Policy (www.evidencebasedprograms.org) by the Council for Excellence in Government and leading social policy researchers.

demand for more options in how to live during one's later years. Hope Meadows demonstrates that the GHC approach may have strong appeal to many seniors regardless of background.

A growing and more diverse older population will increase demand for more options in how to live during one's later years

Further, there is growing recognition within the housing and community development field that building affordable homes and fostering local economic development cannot reliably produce the social glue which binds people together as a community.

The emphasis of GHCs on relationships may supply a necessary complement to that field's largely structural orientation.

The following excursion into specific policy domains looks at GHCs as both a technical innovation seeking replication and an architectural innovation with potential for performing a broader role in guiding and informing policy choices.

These paths need not be mutually exclusive. Hypothetically, it should be possible to take the conventional path and simultaneously look for opportunities to have a more architectural impact. Indeed, the possibility of architectural impact will likely depend on having more GHCs modeled specifically after Hope Meadows, whose collective experience can help to give credence to the potency of the underlying concept.

Child welfare policy: From family to community

In 1989, U.S. Supreme Court Justice William Brennan, in his dissent from the majority ruling in *DeShaney v. Winnebago County Department of Social Services*, averred that in the absence of the county acting on suspicions of child abuse, no one else could be relied upon to do so. In other words, the community or neighborhood where a child lived was irrelevant.⁶

Child welfare policy has been governed by similar logic for decades. It focuses on children and their families largely to the exclusion of the immediate community contexts in which they live. In trying to assure that at risk children are protected, policy assumes that families matter, which is undoubtedly true, but communities do not or, if they do, how they do is too ambiguous, complicated, or variable to squeeze into the simplifications necessary for policymaking.⁷

This assumption is probably inconsequential for the many children who have brief spells in out-of-home care or who get adopted sooner rather

than later once it is clear their birth parents won't or can't take care of them. Probably more often than not,⁸ they return to or enter families capable of parenting them well enough and buffering them from the more toxic threats in the surrounding environment. But, for the child who has spent a lot of time in foster care, is older or more troubled, or for other reasons has no hope ever of returning to his biological family, adoption alone, assuming it

⁸ Apparently, there have been almost no contemporary systematic investigations of what happens to children after they get adopted from foster care. Asking for parent self-reports, a method with obvious reliability problems, predominates in the limited number of studies done. The best evidence, which is still quite limited, dates from the early 1980s. See Meezan, W., & Shireman, J. F. (Eds.) (1985), *Care and commitment: Foster parent adoption decisions*, Albany: State University of New York Press. Somewhat more is known about children who are reunified with their birth parents, and it is not especially encouraging. See as an example Taussig, H.N., Clyman, R.B., and Landsverk, J. (July 2001), Children Who Return Home From Foster Care: A 6-Year Prospective Study of Behavioral Health Outcomes in Adolescence, *Pediatrics*, Vol., 108, No. 1. Interestingly, the Taussig study is not cited in the federal Children's Bureau's rather upbeat issue brief on family reunification. See Child Welfare Information Gateway (June 2006), *Family Reunification: What the Evidence Shows*, Children's Bureau, U.S. Department of Health and Human Services. As for foster parents, a recent study found that a majority of men and women applying to foster children had one or more problems in psychosocial functioning. See Orme, J. G., Buehler, C., McSurdy, M., Rhodes, K.W., Cox, M.E., & Patterson, D.A. (2004), Parental and Family Characteristics of Family Foster Care Applicants, *Child and Youth Services Review*, 26 (307-329). Similar results have been found for the more specific category of grandparents fostering their grandchildren. See Smithgall, C., Mason, S, Michels, L, Christina, L., & Goerge, R. (2006), *Caring for Their Children's Children: Assessing the Mental Health Needs and Service Experiences of Grandparent Caregiver Families*, Chapin Hall Center for Children at the University of Chicago.

⁶ *DeShaney v. Winnebago County Department of Social Services*, 489 U.S. 189 (1989), Brennan, J. Dissenting Opinion.

⁷ One reason why policy has ignored community influences may be the preponderance of research evidence indicating that neighborhoods tend to have inconsistent effects on families and children (e.g., families vary more within than between neighborhoods). Obviously, a GHC bears only a faint resemblance to the neighborhoods studied in this research, which as result, does not countenance the possibility of communal space deliberately designed to foster the development of children. See Shonkoff, J.P. & Phillips, D.A. (2000), *From Neurons to Neighborhoods: The Science of Early Child Development*, Washington, DC: National Academy Press.

can be made to happen, may not be enough to assure his well-being. A broader supportive context may be needed that encompasses more of his life, especially as he gets older and starts spending more time away from home. Such a context may even be critical in making adoption possible in the first place, since prospective parents may be hesitant to adopt a child unless they can see they won't be in it by themselves.⁹

Policy does give some recognition to this possibility by providing a modicum of support for additional services, such as post-adoption help and mental health counseling. Yet, it seems unlikely that a few episodic services, no matter how effectively provided, can adequately substitute for situating the child in a good family and that family in a community willing and able to embrace them both. When adoptive families have been surveyed about their service needs, crisis intervention is at the top of the list.¹⁰ The implication is that loneliness is a fairly common experience of adoptive families, who may wait to seek help until problems with their adopted child have become severe.¹¹ Similarly, research

⁹ States admit to the significant challenges involved in finding adoptive homes for the growing proportion of children who are harder to place. However, they evidently perceive that the solution lies in better access to more diverse services rather than in the quality of community environments. See U.S. General Accounting Office (October 2006), *Child Welfare: Improving Social Service Program, Training, and Technical Assistance Information Would Help Address Long-standing Service-Level and Workforce Challenges*, Washington, DC: GAO.

¹⁰ Kaplan, A.B. (1997), A Comprehensive Assessment of Self-Report Experiences of Adoptive Parents of Special Needs Children in Florida, Ph.D. Dissertation, Florida International University.

¹¹ See Festinger, T. (2006), Adoption and After: Adoptive Parents' Service Needs. In M. Dore (Ed.), *The Post-Adoption Experience: Adoptive Families' Service Needs and Service Outcomes*, (pp. 17-44), Washington, DC: Child

indicates a healthy association between the stability of an adoption and the level of social support enjoyed by the adoptive family.¹² Widening the circle of immediate and available support beyond the family, as a GHC does, may be essential in securing and enhancing the welfare of children who because of abuse, neglect, and long stays in foster care are likely to see the world around them as unreliable.

Loneliness is a fairly common experience of adoptive families, who may wait to seek help until problems with their adopted child have become severe.

Ambivalence about the importance of community context ramifies through several aspects of existing foster care and adoption policy, all of which may represent challenges, and in some cases opportunities, for the development of GHCs.

Foster care funding

The public payments made to families that foster a child¹³ are rarely based on actual costs. They are

Welfare League of America; Casey Family Services & The Case Center for Effective Child Welfare Practice (May 2002), *Strengthening Families & Communities: An Approach to Post-Adoption Services, A White Paper*.

¹² Evan B. Donaldson Adoption Institute (2004), *What's Working for Children: A Policy Study of Adoption Stability and Termination*, New York: Evan B. Donaldson Adoption Institute.

¹³ An issue important to child welfare interests concerns the stipulation in federal law that a child's eligibility for foster care assistance depends on whether the home from which the child was removed owing to allegations of abuse or neglect would have qualified for Aid to Families with Dependent Children under the rules in effect in 1996, prior to the

instead a product of state-designed rate setting systems. The cost allocation methods used to set rates are far from transparent to the public. Although the federal government must approve these methods, it, evidently, does little to monitor their use.¹⁴ Only a few states have payment levels equivalent to the U.S. Department of Agriculture's estimate of what it costs to care for a child on a low-income budget (in 2005, between \$7,300 for infants and toddlers and \$8,290 for older teens). Payment levels usually vary according to the age of the child, with higher amounts for older children. States are also permitted to fold into basic payments additional monies for children who require more care, such as those with physical or emotional disabilities. Supplements may be provided as well to cover "personal incidentals" like clothing or participation in a summer camp.¹⁵ The list of incidentals that qualify for

enactment of welfare reform. Advocates want the means test updated and the law relaxed to allow eligibility to be based on the home in which the child was living during the six months prior to placement (often grandparents or other relatives). The latter change was, in fact, made by a 9th Circuit Court of Appeals ruling in 2003, *Rosales v. Thompson*, which Congress subsequently overturned in the Omnibus Reconciliation Act of 2005. Updating the means test is the current top priority of an advocacy campaign launched by the Pew Charitable Trusts in the wake of the final report of the Pew Commission on Children in Foster Care.

¹⁴ United States General Accounting Office (June 2006), *Foster Care and Adoption Assistance: Federal Oversight Needed to Safeguard Funds and Ensure Consistent Support for States' Administrative Costs*, Report to the Chairman, Subcommittee on Human Resources, Commission on Ways and Means, House of Representatives, Washington, DC: GAO

¹⁵ Neither supplementary payments nor assumptions made in determining basic maintenance payments are allowed to include the costs of housing construction or renovation. As the Child Welfare Policy Database maintained by the

federal financial participation has been defined over time by interpretive rulings of the U.S. Department of Health and Human Services (HHS), but states are free to decide which of these needs, if any, they will address through supplements and how those supplements will be administered. Logically, the more discrete supplements a state offers apart from the regular maintenance payment to the family, the more effort the family must expend contending with the foster care bureaucracy and the higher the expense of program administration – all in the questionable interest, it would seem, of trying to control costs at the margin.

If a suitable family cannot be found for a child, he may be placed in an institution or group home. In this case, there may be more room to set funding per child closer to the actual costs of operating the institution or home. States or counties may negotiate these arrangements individually, based on the specific circumstances of each institution or home. However, at least in some states, the amounts paid are determined through rate setting, with little room to adjust to the specific cost structure of an agency. Sometimes, payments may be a combination of standard rates and additional monies contingent on achieving certain performance targets.¹⁶ Accordingly, the amounts paid for institutional and group care can appear to vary rather dramatically, although they are almost always substantially higher than payments to families. For example, in Florida, the foster family payment for an individual child works out to about

Children's Bureau notes, this would require a "specific affirmative authorization" in law.

¹⁶ Office of Inspector General, U.S. Department of Health and Human Services (December 2004), *States' Monitoring of Subgrantees in the Foster Care Program: A Description of Six States' Systems*, Washington, DC

\$14/day, while the institutional rate may be five or more times that amount.

A GHC does not precisely fit within either category. Although it has elements of each, a GHC is not just an aggregation of independent foster families, nor is it a self-enclosed institution or group home. It is a purposeful community of interdependent households. Relying exclusively on foster care maintenance payments prior to the adoption of a child would barely cover the subsistence costs associated with that child, let alone the additional costs involved in providing her with a supportive environment. Institutional rates, while a better approximation of actual costs, would burden a GHC with an inaccurate and undesirable label.

A GHC is not just an aggregation of independent foster families, nor is it a self-enclosed institution or group home. It is a purposeful community of interdependent households.

A GHC-friendly alternative to this Hobson's choice would be to combine foster care maintenance payments with a negotiated arrangement for the coverage of administrative costs. Federal policy permits states to contract with nonprofit organizations to carry out any of the functions a state itself might normally administer in the operation of its foster care program.¹⁷ There is nothing in federal law that

¹⁷ Examples of allowable administrative costs under federal policy, any of which may be covered under contracts with nonprofit agencies, include: referral to services, preparation for and participation in judicial determinations, placement, case plan development, case reviews, case

would prohibit a GHC from performing those functions associated with having a child placed with a resident family prior to his or her adoption, and getting paid for it. This appears, in part, to be how Hope Meadows worked out its foster care funding.

Hope Meadows also managed to convince the Illinois Department of Children and Family Services to allow the monies associated with both foster care maintenance and administration to be pooled into a single payment to the organization based on the number of children in placement. Though other states may be averse to pooling, federal law and regulation do not preclude it. So long as GHC families receive financial support that is equivalent to what they would have been eligible for if they were paid directly by the state or county agency responsible for foster care administration, the practice would seem to be statutorily allowable and to trigger no constitutional question of equal protection.

Trying to replicate Hope Meadows' approach, however, may not be without its risks. Both the Congress and the Administration in Washington, DC have, in recent years, begun to focus more attention on administrative and training¹⁸ costs in

management and supervision, recruitment and licensing of home/institutions, rate setting, and overhead.

¹⁸ A secondary issue is the different federal reimbursement rates for training provided to state and local employees, prospective foster and adoptive parents, and staff of child caring institutions (75 percent) and for training provided to staff in nonprofit adoption and foster care agencies (50 percent). The differential is an artifact of a time when nonprofit agencies played a more minor role in foster care. That is no longer true, as many states have shifted large parts of their foster care responsibilities to nonprofit providers. Groups like the Child Welfare League of America, which represents both public and nonprofit organizations, have lobbied to have the reimbursement rate for both types of training set at 75 percent, but so far with little effect on a

the operation of the foster care program, Title IV-E of the Social Security Act.¹⁹ These costs have been rising for a while and now exceed the total amount spent on foster care payments to families. Between 1989 and 2002, total costs for foster care grew 390 percent, while the share of this total for maintenance payments grew only 214 percent. Why administrative costs have increased so much is not entirely clear. There appears, for example, to be no relationship between the amount of money a state spends on foster care and its performance along a variety of dimensions.²⁰ Whatever the reasons, the escalation invites greater federal scrutiny, and along with scrutiny may come more federal intrusion into, and thus disruption of, established state funding practices.

A central issue with administrative costs is whether they actually pay for administration or instead for direct services to clients. HHS interpretation of federal law bars the latter. Yet, in practice, the distinction between administration and service would seem to be far

budget-conscious federal government trying to reign in social spending.

¹⁹ See United States General Accounting Office (June 2006), *Foster Care and Adoption Assistance: Federal Oversight Needed to Safeguard Funds and Ensure Consistent Support for States' Administrative Costs*, Report to the Chairman, Subcommittee on Human Resources, Commission on Ways and Means, House of Representatives, Washington, DC: GAO. Public Law 109-288, enacted in the fall of 2006, places restrictions, for example, on the use of administrative funds in cases where foster care is provided by relatives of a child, the assumption being that kinship care does not merit as much support as care by non-relatives.

²⁰ Stoltzfus, E. (June 29, 2005), *Child Welfare: State Performance on Child and Family Services Reviews*, CRS Report for Congress, Washington, DC: Congressional Research Service.

from clear or even unworkable without a major expansion of federal audit capacity.²¹ Instead of increased clarity, confusion may reign as different HHS regional offices interpret the rules in different ways. This often occurs when policy needs clarification but the political will to act has yet to congeal. The Pew Commission on Children in Foster Care may have had this on its collective mind when, in 2004, it recommended that the administrative and training components of IV-E be block granted along with Title IV-B (which funds child welfare services other than foster care).²² States would be given more flexibility than they now have under open-ended federal financing in how to apply the funds they receive. If this were to happen, the result might be more rather than less variation in how states would handle the foster care financing associated with GHCs.

Kinship care

An important trend over the past several years has been for more children to be placed with their relatives, most often grandparents, in the interest of trying to preserve families.²³ (This trend

²¹ Office of Human Services Policy, Office of the Assistant Secretary for Planning & Evaluation, U.S. Department of Health and Human Services (August 2005), *Federal Foster Care Financing: How and Why the Current Funding Structure Fails to Meet the Needs of the Child Welfare Field*, ASPE Issue Brief, Washington, DC.

²² The Pew Commission on Children in Foster Care (2004), *Fostering the Future: Safety, Permanence, and Well-Being for Children in Foster Care*.

²³ The number of children being fostered by relatives is unknown, but it is probably fairly large. The U.S. Census Bureau reported in 2006 that there were 2.4 million grandparents serving as the primary caregiver for one or more of their grandchildren. Nearly half million were living below the poverty level. U.S. Census Bureau, Press Release (July 16, 2006), *Facts for Features: Grandparents Day 2006: Sept. 10*, Washington, DC: Census Bureau.

extends as well to adoption.²⁴) On the one hand, relative placements are encouraged by federal law (i.e., Adoption and Safe Families Act of 1997). On the other, there is no federal funding for children placed with guardians, who are usually relatives, although as of 2004, about two-thirds of the states did offer state-funded subsidies to legal guardians and several states had received federal waivers to test cost-neutral approaches to assisted guardianship.²⁵ Most recently, Congress has restricted federal participation in the administrative cost associated with kin placements, on the assumption that states carry a diminished legal responsibility in these situations.²⁶ Also, five years ago, interest in grandparents raising grandchildren prompted federal lawmakers to make money available for demonstration projects to build “supportive” housing for such families. While a few projects were launched, Congress lately has refused to appropriate any new funds for demonstrations, and there is no money requested for this purpose in the Administration’s budget for fiscal 2008.

Though kinship care resonates with the pro-natalist underpinnings of child welfare thinking over the past fifty years, its advantages for children present a mixed picture. Children placed with relatives are slightly more likely than those placed with non-relatives to say they like who they are living with.²⁷ Kin caregivers

tend to see their foster children in a somewhat more positive light than do non-kin foster parents. Yet, at the same time, kin caregivers report more distress from foster parenting.²⁸ Possibly, in part, this is due to the more intimate connection with their foster children and the deeper sense of obligation that goes with it. Compared to non-kin caregivers, kin caregivers tend to be older, poorer, less healthy, less experienced in fostering, and living in less supportive neighborhoods.²⁹

To the federal government, kinship care may look like an effective way to provide children with permanence while simultaneously reducing public costs by assuming that extended biological families can be expected to do more to care for their own. The evidence seems to make clear, however, that kin are often no better equipped than non-kin to provide care and may, in some respects, be less capable. Conceivably, then, the highly nurturing and supportive context of a GHC may be well-suited to help meet the needs of kin caregivers and the children in their care, as well as foster and adoptive parents who are not related.

Adoption assistance

Federal funding for adoption subsidies is limited to children with special needs who face more difficulty getting adopted. With few exceptions, these are children being adopted from foster care

²⁴ The Urban Institute (June 2003), *Caring for Children: Who Will Adopt the Foster Care Children Left Behind?*, Brief No.2, Washington, DC: The Urban Institute.

²⁵ Ibid.

²⁶ See Footnote 16.

²⁷ Caliber Associates (October 26, 2004), Brief No. 2: Foster Children’s Caregivers and Caregiving

Environments, *National Survey of Child and Adolescent Well-Being*, Ithaca, NY: NSCAW Research Group.

²⁸ Timmer, S.G., Sedlar, G., Urquiza, A.J. (August 2004), Challenging Children in Kin Versus Nonkin Foster Care: Perceived Costs and Benefits to Caregivers, *Child Maltreatment*, Vol. 9, No.3: 251-262.

²⁹ Scarcella, C.A., Ehrle, J., & Geen, R. (August 2003), *Identifying and Addressing the Needs of Children in Grandparent Care*, Series B., No. 8-55, Washington, DC: The Urban Institute. Also, see Footnote 24.

(not always by their foster family).³⁰ Some states – and the number seems to be growing – require adoptive parents to become foster families prior to finalizing an adoption.³¹ In general, special needs include being older, a member of an ethnic/racial minority or sibling group, or affected by a medical condition or physical, mental, and emotional disabilities. The exact definition is left to states, with the result that eligibility for adoption assistance varies across the country. For example, in Ohio a child over the age of five may qualify for adoption assistance, while in Florida the child has to be at least seven to be eligible for help on the basis of a special need. Definitional differences may also play a role in shaping the composition of the special needs population as a whole in each state. During the 1996-2003 period, the single largest special needs category in Florida was race/ethnicity (30.2 percent), in Ohio it was age (34 percent), and in Oregon it was medical conditions and disabilities (67.7%).³²

³⁰ When Congress overturned the *Rosales v. Thompson* ruling in 2005, it also eliminated the requirement that eligibility for adoption assistance be based on AFDC eligibility of the home from which the child was removed. The effect of elimination is negligible, since children coming from foster care already meet the AFDC test.

³¹ Wilson, J.B., Katz, J., & Geen, R. (February 2005), *Listening to Parents: Overcoming Barriers to the Adoption of Children from Foster Care*, RWP05-005, John F. Kennedy School of Government, Harvard University, Cambridge, MA.

³² Hansen, M.E. (June 2006), *Special Needs and Disabilities: AFCARS Adoption Date Research Brief No. 4*, Washington, DC: American University. It is worth noting that the application of special needs definitions may be somewhat arbitrary. In any given case, more than one special need may be present, and the child welfare worker will simply pick one to drive eligibility for adoption assistance. Group decision making heuristics may also be at work. Workers in a given state, region, or county may get

By law, the federal government will only reimburse for its share of the cost of adoption subsidies up to the maximum amount that would have been paid if the child were in a foster home. (As in foster care, the federal share for adoption assistance is higher the poorer the state.) States may add to the federal maximum at their own expense, and some do. Others pay subsidies lower than the maximum, despite evidence that higher subsidies are associated with higher adoption rates.³³ In recent years, as federal policy (e.g., Adoption and Safe Families Act of 1997 and subsequent amendments) has favored adoption, states overall have raised their subsidy levels some. Assistance for older children has increased the most, followed by medical conditions and race/ethnicity.³⁴ Still, in the average state, the highest amounts available come to only about 80 percent of the USDA low-income budget and are often lower than foster care maintenance payments. Even this is somewhat misleading, since USDA's estimates do not take into account the higher costs of caring for children with special needs except for those who are older.³⁵

into the habit of choosing one type of need in cases where more than one need can be identified.

³³ United States General Accounting Office (June 2005), *Child Welfare: Better Data and Evaluations Could Improve Processes and Programs for Adopting Children with Special Needs*, Washington, DC: GAO; Hansen, M.E. & B. A. Hansen (September 2005), *The Economics of Adoption of Children from Foster Care*, Department of Economics Working Paper No. 2005-10, Washington, DC: American University.

³⁴ Op cit., Hansen & Hansen.

³⁵ It is likely that one of the factors holding states back from raising subsidy levels more is their slowness to recognize in policy the changing composition of the adoptive parent population. Adoption from foster care, like adoption in general, used to be dominated by the economically advantaged. These families did not need much, if any,

While foster families' use of maintenance payments is regulated, no such strictures apply to adoption assistance. Families are free to use the money as they see fit. Further, the amount of the subsidy is, legally speaking, not standardized, but rather, negotiated with each family based on the needs of the child and the family's circumstances. In addition to the subsidy, families can receive reimbursement for the one-time expenses (e.g., legal fees) they incur in adopting a child, up to a maximum of \$2,000. Most state policies reflect the maximum, although some set lower limits. (The federal contribution to the coverage of these non-recurring expenses is set at a flat 50 percent, regardless of the level of economic disadvantage in a state).

Just as with foster care, states are allowed under federal policy to contract out some or all of the functions involved in administering adoption assistance and providing supportive services after adoptions take place.³⁶ The extent to which this occurs is unknown. Thus, conceivably, a GHC could manage the distribution of adoption

financial help from government. Since the advent, in the 1990s, of adoption as a more popular option for children in foster care, more foster families themselves, who tend to be less well off, are choosing to adopt. They represent a stronger case for higher subsidies. See Gibbs, D., et al. (November 2002), *Summary Report: Assessing the Field of Post-Adoption Services: Family Needs, Program Models, and Evaluation Issues*, Washington, DC: Children's Bureau.

³⁶ Such functions include: eligibility determination, fair hearings and appeals, rate setting, grievance procedures, negotiation and review of adoption agreements, post-placement management of subsidy payments, recruitment of adoptive homes, placement, case reviews during preadoptive placement, overhead, service referrals, case plan development, home studies. The cost of such functions is only federally reimbursable for children in preadoptive placements and not in regular foster care.

subsidies and expense reimbursements to the families who live there, or it could be responsible for all of the post-adoption support provided to those families. It would depend on convincing state or local officials, who, in turn, are likely to be guided by the extent to which state strategy is committed to the privatization of foster care adoptions.

Conceivably, a GHC could manage the distribution of adoption subsidies and expense reimbursements to the families who live there, or it could be responsible for all of the post-adoption support provided to those families.

Florida, for example, has a large scale privatization effort encompassing most functions, while Oregon has been more restrained, keeping much of case management in public hands. In both cases, however, policy is set at the state level. By contrast, in Ohio, with a long tradition of delegating control of human services to local governments, policies are often set locally (e.g., adoption subsidy levels), especially where counties bear all or part of the financial responsibility.

Procedural barriers

Adopting children from foster care has been notorious for red tape and procedural bottlenecks. Starting with the Adoption and Safe Families Act in 1997, the federal government has sought to

make the system more accountable and efficient, although with limited success to date.³⁷

The three areas that appear to continue to be most troublesome are terminating parental rights, managing cases, and obtaining placement approval, with nearly every state reporting problems.³⁸ Interestingly, all three involve coordinating action between child welfare agencies and courts. While federal and state policy can be made to regulate the conduct of agencies, it can only encourage desired behavior from the judicial system, an independent branch of government. Courts are often reluctant to terminate parental rights if a suitable adoptive home has yet to be identified, if the birth parents want a second chance or file an appeal, or if the child welfare agency has not been sufficiently diligent addressing the problems in the child's family.³⁹ Although the law has generally moved toward putting the interests of the child ahead of that of his birth parents in situations of abuse or neglect, judges are understandably hesitant to break up families without clear and convincing evidence that the safety of the child cannot be obtained any other way. Put simply, the open-ended, discretionary nature of judicial decision-making clashes with the efficient uniformity desired by the administrative child welfare system.

³⁷ Stoltzfus, E. (June 29, 2005), *Child Welfare: State Performance on Child and Family Services Reviews*, CRS Report for Congress, Washington, DC: Congressional Research Service.

³⁸ Urban Institute Child Welfare Research Program (November 2004), *Foster Care Adoption in the United States: A State by State Analysis of Barriers & Promising Approaches*, National Adoption Day Coalition.

³⁹ *Ibid.*

To the extent that GHCs focus on children who it is clear will not be rejoining their birth families and who, because of age or other factors, are less likely to get adopted through the regular operation of the system, the procedural hold-ups that normally affect adoption from foster care may not be as severe. The courts may be happy to see such children placed with caring adoptive families in the highly supportive context of a GHC.

The tilt toward adoption in public policy during the past decade has led to a surge in the numbers of children waiting to be adopted. The Pittsburgh Post-Gazette reported in December 2004 that between 1998 and 2004, the rate of parental rights termination was one and a half times the average annual growth in adoptions during that period.⁴⁰ GHCs for harder-to-place children would help to narrow this gap.

The procedural problems in adopting from foster care may stem not just from the intrinsic complexity of working across branches of government and adjudicating rights. There is also fairly widespread concern about the competence of the child welfare workforce. Thus, even if procedures could be fixed, serious difficulties might persist because public and nonprofit staff lack the skills and experience to manage them adequately.

The U.S. General Accounting Office, in a 2003 study, found that the average tenure of a child welfare caseworker, the main frontline in the system, was less than two years. In addition, only a fraction of child welfare agencies required their

⁴⁰ Hansen, M.E. (June 2006), *Age of Children at Adoption and Time from Termination of Parental Rights to Adoption*, AFCARS Adoption Data Research Brief No. 2, Washington, DC: American University.

caseworkers to have a bachelor's or master's degree in social work.⁴¹ The audit agency cited three studies that had found a social work degree associated with higher performance and less turnover. The Pew Commission in 2004 went further, claiming that on the basis of a 1987 study by Booz-Allen & Hamilton, a management consulting firm, education toward a master's degree in social work "appears to be the best predictor of overall performance in social service work."⁴²

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The upshot is that increased professionalization of its workforce would presumably make the child welfare system significantly better. Professionalization would also add to costs, since better educated workers demand higher compensation. For that part of the system which is relatively easy to manage, the extra cost may be worth the predicted gains in efficiency and effectiveness.

But, for that part which involves children in the most difficult circumstances that test the limits

⁴¹ U.S. General Accounting Office (March 2003), *Child Welfare: HHS Could Play a Greater Role in Helping Child Welfare Agencies Recruit and Retain Staff*, Washington, DC: GAO.

⁴² The Pew Commission on Children in Foster Care (2004), *Fostering the Future: Safety, Permanence, and Well-Being for Children in Foster Care*.

of professional knowledge, the comparative advantage over the current state of affairs is not as clear, and the resulting challenges may reverberate throughout the system. Because of media attention, the public tends to evaluate state and local child welfare agencies by how they handle their most trying cases. It seems unlikely that this tendency would be markedly altered by imbuing the system with greater professional capacity. On the other hand, GHCs may represent a workable solution for the more challenging end of the spectrum of human situations that child welfare addresses,⁴³ complementing the efforts of the regular workforce to handle the not-as-challenging rest of the spectrum.

Overarching goals

Part of the reason that workforce improvements are viewed as key to overcoming the child welfare system's weaknesses has to do with the goal at which the system aims. Assuring a child's safety and securing his place in a permanent family (birth or adoptive) are the overriding objectives of contemporary policy. The system assumes that its job is largely done once a child is in a permanent placement, a fairly straightforward goal involving, in theory at least, a manageable number of variables. It is difficult to envision a controllable, professionally dominated social service system without a simple goal, like permanence, as its architectonic starting point. Add a considerably more complex goal like child well-being, and it becomes more difficult to see how the child welfare workforce can, given the current state of knowledge, be improved enough to do the job.

⁴³ Even a GHC, however, may not be suitable for children on the very far end of the spectrum, who suffer from such serious mental and behavioral problems they cannot function safely outside of an institutional environment.

Interestingly, child well-being has made its way into the Child and Family Service Reviews by which the federal government assesses state foster care and adoption performance. But, the measures of well-being are quite limited and without a solid scientific foundation. There is no consensus on what indicators ought to be included and to what extent states should be held accountable for child well-being within a system that is still learning how to assure permanence. As Harden has observed, child welfare focuses on safety and security and is not currently designed to promote well-being.⁴⁴

Policy interest in the post-adoption period may create an opening for GHCs as a means through which the well-being of the most vulnerable children can be addressed comprehensively.

Yet, the development of children – probably the most appropriate way to define well-being – is clearly a compelling aim, and something which most people can appreciate. Permanence, by comparison, is a narrower objective with a more technical, system-specific meaning – a term within the insider lexicon of those professionally involved in the field. It reinforces the view that the child welfare system is for a particular class of persons, not everyone. For most children who pass through the system, this limitation may not be problematic. They make their way into families and networks of support that can give

⁴⁴ Harden, B.J. (Winter 2004), Safety and Stability for Foster Children: A Developmental Perspective, *The Future of Children*, Vol. 14, No. 1(31-48).

them what they need to develop in a healthy way. But, for children who need more, permanence alone may be insufficient to assure good outcomes in the long-run.

Of late the solution offered is a more thoughtful approach to post-adoption services. Until a few years ago, post-adoption help was a mere afterthought. In recent years, though, with the increasing numbers of adoptions from foster care and concerns about their stability, post-adoption has become a new target of opportunity.⁴⁵ Unfortunately, knowledge about the relative effectiveness of different kinds of post-adoption services and programs is slim, and hence, there has been very little systematization.⁴⁶ The preponderance of evidence suggests that brief, intensive services do not work and that more open-ended, family-oriented services might work better, but since the latter kind of services are largely unavailable, no precise picture for a post-adoption system exists.⁴⁷ Moreover, there is a probability that as post-adoption services evolve, they, too, will become dominated by the goals of permanence and stability, with the larger aspects of child development a secondary concern.⁴⁸

⁴⁵ At the federal level, the primary source of support for post-adoption services is the Promoting Safe and Stable Families Act. Title IV-B may also be used for this purpose.

⁴⁶ Casey Family Services & The Case Center for Effective Child Welfare Practice (May 2002), *Strengthening Families & Communities: An Approach to Post-Adoption Services, A White Paper*.

⁴⁷ Gibbs, D., Siebenaler, K., & Barth, R.P. (November 2002), *Summary Report: Assessing the Field of Post-Adoption Services: Family Needs, Program Models, and Evaluation Issues*, Washington, DC: Office of Assistance Secretary for Planning & Evaluation and Administration for Children and Families, U.S. Department of Health and Human Services.

⁴⁸ Much of the justification offered for post-adoption interventions focuses on preventing adoption disruptions and

The budding policy interest in the post-adoption period may create an opening for GHCs as a means through which the well-being of the most vulnerable children can be addressed comprehensively. A GHC provides permanence, but by embedding each child in a dense web of support, it multiplies the opportunities for detecting and responding to developmental needs in sensitive, sensible, and immediate ways. External services – the kind envisioned by most post-adopter planners – may still be accessed from a GHC, but only when the severity or idiosyncrasy of a child’s situation exceeds the ample capacity of the community to provide an effective answer.

The only appellation that might be upset by this arrangement are child welfare systems strongly grounded in the philosophy of professional case management.⁴⁹ In effect, a GHC is itself the case manager. It coordinates acquisition of the help a child may need, supplying internally as many of those needs as it can (including therapy). The connection with the child as an object of

dissolutions, not on promoting developmentally appropriate child well-being. See, for example, Testa, M.F., Fuller, T.L., & Rolock, N. (2005), *Conditions of Children in or at risk of Foster Care in Illinois: An Assessment of Their Safety, Stability, Continuity, Permanence, and Well-Being*, Children and Family Resource Center, School of Social Work, University of Illinois at Urbana-Champaign.

⁴⁹ Thoughtful observers recognize that the child welfare system does not have the internal resources or mandate to provide directly everything at risk children may need for their development from education, mental health, health care, and related systems. But, from there, they then move hastily to assert the priority of doing a better job to integrate these assorted services – a proposition in which case management obviously figures prominently. See Wulczyn, F., Barth, R.P., Yuan, Y.T., Harden, B.J., & Landsverk, J. (2005), *Beyond Common Sense: Child Welfare, Child Well-Being, and the Evidence for Policy Reform*, New Brunswick, NJ: Aldine Transaction.

treatment is attenuated, as she develops naturally within the comfortable circle of people who know and care about her and she about them. Even the best professional case managers may be stretched beyond their abilities to reach this comfort zone with the children they try to help.

Transitional teens

Older children who have not yet been adopted are among those at greatest risk of spending the duration of their childhood in and out of foster care settings. They have often been seriously abused at younger ages and suffer from poor mental health, severe school problems, chronic delinquency, and even homelessness. When they age out of foster care, their problems frequently follow them.⁵⁰

Older children who have not yet been adopted are among those at greatest risk of spending the duration of their childhood in and out of foster care settings.

Since the 1980s the federal government has provided some financial support for programs to help youth in foster care make the transition to independent living as young adults. In 1999, that support received a major boost with passage of the Foster Care Independence Act (also known as the Chafee Foster Care Independence Program), an attempt to get better results for the relatively large

⁵⁰ Courtney, M.E. & Hughes, D. (2005), The Transition to Adulthood for Youth “Aging Out” of the Foster Care System, In W. Osgood, C. Flanagan, E.M. Foster, & G. Ruth (Eds.), *On Your Own Without a Net: The Transition to Adulthood for Vulnerable Populations*, University of Chicago Press.

number of youth exiting the child welfare system every year. Slow at first to use these new dollars, most states have in the past few years expanded their transition services and programs.⁵¹ As a result, their efforts are no longer side-bets but seem to have become a fixed feature of the child welfare system.

As with so many aspects of foster care and adoption, not much is known about what works.⁵² Although important evaluations are underway, no definitive studies of the effects of transitional activities have been completed. Not surprisingly, the available evidence points to gaps in services and large numbers of youth who do not get help.⁵³

The most thorough examination to date has been the Casey National Alumni Study, an evaluation of how youth who were in the Casey Family Services foster program around the country have fared as young adults.

Recent evidence from the Casey study draws a preliminary conclusion about transitional efforts that is worth quoting in full:

If we can establish a consistent and stable environment, allowing the youth to develop relationships with the foster family, stay in the same school, work at the same job, and not have to cope with the anxiety, anger, and adjustment of changing homes and changing caseworkers, that youth has a much better probability of completing high school, and from there going on to further success. A youth in such a stable situation may be less likely to need tutoring to catch up with his or her classmates. And overcoming a learning disability or attention-deficit diagnosis may be easier if a child is in a more stable living situation. These youth may also be less likely to act out and commit crimes.⁵⁴

Certain features of this statement resonate with the GHC concept. The emphases on relationships and attention to development via schooling are clearly part and parcel of what a GHC cultivates. It is also the case that a GHC provides stability. But, still, as with most informed conversation about foster care, there is no or not much of a role for neighborhoods or neighbors or close, reciprocal ties with unrelated adults other than formal service providers. Conceivably, these more organic factors may be critical missing ingredients in enabling youth not just to graduate from high school, but to make as much of their potential as they can, given the traumatizing circumstances of their early lives. Indeed, real stability may come not so much from trying to organize the whole world around a child in a fixed, predictable, supportive way – a task which may simply be too complex for effective human management – but from situating that young person in a family and immediate

⁵¹ U.S. General Accounting Office (November 2004), *Foster Youth: HHS Actions Could Improve Coordination of Services and Monitoring of States' Independent Living Programs*, Washington, DC: GAO.

⁵² Voices for America's Children (August 2004), *Effective Approaches to Supporting Youth Aging Out of Foster Care: A Review of Research that is Currently Underway*, Issue Brief. Washington, DC: Voices for America's Children; U.S. General Accounting Office (November 1999), *Foster Care: Effectiveness of Independent Living Services Unknown*, Washington, DC: GAO.

⁵³ Courtney, M.E., Terao, S., & Bost, N. (February 22, 2004), *Midwest Evaluation of the Adult Functioning of Former Foster Youth: Conditions of Youth Preparing to Leave State Care*, Chapin Hall Center for Children at the University of Chicago.

⁵⁴ Pecora, P. J., Williams, J. Kessler, R.C., Downs, A.C., O'Brien, K., Hiripi, E., & Morello, S. (December 10, 2003), *Assessing the Effects of Foster Care: Early Results from the Casey National Alumni Study*, Casey Family Programs.

community that regard him or her as one of their own.

In a recent conference presentation, researchers involved in the Casey Study reported that even with the program's good educational and work outcomes, alumni on average have earned more than a third less than the general population despite almost comparable rates of employment.⁵⁵ It is not known whether living in a GHC setting would alter this pattern, but it may. What seems plausible is that no level of coordination across service systems may be able to achieve the consistency and constancy of effort possible in a well-functioning GHC.

If GHCs work for youth transitioning out of foster care, it may also be appropriate for disadvantaged youth in general who struggle to secure a foothold in the adult world. Youth who face this transition without the backing of effective home environments or community support systems are at greater than average risk of foundering. They may find themselves in and out of school, in and out of jobs, in and out of jail, unless they are part of a community, like a GHC, that is always watching out for them and giving them a secure base from which to operate. Space limitations prevent delving here into the larger policy agenda implied by this broader challenge, but it may warrant a closer look as people show interest in applying the GHC concept to other youth development challenges beyond foster care and adoption.

⁵⁵ White, C.R., Williams, J., O'Brien, K., Pecora, P., & Kessler, R. (November 2, 2006), *Predictors of Employment and Income Outcomes of Young Adults Who Were Formerly in Foster Care*, Presentation at the 28th Annual Association of Public Policy & Management, Madison, Wisconsin.

Changing child welfare policy to promote the development of GHCs

The preceding discussion of relevant issues in foster care and adoption policy lays a foundation for thinking about policy changes that would make it easier to develop GHCs and use its strategy to inform larger choices in society's efforts to support the well-being of its most vulnerable children and youth. Possible changes that might be worth seeking include the following:

1. *Define GHC as a distinct care category in federal and state policy.*

A GHC does not fit neatly into any care category currently allowed under foster care policy. It is neither family foster care nor institutional or group care. In one sense, it is a hybrid drawing on attributes of each of these extant categories. In another sense, it is more than a hybrid, since GHCs have characteristics that do not exist in either family or institutional/group foster care. So long as GHCs are pursued within the cramped space afforded by policy as it is now defined, there is a risk that the limiting nature of this policy will in time end up redefining GHCs to look more like a mere hybrid than the distinct form of care they are intended to be. For example, if a GHC works out a financial arrangement based on the higher rates available for institutional care, it might also become subject to the kind of detailed oversight and length-of-stay constraints that typically govern such care.

The definition of a GHC as a distinct care category in policy might have both substantive and procedural features. Substantively, it might be defined chiefly by its purposefulness (i.e., all residents are explicitly committed to the GHC's purpose of caring for children), contiguity (i.e., GHC residents live adjacent to one another), and

multi-generational population (i.e., at least three generations, with the appropriate ratio of seniors to children). Procedurally, it might be governed as a fully privatized form of family foster care, in which all of the functions involved in the placement and supervision of children would be administered by the GHC itself under contract with the appropriate public authority. To qualify for this rather selective role, a GHC would need to demonstrate a high level of organizational and management capacity consonant with the large responsibility it seeks.

2. Establish a capitated system of financing GHC operations.

At present, financing options in foster care track the two available categories of care. Foster families receive monthly maintenance payments, plus, in some cases, one-time or occasional supplementary payments for specific expenses. Payments to institutions and group homes are based on per diem rates for beds, with rates addressing room and board, administration, and overhead costs. If and when a child is adopted, the adoptive family receives a monthly subsidy, and usually no other payments.⁵⁶ Additional monies flow to nonprofit organizations that administer foster care and adoption functions for the public child welfare authority.

What might best suit a GHC is a single payment that covers both the needs of the child in his foster and then adoptive family and a reasonable share of the other costs likely to be incurred in providing a highly supportive environment (e.g., therapy, post-adoption services, administration, overhead, respite). A per diem bed rate is a

single payment, but it presumes that a child's stay in care is temporary, while in a GHC the intent is for the child to stay for the long-run (until his family moves or he leaves home for college or to make a life for himself). More workable for GHC purposes would be a global capitated payment – an annual amount that would be due the GHC for each child placed there.

In essence, the idea would be to say that there is a reasonable cost associated with raising a child placed with a family in a GHC and that this amount should be paid to the GHC for the care of that child.

It would continue to be paid for as long as the child lives in the GHC until she reaches the age of majority or two to three years longer if necessary to support her while in school or job training. The capitated rate might be set slightly lower than the corresponding per diem bed rate for institutional care, but the GHC would have substantial flexibility in how to apply the dollars and if its actual costs turned out lower than the capitated payment, it would be able to keep the difference. The only requirement would be providing stipends to families that would at least be equal to what they would otherwise be eligible for through foster care maintenance payments and adoption subsidies.

Development of a capitated payment system would require a firm handle on the costs of GHCs. Thus, it could probably not occur until there are more GHCs providing a base of experience from which estimates of standard cost can be confidently generated. More GHCs might also

⁵⁶ On a selective basis, Ohio provides extra subsidies to assist the preservation of adoptive families.

provide insight into ways of imputing the costs avoided by having children live with their adoptive families in a GHC rather than elsewhere either with one or more foster families or an adoptive family. It might eventually be feasible to include some share of avoided costs in the calculation of the capitated rate.

In essence, the idea would be to say that there is a reasonable cost associated with raising a child placed with a family in a GHC and that this amount should be paid to the GHC for the care of that child. The amount might be set according to USDA's estimate of expenditures on children by low-income families, which adjusts for the age of the child.⁵⁷ While this estimate is of minimal adequacy, it would still represent an improvement over what most states currently offer through foster care and adoption assistance.

It is worth mentioning here that over the past several years, a number of states have been granted waivers by HHS to test a managed care alternative to financing child welfare costs. Basically, in these waiver projects, states have paid local government agencies or nonprofit providers fixed amounts per child (i.e., capitated payments) for carrying out certain functions (e.g., wraparound services). Performance objectives have been set, and then local operators have been given more freedom than they would normally have to achieve those objectives. So far, the results have, by and large, been disappointing. Several waiver projects have terminated prematurely because of poor design or execution. Others have been evaluated and

⁵⁷ Lino, M. (2006), *Expenditures on Children by Families, 2005*, U. S. Department of Agriculture, Center for Nutrition Policy and Promotion, Misc. Publication NO. 1528-2005.

found to end up costing more than would have been spent under the regular Title IV-E program. Only one project, in Indiana, has turned out reasonably well, although the full story on this effort has yet to be told.⁵⁸

There is no place within the extant standards regime for the role of community or neighborhood, other than an occasional nod to the desirability of services being “community-based.”

A capitated payment system for GHCs might be pursued as one or more waiver projects in the managed care mold, although it could in the process be burdened with overcoming this recent history of failure.⁵⁹ Further, managed care suggests a treatment approach to the care of children, and while a GHC is all about care, it eschews the treatment label. Thus, if a waiver approach were to be taken, positioning the project or projects in GHC-specific terms, rather than as a

⁵⁸ James Bell Associates (April 2006), *Summary of the Title IV-E Child Welfare Waiver Demonstrations*, Prepared for the Children's Bureau, Administration on Children, Youth, and Families, DHHS, Washington, DC; Casey Family Programs (December 2004), *The Effects of Federal Child Welfare Financing Waivers.*; Shuman, Matthew (June 16, 2003), *Child Welfare Waiver Demonstrations*, RL31964, Washington, DC: Congressional Research Service.

⁵⁹ Title IV-E waiver authority lapsed in May 2006. The house version of the Child and Family Services Improvement Act included extension of the authority, but it was dropped from the final bill passed by Congress and signed by the President (P.L. 109-288). Congress instituted the waiver authority for the first time in 1994, and until this past year, always reauthorized it each time it was due to expire. Conceivably, concerns about the lack of results from waiver projects gave lawmakers pause in 2006 and may play a role again in 2007 if an effort is made to renew the authority.

new or further test of the applicability of the managed care concept to child welfare, might be the wiser course of action.

3. Incorporate GHC principles in standards for the promotion of child welfare.

Formal standards represent a necessary way in which a field of practice seeks professional legitimacy and status in society. Child welfare is no exception. The Child Welfare League of America (CWLA) has a longstanding system of setting standards for public and nonprofit children and family services organizations, and federal and state policy more or less acknowledges the appropriateness of these standards as the basis on which agencies should or must seek to operate. There is, however, no place within the extant standards regime for the role of community or neighborhood, other than an occasional nod to the desirability of services being “community-based.”

In the long-run, it may be difficult to establish GHCs on a significant scale in the absence of validation of the concept within a formal system of standards. While the target does not necessarily have to be CWLA’s system, its current dominance makes it an interesting and potentially fruitful choice. At the least, trying to work GHC principles into those standards, succeed or fail, would help to establish the concept’s claim to provisional legitimacy as a problem solving option. Pursuing standards change may not be a viable option until there are more GHCs in existence, but it may be feasible in the short-run to begin suggesting in writing and conference presentations how to think about intergenerational community from a standards perspective.

There would appear to be two ways of articulating such a perspective, apropos of the earlier discussion in this report of the difference between technical and architectural innovations. As a technical innovation, it might be possible simply to get the full GHC concept, tangibly manifested in the form of Hope Meadows, defined as a standard in and of itself. One might envision, for example, having a GHC section added to the CWLA’s Standards of Excellence for Child Welfare Services. As an architectural innovation, key elements of the GHC concept might be used to make community or neighborhood factors more relevant to foster care and adoption practice. For example, the intergenerational composition of the neighborhood where prospective adoptive parents live might be added as a selection consideration, especially for children with so called “special needs.” Or perhaps for neighborhoods with high concentrations of children in foster care or adopted from foster care, there might be an expectation of access to necessary therapy by having a qualified therapist actually live and conduct her business in the neighborhood.

It might be possible simply to get the full GHC concept, tangibly manifested in the form of Hope Meadows, defined as a standard in and of itself.

Although changing existing standards may be the most effective route to legitimacy, the pursuit of an entirely new system of standards specifically for the GHC cause should not be altogether ruled out. There has been a good deal of policy action on child welfare at the federal and state levels in the past several years. Between 2002 and 2006, state legislatures considered hundreds of bills

dealing with foster care adoption, passing forty percent of them.⁶⁰ Every other year or so, Congress seriously considers further modifications in one or more of the federal statutes affecting children in substitute care. Many factors may be driving this increase in attention and policy tinkering, but one important reason seems to be greater awareness among policymakers of the sad dilemma posed by children without families. Adoption provides a partial answer, but even the staunchest proponents of the adoption solution realize its limitations.⁶¹ Consequently, in a policy environment searching for better answers, GHCs may be able to establish a beachhead of interest in it as a, or perhaps even the, option for helping children whom the system has failed and may continue to fail. As a separate policy option, a GHC may be capable in time of accommodating its own standards of practice – complementary to but separate from the standards governing the mainstream of the child welfare field.

A last point to consider as part of an effort to shape GHC-friendly standards would be to challenge the developers of child well-being indicators to pay more attention to community and neighborhood conditions. One of the more popular indexes of child well-being includes measures of community connectedness and social relationships, but none of which addresses intergenerational ties or, for that matter,

community in the organic sense.⁶² All of the indicators included in the index are derived from existing data available on large population samples. So, a place to start might be to work intergenerational questions into future Census Bureau surveys or ongoing panel studies.

⁶⁰ Urban Institute Child Welfare Research Program (November 2006), *Trends in U.S. Foster Care Adoption Legislation: A State by State Analysis*, National Adoption Day Coalition.

⁶¹ For example, see *Statement of Thomas Atwood, President & CEO, National Council for Adoption*, Testimony before the Subcommittee on Income Security and Family Support, House Ways and Means Committee, May 23, 2006.

⁶² Land, K. C. (March 15, 2006), *The Foundation for Child Development Child and Youth Well-Being Index (CWI), 1075-2004, with Projections for 2005*, New York: Foundation for Child Development.

Policy toward seniors: From retirement to life with continued purpose

A GHC is a transformative experience for an abandoned child or youth. Living at last among people who can be counted on to care for and support him from one day to the next, he learns in time to believe in himself and see promise in his future. The effect is similarly transformative for an older person who chooses to live in a GHC. With a career completed or phasing down and parenting duties essentially fulfilled, she wants her life to still have purpose from one day to the next – to produce value in the world around her. A GHC makes that possible.

A person's later years have always been recognized as a distinct phase of life. But, it was not until the late 19th century in the United States that this phase began to be defined as a time of separation as well.

Apart from housing issues, which will be taken up in the next section of this paper, public policy neither encourages nor discourages an older couple or person from living in a GHC. Illinois' Hope Meadows has not had to depend on governmental action to make it possible for seniors to live there, and early GHCs modeled after Hope Meadows may need little or no help (other than, possibly, from housing policy) to attract older residents. However, if GHCs are to grow beyond a few sites and become a more prominent option for senior living, public policy will, in all probability, eventually need to play

an affirmative role. With the oldest members of the massive Baby Boom generation (the group born between 1946 and 1964) now entering their early 60s, the next decade may be an important window of opportunity for establishing the concept in policies on aging for the long-run.

Gaining that presence will require overcoming the tendency of policy and those who make and influence it to oversimplify who older people are. With the historic successes of Social Security and Medicare, public policy toward seniors seems to have fallen into a competency trap. It has continued to perceive the older population through a lens that worked relatively well during America's industrial build-up, but may no longer present an accurate picture in the more dynamic, individualistic, and disorderly era now unfolding.

The old lens

A person's later years have always been recognized as a distinct phase of life. But, it was not until the late 19th century in the United States that this phase began to be defined as a time of separation as well. As America became more urban and industrial, room needed to be made in the labor market, where manual work dominated, for growing numbers of younger workers.⁶³ Businesses responded by establishing pension programs to entice or force older workers into retirement. Before that, retirement

⁶³ Graebner, W. (1980), *A History of Retirement: The Meaning and Function of an American Institution, 1885-1978*, New Haven: Yale University Press.

did not really exist. With the enactment of Social Security in 1935, material support for retirement became official public policy, and retirement grew to become a part of our common cultural experience. Just about anyone who lives long enough would experience it.

From that time on, both Social Security and private and public pensions have, for the most part, continued to expand and new benefits such as Medicare have been added, allowing more people to avoid penury during their post-employment years and maintain their independence for longer.⁶⁴ With greater independence, being older or retired has meant belonging to a distinct social grouping with its own needs and interests defined largely in terms of consumption, rather than the production logic that predominates during the years of schooling and employment. Older people are considered to have earned this affordance.

Enabling consumption of one kind or another has become the central tendency of public policy toward seniors. Even when productive activity is the objective – for example, increased opportunities for civic engagement or volunteering by seniors, it is still usually described as something older people will consume or use, rather than produce. The problem is not consumption per se, since it is a necessary part of life and older people have needs that must be met. The problem is with a lens that can only see seniors as consumers, for it always turns the focus on the adequacy of the thing being consumed and thereby the

⁶⁴ Apfel, K.S., Commissioner of Social Security (July 22, 1998), *New Directions in Retirement Income: Social Security, Pension, and Personal Savings*, Testimony before the U.S. Senate Committee on Finance, Washington, DC.

satisfaction of the consumer. Older people represent an interest to be appeased or accommodated; their days of responsibility toward society are regarded as basically over.

The irony in this is that, despite how public policy regards them, seniors want and even need to continue to produce and be responsible.⁶⁵ In other words, they want and need a purpose in their lives beyond mere consumption.⁶⁶ The main difference between their lives now and when they were younger is that they have more unspoken-for time and, thus, more choice over how to allocate it. With no or diminished job demands, they can be more self-directed, producing on their own terms instead of the terms previously to some extent handed to them by their jobs or family responsibilities. The decision to live in a GHC and organize one's life around its purpose would be one such self-directed choice.

Defining a person's later years mainly as a time for greater self-direction puts retirement in a different light than provided by consumption. Indeed, it raises the question of how much longer retirement, as it is generally understood, can or should continue to be the main way in

⁶⁵ Pitt-Catsouphes, M., Smyer, M. A. (July 18, 2005), *Older Workers: What Keeps Them Working?*, Issue Brief 01, Boston, MA: The Center on Aging and Work at Boston College.

⁶⁶ Greenfield, E.A. & Marks, N.F. (2003), *Volunteering Protects Older Adults at Risk for Loss of Purpose in Life*, Working Paper No. 2003-20, Center for Demography & Ecology, University of Wisconsin-Madison. Also see, Raley, B. (2006), *Rewards of Giving: An In-Depth Study of Older Adults' Volunteer Experiences in Urban Elementary Schools*, Philadelphia: Public/Private Ventures, and Calvo, E., *Does Working Longer Make People Healthier and Happier?* (February 2006), Boston, MA: Center for Retirement Research at Boston College.

which we characterize the last third or so of the typical life span. The Baby Boom generation may very well, for a variety of reasons, either change the meaning of retirement or set the stage for its replacement by a more appropriate concept. Understanding these reasons lays the groundwork for understanding how public policy toward seniors might be recruited to promote the GHC option.

Work and money

From the 1880s, when the idea of retirement first took concrete form, to the 1980s, workforce participation by older people in the U.S. slowly, but more or less steadily, edged downward. The pattern was more pronounced for men than women, but in either case, the trend was toward earlier retirement over time.⁶⁷ By the mid 1960s, more than half of men were retiring early, that is, before the normal retirement age of 65. Women reached the fifty percent level a decade later. Early retirement rates for both men and women continued to rise, so that by the 1980s, about three-fourths of men and three fifths of women were taking retirement before age 65.⁶⁸ Since then, the trend has flattened out, and for older men beginning in the late 1990s, the early retirement rate has actually declined some and labor force participation rates have risen.⁶⁹

Retirement at younger ages and, as a result, for longer periods of time was facilitated by a

variety of factors specific to the 20th century. First, income-protecting pension programs spread, providing more people with enough resources to retire and maintain something close to their former standard of living. Often, full retirement was a condition for gaining access to the benefits of these programs.⁷⁰ Similarly, Social Security discouraged work by reducing payments to beneficiaries who had earnings from employment above a modest level.⁷¹

The Baby Boom generation may very well, for a variety of reasons, either change the meaning of retirement or set the stage for its replacement by a more appropriate concept.

Second, the expansion of job-related health insurance for retirees and the creation of Medicare lowered an important obstacle to leaving the workforce.⁷² Third, both income and health security for the aging were made possible by a growing economy and an expanding labor force that could afford to pay their rising price tag. And last, though difficult to measure, culture undoubtedly adapted to these conditions, gradually coming to define “early” retirement as an accomplishment toward which people in general might justifiably strive.⁷³

⁶⁷ Friedberg, L. (March 2007), *The Recent Trend towards Later Retirement*, Boston: Center for Retirement Research at Boston College.

⁶⁸ Hardy, M. (Summer 2002), The Transformation of Retirement in the Twentieth Century: From Discontent to Satisfaction, *Generations*, Vol. 26, No. 2: 9-16.

⁶⁹ Op Cit., Friedberg.

⁷⁰ Ibid.

⁷¹ Johnson, R.W., Mermin, G., & Steuerle, C.E. (May 2006), *Work Impediments at Older Ages*, The Retirement Project, Washington, DC: The Urban Institute.

⁷² Op Cit., Friedberg.

⁷³ Walker, D.M. (February 28, 2007), *Older Workers: Some Best Practices and Strategies for Engaging and Retaining Older Workers*, Testimony before the U.S. Senate Special

The recent reversal in the trend toward early retirement, while modest at this point, may accelerate for the Baby Boom for a number of reasons that could affect the ability of GHCs to attract older residents. Better educated than previous generations, the boomers are more likely to be in white-collar occupations where they are valued for their knowledge rather than physical skills prone to decline more rapidly with age.⁷⁴ Thus, they may be drawn to work well into their sixties and beyond because of the intrinsic satisfaction they expect to derive from it.⁷⁵ And job markets may need their talents if labor shortages over the next decade or more materialize as predicted owing to the smaller post-boom generations.⁷⁶

Other economic factors may make longer attachment to the workforce desirable or even necessary, as well. Pension programs are rapidly shifting from plans that provide guaranteed lifetime annuities once a person fully retires (thus offering an incentive to retire as soon as possible) to ones in which the benefits derived

depend mainly on workers' and employers' contributions into funds governed by the ups and downs of financial markets.⁷⁷ Working longer allows more money to be contributed, so there is likely to be more available upon retirement and a shorter period over which it will be needed. This comes at the same time that Social Security is playing a declining role in retirement income and losing its grip on fiscal solvency.⁷⁸ Employers have also begun to alter drastically or shut down altogether their health insurance coverage for retirees. Research shows that health insurance access problems are encouraging more workers to delay retirement.⁷⁹ This factor may only grow in importance if, as expected, health care costs continue to climb.⁸⁰

It is not obvious on balance how this diverse set of forces will shape the retirement behavior of the Baby Boom. It is one thing for older workers to keep working because they like what they do. It is another if they would rather retire but feel they need to stay on the job longer to eventually

Committee on Aging, Washington, DC: General Accounting Office.

⁷⁴ Munnell, A.H., Sass, S.A., & Soto, M., (June 2006), *Employer Attitudes Towards Older Workers: Survey Results*, Boston: Center for Retirement Research at Boston College.

⁷⁵ Bovbjerg, B.D. (April 2005), *Redefining Retirement: Options for Older Americans*, Testimony before the U.S. Senate Special Committee on Aging, Washington, DC: General Accounting Office.

⁷⁶ The Urban Institute (August 2006), *Work and Retirement: Facts and Figures*, Washington, DC: The Urban Institute. While labor shortages may increase demand for older workers, it is not clear how employers will respond. One recent survey found that employers were inclined to see older workers as both more productive than younger workers but also more costly. See Munnell, Sass, & Soto, Footnote 69.

⁷⁷ Twenty years ago most of the work force with private pension coverage had defined benefit plans, but now the majority has defined contribution plans. See Munnell, A.H., Sass, S.A., Soto, M., & Zhivan, N.A. (August 2006), *Has the Displacement of Older Workers Increased?*, Paper prepared for the 8th Annual Joint Conference of the Retirement Research Consortium, Washington, DC.

⁷⁸ Munnell, A.H. (February 2003), *The Declining Role of Social Security*, No. 6, Boston: Center for Retirement Research at Boston College. Currently, for a person retiring at 65, Social Security on average replaces 38.7 percent of his pre-retirement earnings. By 2030, the average rate is expected to decline to under 30 percent.

⁷⁹ Gruber, J. & Madrian, B. (1994), *Employed-based Health Insurance and Job Mobility: Is There Evidence of Job-Lock?* *The Quarterly Journal of Economics*, 109: 27-54.

⁸⁰ Johnson, R.W. & Penner, R.G. (October 2004), *Will Health Care Costs Erode Retirement Security?*, No. 23, Boston: Center for Retirement Research at Boston College.

exit the work force with sufficient financial security.⁸¹ It is one thing for retirement support to be assured by a relatively uniform system of pensions and health care. It is another for that system to be replaced by a more market-like arrangement where more of the burden is on individual workers to plan for their future.

Retirement is becoming less an event at a point in time and more a process of phasing out of paid work gradually. The flexibility of a GHC may be well-suited to accommodate these transitions

Put simply, retirement for boomers is apt to be affected by more uncertainty than experienced by previous generations. And this uncertainty may be an important factor in the ability of GHCs to attract and keep them. On the one hand, later retirement may forestall the point at which older people would contemplate moving to a GHC. Ideally, a GHC has a good age balance among its seniors, with younger old able to handle the more physically demanding

⁸¹ One recent national survey showed that more than half of 60-year-olds want to quit work as soon as they can. A little more than third said they wanted to keep working until they are no longer able. See Gordon, S., Keegan, C., & Fisher, L. (June 2006), *Boomers Turning 60*, National Member Research Knowledge Management Group, Washington, DC: AARP. Another recent study found that while economic well-being had a modest effect on overall well-being in retirement, a more important influence was whether or not someone said that they had retired voluntarily. Voluntary retirement decisions were associated with higher levels of well-being. See Bender, K.A. & Jivan, N.A. (February 2005), *What Makes Retirees Happy?*, No. 28, Boston: Center for Retirement Research at Boston College.

volunteer tasks in the community. A general trend toward delayed retirement might raise the likely age profile of GHCs, resulting in diminution of community capability.

On the other hand, work and volunteering are not necessarily incompatible. When older workers are able to reduce their hours on the job, they may increase the time they spend volunteering.⁸² Reducing work time as one gets older has become fairly common and appears to be on the increase. Retirees, particularly at younger ages, often “unretire.”⁸³ Many older workers leave their current jobs and take on new, part-time work (although usually at lower wages) before retiring fully.⁸⁴ These two conditions probably characterize half or more of the older workforce. It has been estimated that perhaps an additional fifteen percent of workers age 60 and over move into part-time roles with their current employers before retiring altogether.⁸⁵ Thus, retirement is becoming less an event at a point in time and more a process of phasing out of paid work gradually.⁸⁶

⁸² McNamara, T., Dobbs, J., Healey, P., & Kane, K. (January 2007), *Voluntarism among Older Adults*, Fact Sheet 03, Boston: Center on Aging & Work at Boston College.

⁸³ Maestas, N. (August 2005), *Back to Work: Expectations and Realizations of Work after Retirement*, Santa Monica, CA: RAND.

⁸⁴ Cahill, K.E., Giandrea, M.D., & Quinn, J.F. (September 2005), *Are Traditional Retirements a Thing of the Past? New Evidence on Retirement Patterns and Bridge Jobs*, Washington, DC: US Bureau of Labor Statistics.

⁸⁵ Hutchens, R. (February 2007), *Phased Retirement: Problems and Prospects*, Boston: Center for Retirement Research at Boston College.

⁸⁶ Han, S-K & Moen, P. (July 1999), *Clocking Out: Temporal Patterning of Retirement*, *American Journal of Sociology*, Vol. 105, No. 1: 191-236.

The flexibility of a GHC may be well suited to accommodate these transitions, allowing its senior residents to continue working while simultaneously developing their volunteer roles in the community. Such balancing of purposes may be especially important to the Baby Boom given its stronger career orientation.

At the time of Social Security's enactment, men on average spent about six years in retirement before dying. Average retirement periods have more than tripled since then.

At present, retirement as a process has a modicum of support in public policy. Under federal law, individuals who participate in defined contribution plans such as 401(k)s are permitted to make limited pension withdrawals, without tax penalties, while still working if they are at least 59 and a half years of age. As a result of pension reform legislation passed in 2006, workers who participate in defined benefit plans (guaranteed annuities) will soon be allowed to begin making early withdrawals starting at the age of 62.⁸⁷ Both policies facilitate limited forms of phased retirement, but they may fall short of the flexible system of income security required to accommodate the variable needs of the Baby Boom.⁸⁸

⁸⁷ The Pension Protection Act of 2006, Public Law 109-280.

⁸⁸ Penner, R.G., Perun, P., & Steuerle (November 2002), *Legal and Institutional Impediments to Partial Retirement and Part-Time Work by Older Workers*, Washington, DC: The Urban Institute.

Additional steps will likely be necessary to promote and support the kind of balancing act that boomers may want and that may be most conducive to their seeing a GHC as a desirable way to live the last third of life.

Health and health care

The economic vulnerability of the Baby Boom as it ages stems, in part, from the fact that people are living longer and spending more time in semi-retirement/retirement compared to the past. With longer retirements come increased costs due both to the mere fact of greater longevity and more health problems as people get older. Social Security and Medicare, the mainstays of public policy for the aging, were not designed with this reality in mind.⁸⁹ At the time of Social Security's enactment, men on average spent about six years in retirement before dying.⁹⁰ Average retirement periods have more than tripled since then.⁹¹

While age brings health challenges, the general pattern since the 1980s has been toward improved health among older people. In 1984, about twenty-five percent of people 65 years of age or older said it was not easy for them to function independently. By 2004, the figure had dropped to nineteen percent.⁹² Advances in medical care, less exposure to infectious diseases in childhood, lifestyle changes, less hazardous working conditions, and higher

⁸⁹ Saletan, W. (February 22, 2005), *The New 65*, *Slate*.

⁹⁰ Op Cit., Hardy.

⁹¹ See Footnote 81.

⁹² Munnell, A.H. & Libby, J. (March 2007), *Will People Be Healthy Enough to Work Longer?* Number 2007-3, Boston: Center for Retirement Research at Boston College.

educational attainment all appear to have contributed to health gains among older people.

Even with these improvements, however, older people still account for about a third of national health care spending.⁹³ While a large part of this cost is covered by Medicare and Medicaid, seniors themselves bear a rising portion. If health care costs continue to escalate and public policies remain basically unchanged, more and more of the income of older people will go to health spending.⁹⁴ How this will actually play out in the future is difficult to predict for a couple of reasons.

First, with improvements in health at later ages, nursing home use by the aging has declined.⁹⁵ However, as the number of older old people increases, this trend may slow or reverse. Health is more likely to decline significantly when people reach their late 70s and 80s, thus necessitating more intensive and expensive forms of care.⁹⁶ Medicare, which covers nearly all people 65 years of age or older, focuses on acute care medicine and provides very limited coverage for long-term care. The bulk of publicly funded long-term care comes through Medicaid, which only kicks in if people are low-income or, as is often the case, become relatively poor (typically defined as 150 percent of the federal poverty level) after exhausting

most of their assets to pay for the care they need. Since 1981, states have been able to obtain waivers under Medicaid from the federal government to provide home and community-based alternatives to keep people out of nursing homes. These waiver services today account for a little more than a third of total Medicaid costs for long-term care.⁹⁷

Interestingly, most older adults who are disabled or functionally impaired do not receive any help, and when they do, it is much more likely to come from family members than formal programs and services.⁹⁸ It remains to be seen whether dependence on family members will be as common for disabled Baby Boomers, given their higher divorce rates, smaller numbers of children, and higher employment rates among married women.⁹⁹

Second, while medical care continues to improve and more is being learned all the time about how to maintain physical and mental health, it is far from a *fate accompli* that the boomers will sustain the health gains which have occurred among older people during the past twenty-five or so years. A recent study found that the first wave of the Baby Boom – those born between 1948 and 1953 – report being in poorer health than their counterparts born twelve years earlier.¹⁰⁰ Boomers are more likely to say

⁹³ Rice, D.P. & Fineman, N. (2004), Economic Implications of Increased Longevity in the United States, *Annual Review of Public Health*, 2004, Palo Alto, CA: Annual Reviews, pp. 457-473.

⁹⁴ Op Cit., Johnson & Penner.

⁹⁵ Op Cit., Rice & Fineman.

⁹⁶ Crimmins, E.M. (2004), Trends in the Health of the Elderly, *Annual Review of Public Health*, 2004, Palo Alto, CA: Annual Reviews, pp. 79-98.

⁹⁷ Kassner, E. (March 2006), *Home and Community-based Long-term Services and Supports for Older People*, Washington, DC: AARP Public Policy Institute.

⁹⁸ Ibid.

⁹⁹ Johnson, R. W. & Wiener, J.M. (February 2006), *A Profile of Frail Older Americans and Their Caregivers*, Washington, DC: The Urban Institute.

¹⁰⁰ Soldo, B.J., Mitchell, O.S., Tfamily, R., & McCabe, J.F. (September 2006), *Cross-Cohort Differences in Health on the Verge of Retirement*, Pension Research Council

they have had trouble with everyday physical tasks, pain, chronic health problems, and substance use and mental health. The study does not explore why perceived health has eroded, but the authors speculate that it may have something to do with both greater awareness of health issues among the Baby Boom generation – owing to their higher levels of education and exposure to a proliferation of health information in the media – and to shifting expectations that are making people more sensitive to even small changes in their health.

Not only is there reason to believe that a GHC will enable individual health to be better managed; it may also reduce the burden of caregiving within senior households.

Unknown at this point is whether perceptions of poorer health will translate into greater demand for health care, and thus higher spending, as boomers age, but, clearly, the possibility exists.

If health and health care do, indeed, become greater challenges for the Baby Boom compared to preceding generations, then GHCs may emerge as an important, even necessary, option for boomers as they age. Volunteering later in life has been shown to have positive benefits for both physical and mental health. The preponderance of evidence suggests that staying active and engaged with other people does not so much prevent the onset of disease and disability (which are likely to arise from

conditions earlier in life), but rather, slows their advance by enabling those affected to cope more effectively.¹⁰¹ Having ready access to social support and being positively integrated into one's social environment appear to moderate the stresses of life, reducing their negative effects on health and the accompanying costs of care.¹⁰² For boomers now faced with higher levels of midlife impairments that may continue into their later years and the escalating expense of paying for the care needed to address those problems, GHC living may supply the support and engagement they need to manage their physical and mental health effectively and affordably while, at the same time, doing good for others.

Not only is there reason to believe that a GHC will enable individual health to be better managed; it may also reduce the burden of caregiving within senior households. While volunteering boosts health, caring for vulnerable family members, such as an infirm spouse or grandchildren, appears to have the opposite effect. It is often experienced by the caregiver as stressful and thus damaging to health.¹⁰³ A large

¹⁰¹ For a recent study that confirms this finding and surveys the relevant literature, see Lum, T.Y., & Lightfoot, E. (January 2005), *The Effects of Volunteering on the Physical and Mental Health of Older People*, *Research on Aging*, Vol. 27, No. 1: 31-55. This study shows, as others have before, that how much an older person volunteers may matter. It found that the positive benefits of volunteering on health peaked at 1,878 hours a year, about four days a week. A GHC would probably come close to this target: although the required number of formal volunteer hours is much smaller at 6 or so hours a week, it is likely that informal volunteering constitutes a much larger share of a senior resident's time.

¹⁰² Cohen, S. (November 2004), *Social Relationships and Health*, *American Psychologist*.

¹⁰³ See Op Cit., Johnson & Wiener (Footnote 91); Johnson, R.W. & Schaner, S.G. (July 2005), *Many Older Americans Engage in Caregiving Activities*, *Perspectives on*

part of the reason for this may be that caring for family members often occurs in isolation. In a GHC, caregiving is a responsibility shared by all members of the community to the extent of their abilities. While a husband, for example, might take the lead in caring for his disabled wife, he is not alone in this work. Others pitch in as needed, preventing isolation and, consequently, reducing the stress that can lead to health difficulties.

Changing policy toward seniors to promote the development of GHCs

The members of the Baby Boom will move into their senior years over the next two decades, coinciding with the expected advance in the GHC approach to social problem solving. The large numbers of boomers will pose a major challenge for the current public policy regime on aging, which was forged under conditions in the past that no longer adequately apply. This challenge may provide fertile ground for developing more innovative ways, such as a GHC, to enable older people to live their lives productively and sensibly. How might policy be changed to make GHCs a more available option for seniors? Some possibilities are suggested below.

1. *Allow older people who want or need to continue working to retain more of their income if they live in a GHC.*¹⁰⁴

Currently, public policy in the United States and other developed countries with aging populations has begun to try to discourage early retirement and encourage people to work longer.¹⁰⁵ The primary motivations are to boost labor supply, which is important to economic growth; maintain the fiscal solvency of public and, in the U.S. case, private pension programs; and assure that older people have enough to live on when they eventually exit the workforce. While these are laudable, even necessary objectives, they are based on a narrow sense of the value societies derive from their older members. Greater wisdom, maturity of judgment, ease in communicating, ability to put things in perspective, willingness to give back – although people in their later years can and do bring such attributes to their jobs when they continue working, society also gains when the special qualities of being older are put to use more broadly. In other words, work may not be the only regular, productive activity that should be recognized by income security policy for the aging.

The process of retirement need not just be about transitioning out of the paid work force into

Productive Aging, No. 3, Washington, DC: The Urban Institute; Smithgall, C., Mason, S., Michels, L., LiCalsi, C., & Goerge, R. (2006), *Caring for Their Children's Children: Assessing the Mental Health Needs and Service Experiences of Grandparent Caregiver Families*, Chicago: Chapin Hall.

¹⁰⁴ Studies have indicated that increasing the economic gain from working increases work participation by older workers. See, for example, Schmidt, L., & Sevak, P. (November 2006), [Taxes, Wages, and the Labor Supply of Older Americans](#), Michigan Retirement Research Center, Ann Arbor: University of Michigan.

¹⁰⁵ U.S. General Accounting Office (February 2003), [Older Workers: Policies of Other Nations to Increase Labor Force Participation](#), Report to the Ranking Minority Member of the U.S. Senate Special Committee on Aging, Washington, DC: GAO.

leisure. It should also account for the value obtained when older people use that leisure to produce palpable social good by how they choose to live. Put more concretely, a senior, who through living in a GHC makes a daily and continuing contribution to furthering the welfare of troubled children and youth and his or her other neighbors, should be able to have this acknowledged in the rules governing his retirement resources. While difficult to calculate based on currently available data, this welfare effect surely benefits the economy. Young people raised in a GHC are, it would seem, notably more likely than their counterparts to grow up to become productive members of society in their own right. Older GHC residents in declining health have many of their needs met by their neighborhoods instead of expensive systems of formal care. So long as GHCs are few in number, the welfare effect is naturally going to be small. But, if GHCs became commonplace, the effect could be quite substantial.¹⁰⁶

The GHC option might be made attractive to aging boomers who want or need to keep working by effectuating two important changes in income security policy. First, phased retirement could be established as a standard “fringe benefit” available to all older workers.¹⁰⁷

This would enable seniors to reduce gradually the amount of paid work they do to give them

¹⁰⁶ Ten percent of the population 65 years-of-age and older is about 4 million people. Assuming a ratio of two seniors for every child in a GHC, 2 million children and youth could be helped if one out of every ten older people chose to live this way. It would require developing around 40,000 GHCs to achieve this impact.

¹⁰⁷ See Footnote 84. Penner, Perun, Steuerle (November 2002).

time for other interests or to accommodate increasing limitations on their functional abilities. Second, when workers take this benefit, they would be eligible for a tax credit if they happen to live in a GHC.

While employers could be required to offer phased retirement, a better fit with the American system of labor regulation would be to provide various incentives for both employees and employers. One incentive would be to stop the payment of the Social Security payroll tax after a person has worked a certain number of years, such as 35 or 40.¹⁰⁸ This would reduce employer costs some and put more money in the pockets of older workers, which might be particularly valuable to the many who either do not have pensions or have inadequate pension accumulations. A related change would be to eliminate the income tax on Social Security benefits.¹⁰⁹ Current law regards as much as half of these benefits as countable income. To obtain their full value, a person has to cut back on earnings from employment. Eliminate the tax, and older workers have more reason to stay in the labor force. A third policy shift would be to establish a set age at which all workers participating in pension plans, regardless of the type of plan, could begin making partial

¹⁰⁸ Goda, G.S., Shoven, J.B., Slavov, S.N. (December 15, 2006), Removing the Disincentives in Social Security for Long Careers, Paper presented at the Conference of the National Bureau of Economic Research Center for Retirement Research, October 2006. Cambridge, MA: National Bureau of Economic Research.; Laitner, J. & Silverman, D. (November 2006), Consumption, Retirement, and Social Security: Evaluating the Efficiency of Reform with a Life-cycle Model, Michigan Retirement Research Center, Ann Arbor: University of Michigan.

¹⁰⁹ Butrica, B.A., Johnson, R.W., Smith, K.E., & Steuerle, C.E. (June 2006), The Implicit Tax on Work at Older Ages, National Tax Journal, Vol. 59, No. 2: 211-232.

withdrawals to compensate for the income they lose as they phase out of full-time employment. At present, the rules differ between types of plans. An appropriate accompaniment to this change would be more generous tax exemptions for pension income itself.

The tax credit would be available to an older person who enters phased retirement in order to live in a GHC. It would be a refundable credit against income taxes, meaning that someone at a level of income low enough not to owe any taxes would actually receive money through the credit. At present, there are similar tax credits aimed at supporting work by low and moderate income parents. These credits arose in recognition of a need to reduce family poverty and encourage younger workers with parenting responsibilities to develop a secure attachment to the labor force. The GHC tax credit would recognize the need to encourage and reward the efforts people at the other end of the age spectrum make to strike a balance between continued work and contributing to the welfare of others. Limiting the credit to people who live in a GHC would assure that the money goes to those who deserve it, since GHC residence is synonymous with active volunteering. Other older part-time workers might volunteer extensively, but it would be difficult and costly to confirm that they do.

Politically, these would all be difficult changes to make. Further, the devil may lie in the details, since the viability of any one of the above proposals will likely hinge on its technical specification. Nevertheless, the rapidly evolving circumstances of the Baby Boom may create a climate in which bolder policy action becomes more tenable.

2. Define GHC as a form of comprehensive care for older people within public health care financing policy.

The ideal GHC would be one in which older residents live out their lives. The only conventional institution they would ever see is a hospital when they have acute medical needs. Otherwise, they would live in their homes within the GHC. When they needed help, they would receive it from fellow residents or, if the need required specialized attention, from a qualified professional. If and when an older person got to the point of requiring 24-hour support, he would move into an apartment specifically dedicated to this purpose on the grounds of the GHC. Such apartments would all be located in the same contiguous area or perhaps in the same building, and they would be designed to adjust to the level of care and support a resident needed, ranging from the more minimal to the more substantial help typically available in a nursing home. If a person were diagnosed with a terminal illness, hospice care would be provided wherever he happened to be living in the GHC.

It would be difficult and maybe even impossible to make this approach work under current federal and state policy, although two developments in recent years offer some hope. The first is the emergence in 1997 of the Program of All-Inclusive Care for the Elderly (PACE).¹¹⁰ PACE is a defined service category in Medicare and an option states may use in Medicaid. Its purpose is to provide a comprehensive array of home and community-based services to persons age 55 and older who would otherwise qualify for nursing home

¹¹⁰ See Centers for Medicare and Medicaid (March 14, 2005), [PACE Fact Sheet](#), Washington, DC: U.S. Department of Health and Human Services.

care.¹¹¹ What makes PACE unique, and a potentially good fit with a GHC, is that it is a neighborhood model aimed at all seniors living in this situation within a particular geographic area, regardless of their eligibility for Medicare or Medicaid. If they do not yet qualify for Medicare or have resources that exceed Medicaid's limits, they pay a monthly premium. The local PACE provider organization receives a capitated payment financed by Medicare and Medicaid for each participant and assumes the full risk of the costs of care furnished under its auspices. In effect, the organization takes responsibility for overseeing the health services used by participants.¹¹² This oversight role would necessitate some amending of the GHC concept. However, it might not be that much of a stretch philosophically, since a GHC already entails something quite similar in its approach to the care of children.

Second, there is a relatively new and growing market for assisted-living arrangements that provide 24-hour support in a less intensive, less institutional setting than the typical nursing home.¹¹³ Most assisted living is private pay,

¹¹¹ Research has found the PACE model to be effective along a variety of dimensions. See, for example, Chatterji, P., Burstein, N., Kidder, D., & White, A. (1998), Evaluation of the Program for All-Inclusive Care for the Elderly (PACE) Demonstration: The Impact of PACE Participant Outcomes, Cambridge, MA: Abt Associates.

¹¹² Federal policy imposes certain staffing requirements on PACE providers. How providers meet those requirements is largely up to them. Thus, a PACE provider would not, for example, actually have to have physicians on its staff; it could contract for their services.

¹¹³ There is a growing panoply of information resources on assisted living. Useful examples include: Mollica, R.L. & Jenkins, R. (September 2001), State Assisted Living Practices and Options: A Guide for State Policy Makers, Washington, DC: NCB Development Corporation.; Carder, P., Wright, B., & Jenkins, R. (September 2006), Making

meaning that residents pay for it out of their own pocket or through long-term care insurance they have purchased. However, nearly all states now allow Medicaid to help pay for at least some of the services furnished in an assisted-living facility. Typically, this does not include room and board, the largest cost.¹¹⁴ Integrating into GHCs' small assisted-living facilities, based on the Green House model¹¹⁵, is already under active discussion, motivated by a desire to keep older residents in the community and out of expensive and overly medicalized nursing homes.

Merging these two recent developments into a single, coherent approach might be the best arrangement for a GHC, since neither development alone is sufficiently comprehensive to address all care needs that seniors may have as they age and, under conventional circumstances, become candidates for institutionalization. PACE recognizes that older people want to age in place. Assisted living recognizes that when older people become too infirm to remain at home, they want a place that is as much like home as possible. A GHC can do both, and more than that, it can add a substantial component of reliable, informal, neighborly caregiving. The overall result would be a more

Quality Assisted Living an Affordable Community-Based Care Option: Identifying Roles, Risks, and Recommendations for Medicaid and Other Public Subsidies, Washington, DC: The Center for Excellence in Assisted Living; Schuetz, J. (January 2003), Affordable Assisted Living: Surveying the Possibilities, Cambridge, MA: Joint Center for Housing Studies, Harvard University.

¹¹⁴ Op Cit., Kassner.

¹¹⁵ The Center for Growing and Becoming & Community Solutions Group, LLC (June 2005), Green House Replication Initiative, Washington, DC: NCB Development Corporation.

caring, close-at-hand way of managing declining health, and, in all probability, for less cost than possible under the current system of health care financing. The many boomers likely to be strapped for resources in their senior years might find this especially attractive.

Integrating PACE and assisted living is a policy task fraught with difficulties owing to the inordinate complexity that has come to typify paying for health care services. However, just as with income security policy, the time may be coming when continual adaptation of aging policy at the margins will fail to offer a satisfactory solution to the problems of the Baby Boom, and policy makers will look more earnestly for larger answers.

Housing and community development policy: From economic to social capital

Strong interest from the for-profit sector distinguishes housing and community development policy from policies on children and seniors. Private, proprietary interests play virtually no role in foster care and adoption policy and heavily regulated roles in aging policy (think of Medicare and public health rules for proprietary health care providers and stylized laws governing private pension funds) where they also must contend with well-organized, influential consumer lobbies like AARP. But, the for-profit sector plays a significant, less fettered role in setting the ground rules for housing and community development.

How people can live in a place and relate in healthy, caring ways to those around them may be the more relevant challenge, in which housing economics are, and only can be, a piece of a bigger puzzle.

While the public has a fundamental interest in the regulation of land use, the economic value of land and real estate,¹¹⁶ as a necessity for the conduct of all human enterprise, has always given commercial interests a reason to capture as

¹¹⁶ It is estimated that around 11 percent of total domestic economic output each year in the U.S. stems from real estate. See Hu, D. & Pennington-Cross, A. (June 2000), *The Evolution of Real Estate in the Economy*, Report No. 00-02, Washington, DC: The Research Institute for Housing America.

much of that value as possible. Because the U.S. Constitution says fairly little about land and who should control it, the prerogative to act falls, by default, mainly to localities, where developers, large land holders, and related business interests are able to exercise power outside the pinch of close federal or state oversight. Others, such as homeowners, affordable housing proponents, environmental advocates, and the like, can wield influence at this level as well, but the result usually seems to be to modify, rather than replace, what commercial interests want to do.

Considerations of economic feasibility infuse the language and way of thinking in the housing and community development field much more than they do mindsets dominant in child welfare and aging policies. The financial viability of undertakings receives close scrutiny, in large part because private capital is often involved. Indeed, without it, most housing and community development done in the public interest today would simply not happen. The holders of private capital invest in publicly sanctioned housing and community development in pursuit of economic gains of one kind or another. Because of risk that such gains might not materialize, private investors and those affiliated with them benefit from imposing a predictable order on the field.¹¹⁷ For the most part, only certain types of

¹¹⁷ Imposing order on a social field is similar to how firms seek to create order in markets. Participants in a well-ordered market have an easier time predicting returns from the investments they make. See Fligstein, N. (2001), *The Architecture of Markets: An Economic Sociology of Twenty-First-Century Capitalist Societies*, Princeton University Press.

projects are countenanced – those in which investors know from experience that the risks are small or otherwise manageable and that the gains to be had can be realized sooner rather than later. The barriers to entry created by this order make it harder for innovative forms of community development, such as GHCs, to garner acceptance, since their finance pay-offs are difficult to predict.¹¹⁸

The different levels of government have limited means at their disposal to alter this order to better serve public or social purposes. Zoning and land use, as already noted, are local matters, and subject to both wide variation across the country and inconsistent enforcement.¹¹⁹ Public resources for direct construction of housing with the social good in mind have always fallen well short of the need, and within the past few decades, have declined steadily at the federal level.¹²⁰ Instead of erecting a parallel public

system of development, government policy has concentrated more on partnering with the private sector, using public dollars to leverage private investment to achieve a circumscribed set of public ends. Affordable housing is the label under which most of this private-public partnership activity now occurs.

While making decent housing more available to low and moderate income people is an appropriate goal for public policy, missing from the calculus this involves is a clear sense of how the built environment does or should be used to shape how people live together. If an important part of the reason why many people remain caught in the web of seemingly intractable social ills is the lack of strong social connections and support, then access to adequate, affordable housing, however necessary to meet a basic human need, may not make an appreciable difference in the long-run.¹²¹ How people can live in a place and relate in healthy, caring ways to those around them may be the more relevant challenge, in which housing economics are, and only can be, a piece of a bigger puzzle.

Exploring this puzzle through the longer term, riskier projects and experiments that would be required grates against investors' interest in

¹¹⁸ This point is an extension of an argument made by Christopher Leinberger concerning real estate finance in general. He contends that mixed use development has been slow to advance because such projects are complex and fairly long-term. To produce positive returns, they take more time than favored by financial interests that have become addicted to the short-term gains demanded by Wall Street. Short-term gains are more easily obtained by investing in a limited set of well-known types of development. See Leinberger, C. B. (January 2007), *Back to the Future: The Need for Patient Equity in Real Estate Development Finance*, Washington, DC: The Brookings Institution.

¹¹⁹ For insight into the variability of land use regulation, see Pendell, R., Puentes, R., & Martin, J. (August 2006), *From Traditional to Reformed: A Review of the Land Use Regulations of the Nation's 50 Largest Metropolitan Areas*, Washington, DC: The Brookings Institution.

¹²⁰ Guthrie, D. & McQuarrie, M. (2005), Privatization and Low Income Housing in the United States since 1986, In H. Prechel (Ed.), *Politics and the Corporation, Research in Political Sociology*, Vol. 14: 15-51, Elsevier. It should be noted that states and localities have made some effort to

establish funding sources of their own, such as housing trust funds. But, with the exception perhaps of the very largest states and cities with the strongest economies, subfederal jurisdictions lack the fiscal capacity to compensate fully for the erosion in federal grants for housing construction and community development.

¹²¹ Research suggests some connection between housing affordability and child well-being, but the effects are mixed and challenging to interpret. See Harkness, J. & Newman, S.J. (2005), Housing Affordability and Children's Well-Being: Evidence from the National Survey of America's Families, *Housing Policy Debate*, Vol. 16, Issue 2: 223-256.

near-term economic feasibility. The walkable urban neighborhood of the New Urbanism movement has made some inroads here, but its reach remains limited and its reliance on physical design to achieve a social good is, as yet, more hypothesis than conclusion. It may be that a rich, vital habitat cannot be reliably produced by varying combinations of physical design and economic incentives alone. It may also require a matching social design. And this is what GHCs appear to offer – a comprehensive approach to design that strikes the right balance between economic and social considerations. To understand how, it is useful first to examine how a GHC fits, or not, the themes prevalent in current housing and community development policy.

Revitalizing distressed communities

Until affordable housing, which will be taken up as a specific topic shortly, became the chief mantra under which most housing and community development takes place, the redevelopment of economically and socially damaged communities and neighborhoods served as the key focal point for public policy. From the initiation of “urban renewal” in the 1950s, to the community action component of the War on Poverty in the 1960s, to the formation of the federal Community Development Block Grant in the 1980s, fixing broken neighborhoods was the galvanizing force in U.S. housing and community development policy. It remains relevant today, but, as the difficulties involved in turning around distressed

areas have become clearer with experience, revitalization has lost some of its appeal.¹²²

In its simplest sense, revitalization focuses on increasing the economic diversity of a place in decline. Housing gets built or renovated to attract middle and maybe even upper middle class households, as well to continue to provide homes for low and moderate income people. Often, the development of local retail, such as grocery stores and dry cleaners, is encouraged by offering low-cost financing, tax breaks, and the like. Additionally, efforts may be made to provide better access to community and social services that residents need.

It may be that a rich, vital habitat cannot be reliably produced by varying combinations of physical design and economic incentives alone. It may also require a matching social design.

Much of the work on the ground is carried out or orchestrated by nonprofit community development corporations (CDCs). The first CDCs emerged in the 1960s with the help of funding from government and foundations seeking to reverse the tide of urban blight through locally designed and managed action.¹²³

¹²² See Turnham, J. & Bonjorni, J. (February 2004), *Review of Neighborhood Revitalization Initiatives*, prepared for Neighborhood Reinvestment Corporation, Bethesda, MA: Abt Associates, Inc; Joseph, M.L. (2006), *Is Mixed-Income Development an Antidote to Urban Poverty?*, *Housing Policy Debate*, Vol. 17, Issue 2: 209-234.

¹²³ Galster, G., Levy, D., Sawyer, N., Temkin, K., & Walker, C. (June 2005), *The Impact of Community*

Today, a significant share of the dollars CDCs use comes from another relatively new kind of entity called a Community Development Financial Institution (CDFI).¹²⁴ (ShoreBank in Chicago was one of the first CDFIs.) Through a law adopted in 1994, a federal fund was established to boost the coffers of CDFIs, which piece together their resources from a variety of public, philanthropic, and proprietary sources. Another boost came from the Community Reinvestment Act (CRA), which obligates banks and savings institutions to endeavor to meet the credit needs of the communities where they are chartered, with special attention to people and organizations of limited means. In 1994, the CRA was amended to make banks and thrifts more accountable for their actual lending to low and moderate income and minority residents. It has been estimated that CDFIs have access to assets of around \$18 billion.¹²⁵ All in all, since the 1960s, a system has evolved, under the leadership of nonprofit and community-oriented for-profit development and financial institutions, to manage the revitalization of economically disadvantaged communities.

While simple in concept, in execution the redevelopment of distressed areas has proved difficult, despite the institutionalization of a relatively sophisticated system to support it. There are a variety of reasons for this. First and

Development Corporations on Urban Neighborhoods, Washington, DC: The Urban Institute.

¹²⁴ Benjamin, L., Rubin, J.S., & Zielenbach, S. (June 2004), Community Development Financial Institutions: Current Issues and Future Prospects, *Journal of Urban Affairs*, Vol. 26, Issue 2: 177-195.

¹²⁵ Curtis, B. (2006), An Overview of the CDFI Industry, *New England Community Developments*, Issue 2, Boston, MA: Federal Reserve Bank of Boston.

foremost, revitalizing a depressed community is almost always complex, time consuming, and expensive – the very qualities that irritate the sensibilities of a proprietary sector interested mostly in getting things done as simply, quickly, and cheaply as possible in order to maximize returns. Although nonprofit developers often take the lead, they rarely can accomplish much without commercial support and involvement. Some significant private financial institutions participate, as evidenced by their representation on the boards of directors of CDCs and prominent national development organizations such as the Local Initiatives Support Corporation and Enterprise Foundation. But, overall the amount of capital contributed appears to fall well short of the amount needed even when combined with public and philanthropic contributions.¹²⁶

Second, much of the time, building affordable housing is positioned as the principle means through which redevelopment will occur. However, the preponderance of evidence indicates that affordable housing, however necessary it may be, is usually insufficient to change the trajectory of a deteriorating neighborhood.¹²⁷ The problems that have accumulated over time are more complex than

¹²⁶ Kadduri, J. & Rodda, D. (July 2004), Making the Best Use of Your LIHTC Dollars: A Planning Paper for State Policy Makers, Bethesda, MA: Abt Associates, Inc.

¹²⁷ Ibid. Although affordable housing is a weak reed on which to rest community change, there is little reason to think that it does harm, as doubters of public subsidies sometimes argue. For a review of the evidence on how affordable housing affects surrounding property values, see Ellen, I.G., Schill, M.H., Schwartz, A.E., & Voicu, I. (June 2003), Housing Production Subsidies and Neighborhood Revitalization: New York City's Ten-Year Capital Plan for Housing, *Federal Reserve Board of New York Economic Policy Review*, 71-85.

can be solved by housing alone. Affordable housing may be able to improve the prospects of a neighborhood about or beginning to decline, but it, alone, appears unable to do much for a truly distressed community.¹²⁸

During the past decade and a half, the policy hope has been that mixed income housing, including both market-rate and affordable units, might represent a more workable solution to distress. The U.S. Department of Housing and Urban Development's HOPE VI program has been the main policy channel for this cause. Yet, the results have been, at best, mixed. There are indications that HOPE VI projects have improved neighborhood economies some.¹²⁹ But, the sustainability of these improvements is far less clear, as mixed income development in general has not shown much ability to alter social conditions other than at the margin.¹³⁰ Targeted neighborhoods may gain some advantages in terms of reduced crime and increased political influence, but other anticipated gains – such as better linkages to jobs and changes in behavioral norms– have been less evident.

In a mixed income redevelopment, people from different socioeconomic groups may live in the same area, but they do not necessarily come to know one another well. There have been a few examples of HOPE VI projects that succeed in

creating something like real community,¹³¹ but that has not been the general pattern. Further, it is unclear why a few have done well along these lines and many others have not. Success in a mixed income setting appears to be more likely the smaller the social distance between the best off households and the worst off.¹³² Even then, however, research suggests that over time neighborhoods tend toward greater homogeneity anyway; mixing may be more a transitional state than a preferred condition by those living in such a place.¹³³ Additional support for this observation comes from studies which show that mixed income developments are difficult to start or sustain in areas where higher income people have a lot of choices about where to live.¹³⁴ Thus, as housing markets change with the passage of time between tight (limited choices) and soft (ample choices), movement into and out of mixed income neighborhoods can be anticipated, making them less stable than they might appear by only looking at them over brief periods of time.

The tendency for mixed income communities to disaggregate into homogeneity may be slowed or even reversed when a distressed area being

¹²⁸ Ibid.

¹²⁹ Turbov, M. & Piper, V. (September 2005), *HOPE VI and Mixed-Finance Redevelopments: A Catalyst for Neighborhood Renewal*, Washington, DC: The Brookings Institution.

¹³⁰ Op Cit, Joseph, M.L. (Footnote 122)

¹³¹ For an example of success, see Manzo, L., Kleit, R.G., & Couch, D. (March 2005), *Park Lake Homes Baseline and Interim HOPE VI Evaluation*, Daniel J. Evans School of Public Affairs, University of Washington.

¹³² Brophy, P.C. & Smith, R.N. (1997), *Mixed-Income Housing: Factors for Success*, *Cityscape: A Journal of Policy Development and Research*, Vol. 3. No. 2: 3-31.

¹³³ Krupka, D.J. (January 2006), *The Stability of Mixed Income Communities*, *Research Notes*, No. 3, Andrew Young School of Public Policy, Georgia State University.

¹³⁴ Smith, A. (October 2002), *Mixed-Income Housing Developments: Promise and Reality*, Joint Center for Housing Studies at Harvard University and Neighborhood Reinvestment Corporation.

revitalized is well located. If the area is close to jobs, stores, public transportation, and good schools, it stands a better chance of attracting higher income people.¹³⁵ And if better off people are likely to be drawn to it, then private investment in redevelopment should be easier to obtain. The challenge then is to assure that low and moderate income people are not forced out by rising housing prices or exclusionary zoning rules (i.e., gentrification). This, essentially, is the aim of many HOPE VI projects – to build mixed income housing, with a substantial affordable component, in more rather than less promising locations where the extant public housing needs to be replaced.¹³⁶

Location figures as well in thinking about how the GHC approach pertains to revitalization. On moral grounds, the most downtrodden communities merit society’s consideration in trying to bring themselves back to some semblance of economic and social health. But, the path for these places has been and likely will remain arduous and unsure – probably too unstable to support the kind of social development that a GHC entails.¹³⁷ However,

¹³⁵ Op Cit, Brophy & Smith (Footnote 130).

¹³⁶ Families uprooted by HOPE VI redevelopment tend to relocate to less impoverished neighborhoods and their children do somewhat better in school compared to those who don’t relocate. See Popkin, S.J., Eiseman, M., & Cove, E. (October 2006), *How Are HOPE VI Families Faring? Children*, Brief No. 6, Washington, DC: The Urban Institute.

¹³⁷ As one recent study found, instability begins to accelerate when poverty in an area rises about 10 percent, and gets out of control when the rate exceeds 20 percent. See Galster, G.C., Cutsinger, J.M., & Malega, R. (March 2007), *The Social Costs of Concentrated Poverty: Externalities to Neighboring Households and Property Owners and the Dynamics of Decline*, RR07-4, Joint Center for Housing Studies, Harvard University.

for a neighborhood on the edge or in the early stages of decline but with locational advantages (e.g., a older suburb on the border of a northern city), the purposefulness of a GHC may be a critical ingredient to making mixed income, mixed use redevelopment work not just economically, but also socially. It may be the complement that economically focused development needs to effect a lasting change.

If Putnam is right, the revitalization of distressed areas in the U.S. has been a struggle, at least in part, because economic concerns are routinely allowed to trump social ones.

While Harvard University political scientist Robert Putnam is perhaps best known for coining the phrase “Bowling Alone” to describe the loss of social capital in the U.S., his main scholarly work is a fairly rigorous study, published in 1993, of social and economic development in Italy from medieval times to the 1980s.¹³⁸ Putnam argued that the more economically successful regions of Italy also had contemporarily and historically higher levels of social capital. Indeed, he suggested that more social capital was a precursor to economic progress.

¹³⁸ Putnam, R.D. & Nannetti, R. (1993), *Making Democracy Work: Civic Traditions in Modern Italy*, Princeton University Press.

If Putnam is right,¹³⁹ the revitalization of distressed areas in the U.S. has been a struggle, at least in part, because economic concerns are routinely allowed to trump social ones. Once a community loses significant social capital, experience to date suggests that economic redevelopment, no matter how well done, may have limited capability to restore it. And if social capital cannot be restored, then there is a question about how long improved economic conditions will last or how much improvement may actually occur. Just throwing together people from different income strata may make little difference. But, if those people are drawn to the same place by the common purpose that a GHC supplies, then the resulting increase in social capital may lead to something more complete and durable. It is the lack of stability that deters private capital. Show a dependable way to instill stability in redeveloped, mixed income neighborhoods, and private capital may be keener to participate.

Promoting affordability

It can be argued that affordability became the focal point of housing and community development policy with enactment of the Low Income Housing Tax Credit (LIHTC) in 1987. Concerns about affordability date back to the Great Depression of the 1930s, when laws were passed to lower the cost of mortgage loans at a time of credit scarcity and to create the first federally-paid-for public housing. Fifty years

later, a significant federal program of rental assistance for low-income households became available with passage of Section 8 as part of the Housing and Community Development Act of 1974. A variety of other programs have been established over time to make housing more affordable to low and moderate income people. But, in just about all cases, until adoption of the LIHTC, the government help available was given somewhat grudgingly, and stingily, as is generally true of public support of the needy in the U.S. The LIHTC, by putting money in the pockets of corporate investors instead, changed the political equation of housing affordability. While direct federal funding of low-income housing construction has shrunk, the credit has continued to expand, and its double social utility – benefiting both investors and the people who live in the housing built by their investments – is a large part of the reason. What today is called the affordable housing industry might never have formed were it not for the existence of the LIHTC.¹⁴⁰

Under the LIHTC, the owners of an affordable housing development may claim credits to reduce their federal corporate income taxes during the first ten years of the development's operation. One of two conditions has to be met to get the credits: at least 20 percent of the units are rented to households with income less than 50 percent of the median income of the local area or 40 percent are rented to households making less than 60 percent of the area median. The credits may only be claimed against the cost of units occupied by households satisfying one

¹³⁹The idea that social capital is the precursor of the economic kind is, not surprisingly, controversial within the economics profession. For a favorable view from a prominent development economist see Hirschman, A.O. (May 1984), *Against Parsimony: Three Easy Ways of Complicating Some Categories of Economic Discourse*, *Economics and Philosophy*, Vol. 1.

¹⁴⁰Freeman, L. (2006), Comments on Kirk McClure's "The Low-Income Housing Tax Credit Program Goes Mainstream and Moves to the Suburbs," *Housing Policy Debate*, Vol. 17, Issue 3: 447-459.

or the other of these conditions. And such affordability must, under current federal law, be maintained for at least 30 years (even though credits end after ten years).

In exchange for the credits, owners – usually a managing partner and several “limited” partners – help to finance costs during construction or renovation and often through the early years of operation.¹⁴¹ The credits hover around 9 percent of costs for new construction and substantial rehabilitation and 4 percent for acquisition. The actual rates are set monthly by the federal government to hold the current value of the credits over the ten-year claiming period at 70 percent of the cost of construction or rehabilitation and 30 percent of the cost of acquisition. Most of the limited partners who get the credits are corporations. A little less than half are financial institutions who can use their participation in the LIHTC to help meet their expected obligations under the Community Reinvestment Act.¹⁴² Investors are usually able to purchase the credits on the market at less than their face value. They may also benefit from tax write-offs for any operating losses incurred by the project in which they invest and for depreciation and amortization.¹⁴³ While in the early days of the LIHTC investors were reluctant to buy-in to this new investment vehicle, that is no longer true. Today, the credits are generally considered safe and low-risk.¹⁴⁴ In addition to

¹⁴¹ McClure, K., (2000), The Low-Income Housing Tax Credit as an Aid to Housing Finance: How Well Has It Worked?, *Housing Policy Debate*, Vol. 11, Issue 1: 91-115.

¹⁴² Jackson, P. J. (March 7, 2007), *The Low-Income Housing Tax Credit: A Framework for Evaluation*, RL33904, Congressional Research Service.

¹⁴³ Op cit, Guthrie & McQuarrie (See Footnote 120).

¹⁴⁴ Op cit, Freeman, (See Footnote 140).

the LIHTC, fifteen states to date have followed the federal example by established their own housing tax credit programs.¹⁴⁵

In the twenty years since it began, the LIHTC has supported the development of some 1.9 million apartments for low and moderate income households.¹⁴⁶ This has helped to offset to some extent the steady decline in the availability of affordable housing within the U.S. market during the past two decades.¹⁴⁷ The cost of the credit to the federal government in lost revenue comes to approximately \$5 billion a year. The federal government does not administer the LIHTC directly. Rather, it distributes annual credit authority among the states on the basis of population, and then each state decides how to allocate the authority it has been given within the parameters set by federal law and regulations. At present, under an inflation-adjusted formula, states receive \$1.95 per resident. Typically, projects aided by the LIHTC are relatively small, on the order of 40-50 units.¹⁴⁸ Smaller size enables states to have

¹⁴⁵ Number obtained from data collected by Novogradac & Company LLP.

www.novoco.com/low_income_housing/lihtc/state_lihtc.php. The 15 states are Arkansas, California, Connecticut, Georgia, Hawaii, Illinois, Massachusetts, Missouri, New Mexico, New York, North Carolina, Oregon, Utah, Virginia, and Vermont.

¹⁴⁶ Information obtained from the National Association of State Housing Agencies. www.nchsa.org/uploads/Housing_Credit_Fact_Sheet.pdf

¹⁴⁷ Joint Center for Housing Studies (2006), *The State of the Nation's Housing*, Cambridge, MA: Harvard University. Availability has declined in large part because housing prices have risen faster than income.

¹⁴⁸ Smith, D.A. (March 4, 2002), *The Low Income Housing Tax Credit Effectiveness and Efficiency: A Presentation of the Issues*, Boston, MA: Recapitalization Advisors, Inc; Gustafson, J. & Walker, C.J. (May 2002), *Analysis of State*

more projects in more parts of their geography and to accommodate a variety of for-profit and non-profit developers.¹⁴⁹ For developers, smaller project size means the credit can be used to cover more of the cost of development.¹⁵⁰

The LIHTC has become increasingly popular over time, to the point where it is usually now the object of stiff competition among applicants. Nearly every state allocates all of its credit authority every year. Every year or two, each state writes a plan setting forth its priorities for the use of the LIHTC, thus establishing the rules of competition. These plans set aside credit authority for specific purposes, stipulate additional requirements, and indicate the kinds of projects that will be weighted more heavily in state allocation decisions. In recent years, states have favored projects that target rural areas, leverage other government funding sources, serve households with children, the elderly, and disabled, and commit to maintain affordability for longer periods of time.¹⁵¹ Differences also

exist across states in terms of new construction vs. rehabilitation. States in older parts of the country, such as New England, are more likely to use the LIHTC to renovate existing property than are states in newer parts, like the West.¹⁵² The flexibility states have to apply the LIHTC in different ways separates it from just about any other affordable housing policy or program, which tend to be more tightly focused on particular categories of need.

Conceivably, states could use their authority under federal LIHTC law to steer the use of credits toward GHCs. Making this happen might need to overcome a number of challenges, however. First, both states and investors prefer projects in which all of the units are income-eligible, rather than the minimums of 20 and 40 percent required by federal law.¹⁵³ Targeting the income-eligible enables states to claim that they are providing more affordable housing. The more units in a project that meet the income criteria, the more credit investors get to claim. As already pointed out, GHCs benefit from economic and social diversity. Fifty to sixty percent of an area's median income may be able to accommodate some of people who would be attracted to a GHC, but it also probably would exclude many others.

Another difficulty would be the economic bias, intrinsic to the context of the LIHTC, against

Qualified Allocation Plans for the Low-Income Housing Tax Credit Program, Washington, DC: The Urban Institute.

¹⁴⁹ Slightly less than half of LIHTC properties are located in suburbs, often fringe locations where land costs tend to be lower. Most other federal housing support funds units situated in urban areas. See Freeman, L. (April 2004), *Siting Affordable Housing: Location and Neighborhood Trends of Low Income Housing Tax Credit Developments in the 1990s*, Washington, DC: The Brookings Institution.

¹⁵⁰ Op cit, Smith (See Footnote 148). Developers steer clear of larger projects, in part, because they use more land, and land costs, which represent a substantial and growing share of the cost of development these days, are not counted in determining the basis for credits. For a discussion of the rising cost of land, see Davis, M.A. & Palumbo, M.G. (May 2006), *The Price of Residential Land in Large U.S. Cities*, Washington, DC: Federal Reserve Board.

¹⁵¹ Op cit, Gustafson & Walker (See Footnote 148).

¹⁵² Khadduri, J., Buron, L., & Climaco, C. (July 28, 2006), *Are States Using the Low Income Housing Tax Credit to Enable Families with Children to Live in Low Poverty and Racially Integrated Neighborhoods?*, Cambridge, MA: Abt Associates, Inc.

¹⁵³ Lubell, J. (2007), *Increasing the Availability of Affordable Homes: An Analysis of High-Impact State and Local Solutions*, Washington, DC: Center for Housing Policy; Op Cit, McClure (See Footnote 140).

building large housing units to accommodate families with multiple children. Although federal law, as of 2000, requires states to give a preference to housing for families with children, and there has been some increase in the number of large units, the higher costs involved in building and operating these units has probably served as a deterrent to some developers and their investors.¹⁵⁴ Under the LIHTC, rents are capped at 30 percent of income, regardless of the size of the household. Thus, a two-person household and a five-person household with the same income would pay the same rent for different sized units, even though the larger household would likely represent a higher proportion of operating costs.

The credit is also costly administratively compared to building housing without it. The federal rules governing its application are extensive, complex, and esoteric. The peculiarities are significant enough to have helped give rise to affordable housing as a distinct niche within the residential construction industry. It is apparently rare today for a developer to do both market-rate multi-unit housing and affordable housing, owing to the difficulty of trying to develop the broad capabilities this dual-role requires.¹⁵⁵ Further, it has become harder for new players to enter the affordable housing field without a fairly tight connection to established development entities with good track records. The intense competition for credits makes states look harder at the

¹⁵⁴ Op cit, Smith (See Footnote 148); Khadduri & Rodda (See Footnote 126).

¹⁵⁵ Vaz, P. (October 2006), Amateurs Need Not Apply: Insights From a Seasoned Pro for Entering Affordable Housing Development, *Builder News*; Op cit, Smith (See Footnote 148).

qualifications of credit applicants. Forging ties with existing participants is complicated by the fact that they tend to be highly localized, working exclusively within a given local or state market.¹⁵⁶ Thus, trying to use the LIHTC for GHC development on an interstate basis would necessitate relating, potentially, to a large number of different developers and mastering the nuances of different affordable housing regimes.

When considering challenges, it should be noted that the LIHTC is viewed rather dimly by many economists. From their perspective, the credit is inefficient, since developers and their investors would probably still build affordable housing without it. Studies have suggested that the credit either adds nothing to the net supply of affordable housing (i.e., it substitutes for housing that the market would have built anyway)¹⁵⁷ or adds far less than the supply attributed to it by its proponents.¹⁵⁸

While the worries of economists about the LIHTC are somewhat remote from the concerns relevant to GHCs, the credit's alleged inefficiency does indicate a potential political vulnerability at a time when sizable federal budget deficits are compelling policymakers to

¹⁵⁶ Op cit, Smith (See Footnote 148).

¹⁵⁷ U.S. Congressional Budget Office (1992), *The Cost Effectiveness of the Low-Income Housing Tax Credit Compared to Housing Vouchers*, Washington, DC: Government Printing Office; Malpezzi, S. & Vandell, K. (October 11, 2002), *Does the Low-Income Housing Tax Credit Increase the Supply of Housing?*, Center for Urban Land Economics Research, School of Business, University of Wisconsin-Madison.

¹⁵⁸ Sinai, T. & Waldfoegel, J. (January 2002), *Do Low-Income Housing Subsidies Increase the Occupied Housing Stock?*, The Wharton School, University of Pennsylvania.

look further than they might otherwise for ways to cut spending and increase revenue. Just this spring, the Congressional Research Service published its first contemporary policy analysis of the credit, giving voice to the economists' doubts.¹⁵⁹ The industry that has been built up around the credits represents a powerful, nationwide political force. Conceivably, it is strong enough to deflect any efforts that might be made to eliminate the credit altogether. However, the industry may eventually have to accept some changes, such as sharper targeting of the LIHTC on the poorest people in the weakest position to get the housing they need without subsidy.¹⁶⁰ Needless to say, the tighter the targeting, the less suitable the credit may be to assist the development of GHCs.

Supportive housing

The policy commitment to affordable housing is driven by the belief that material circumstances substantially influence well-being. Provide people with decent housing at a price they can afford, and more aspects of their life will fall into place. Although material conditions undoubtedly matter, social science has a lot yet to learn about how much they do and in what specific ways. When research has reported, for example, a statistically significant impact of affordable housing on broader measures of social well-being, the effects have usually still

¹⁵⁹ Op cit, Jackson. (See Footnote 142).

¹⁶⁰ The operation of the credit favors providing units to households that are relatively better off (i.e., closer to or at 50-60 percent of area median income rather than below), who, conceivably, are in a stronger position to pay rent, thereby helping to defray operating costs. This tendency is especially marked in projects where the credit is the only source of subsidy, which also are more likely to be located in non-urban areas. See Smith (Footnote 148).

been rather modest in absolute terms and difficult to interpret.¹⁶¹ The lack of definitive evidence is no reason to question the importance of affordable housing or, for that matter, other forms of material support. However, it points to the likely limits of economic strategies in solving problems rooted in the breakdown of social relationships. For the most part, these strategies, when they work well, help people make incremental improvements in their lives. But, they do not typically enable people, other than the occasional exception, to have a categorically different kind of life – the kind of life that a GHC would seem to make possible.

The housing and community development field, or at least a part of it, has not been blind to the truth that housing is only a partial solution to the problems of disadvantage. Increasingly, there have been calls to do a better job of connecting people in affordable housing with other forms of social assistance they often or sometimes appear to need.¹⁶² Readier access to jobs and training,

¹⁶¹ At least three recent studies have been done examining the relationship between housing and well-being, all showing a few, relatively small positive effects: Harkness, J. & Newman, S.J. (2005), *Housing Affordability and Children's Well-Being: Evidence from the National Survey of America's Families*, *Housing Policy Debate*, Vol. 16, Issue 2: 223-254; Currie, J. & Yelowitz, A. (July 1999), *Are Public Housing Projects Good for Kids?*, Department of Economics, University of California at Los Angeles; Newman, S.J. & Harkness, J. (December 1999), *The Long-Term Effects of Housing Assistance on Self-Sufficiency*, Institute for Policy Studies, Johns Hopkins University.

¹⁶² The theme of linking social and community services to housing runs throughout the report of the bipartisan Millennial Housing Commission appointed by the U.S. Congress in 2000 to develop recommendations on solving the affordability problem. See Millennial Housing Commission (May 30, 2002), *Meeting our Nation's Housing Challenges*. Place-based comprehensive mobilization and integration of services is also the focus of the Making Connections initiative of the Annie E. Casey

health care, more effective schools, child care, and the like are more and more part of the field's vision for itself. The basic notion is that housing meets one need, other services and supports are required to meet other needs. Housing developments and neighborhoods being revitalized, thus, are supposed to become centers of gravity for attracting other kinds of help.

Effectively integrating housing with other services has functioned more as a hope, than a reality, for the housing and community development field writ large.

How affordable housing and these other services can work together in a cohesive and difference-making way has not been established, however. It is often assumed that effective versions of these other services already exist and it is simply a matter of bringing them into the community or otherwise linking household members to them. One recent study of HOPE VI, for example, found that families who relocated were more likely than others to move to a somewhat better neighborhood with somewhat better schools, but that the children, especially boys, still had trouble adjusting to the new setting.¹⁶³ The study concluded that families should be given vouchers to obtain counseling and other supportive services for an extended period of time after relocation. Yet, it could offer no evidence for the efficacy of such an approach.

Foundation. In this case, however, there is at least recognition of the role that needs to be played by informal social networks in changing residents' lives.

¹⁶³ Op cit, Popkin, Eiseman, & Cove (See Footnote 136).

The call for integration typically comes from people knowledgeable about housing, but who do not appear to know much about what works among other services or whether what works is philosophically and operationally compatible with the built environment.

Effectively integrating housing with other services has functioned more as a hope, than a reality, for the housing and community development field writ large. Where progress seems to have been more possible is with special populations, such as older people, people with disabilities, and the homeless. Specific, albeit small, federal programs exist to help finance the construction/rehabilitation and operation of supportive housing for very low income elderly (Section 202) and disabled (Section 811) persons. Supportive here means help with household chores, traveling to grocery stores and doctors' office, and so on, and mirrors many of the features of assisted living as discussed in the previous section on policy toward seniors. (Indeed, federal policy allows some Section 202 housing to be formally converted to assist living facilities for the frail elderly.) The McKinney Act and other federal sources can today be tapped to help build and operate supportive housing for homeless families and individuals. Supportive housing for the homeless has, in particular, made important strides toward a coherent, well-grounded model of integration.¹⁶⁴

¹⁶⁴ See Greiff, D., Proscio, T., & Wilkins, C. (July 2003), *Laying New Foundation: Changing the Systems that Create and Sustain Supportive Housing*, New York: Corporation for Supportive Housing; Hannigan, T. & Wagner, S. (June 2003), *Developing the "Support" in Supportive Housing: A Guide to Providing Services in Housing*, New York: Corporation for Supportive Housing; Tassos, J. (2006), *Using the Housing Credit for Supportive Housing: An Assessment of 2005 State Policies*, Enterprise

Why have these more specific efforts in comprehensive social development, with housing as their pivot, advanced while the larger field has struggled? There may be many reasons, but the simplest and most fundamental would seem to be their specificity. Each of these populations, despite its breadth and numerous subgroups, still represents a distinct category of people whose circumstances can be more readily grasped, and addressed, than usually appears possible with the varied residents of affordable housing developments, mixed income neighborhoods, and revitalizing communities more generally. In a sense, the focus on a specific type of population supplies the purpose that the organization of development seems to require to be motivating and effective. It is similar in a GHC. There, the specific purpose that brings the community into existence plays a large, enduring role organizing the life and relationships of its residents. Having GHC-like purposes may be the missing ingredient in making the housing and community development field a vehicle for both economic and social transformation. Rather than the homogeneous populations of supportive housing, the essence of the GHC concept is supportive community embracing a wider diversity of people pursuing the same purpose.

Foundation, Supportive Housing Investment Partnership, and Corporation for Supportive Housing; Culhane, D.P., Metraux, S., & Hadley, T. (2002), *Public Service Reductions Associated with Placement of Homeless Persons with Severe Mental Illness in Supportive Housing*, Housing Policy Debate, Vol. 13, Issue 1: 107-162. Although progress has been made, proponents of supportive housing for the homeless, such as the Corporation for Supportive Housing, readily acknowledge the costly complications involved in trying to stitch together different, not always compatible funding sources to produce a coherent approach.

Available land

The rising cost of land poses a hurdle for any kind of mixed income/use or affordable development, including GHCs. According to one recent study, as of the end of 2004, land accounted for half the total market value of housing in large metropolitan areas, a dramatic increase from twenty years before when it was a third.¹⁶⁵ As land has become dearer, it has also become more subject to the less dense forms of development preferred by the better off. In the past fifty years, for every one percent increase in the population, the consumption of land has gone up by four percent.¹⁶⁶

Having GHC-like purposes may be the missing ingredient in making the housing and community development field a vehicle for both economic and social transformation.

An important contributor to the increasing value of land for development or redevelopment has been zoning and land use regulations. Competition for land may bid up the price, especially in high cost areas, such as the West and East Coasts. But, regulations that restrict uses (e.g., large lot sizes for single family homes) and cause construction delays appear to be the bigger factor.¹⁶⁷ Put simply, zoning tends to make land dearer than it probably would be without it, thus driving up prices.

¹⁶⁵ Op cit, Davis & Palumbo (See Footnote 150).

¹⁶⁶ Op cit, Leinberger (See Footnote 118).

¹⁶⁷ Glaeser, E.L. & Gyourko, J. (Fall 2002), *Zoning's Steep Price, Regulation*, pp. 24-30.

The point is not that zoning is intrinsically a bad thing which should be eliminated, but that it is often too inflexible and historically bound to permit appropriate development as larger economic circumstances in an area or region change.¹⁶⁸ For example, affordable housing has been more difficult to build in many metropolitan areas in the Midwest and Northeast owing to a more traditional approach to land use regulation that tends to favor lower densities. By contrast, states like Oregon and Florida have followed a more progressive path of working affordable housing into their evolving plans for growth and development. In them, zoning is viewed more as a fairly nimble tool for development than as a way to discourage it.¹⁶⁹ They, however, appear to be in the minority.

Rising costs and over-regulation significantly complicate the challenge of finding suitable land for the creation of GHCs. One potential way around the conundrum would be to locate land that may be less valuable and, hence, less attractive to near-sighted commercial real estate interests. There are assorted possibilities in this vein.

All levels of government own surplus land for which they no longer have a use. The best known example are military bases the federal government has been in the process of closing for many years. The Department of Defense has been under some obligation to try to get market rate prices for these shuttered installations, although, as Hope Meadows own case shows, it has been possible to secure some of this land at a

¹⁶⁸ Schill, M.H. (2005), Regulations and Housing Development: What We Know, *Cityscape*, Vol. 8, No. 1: 4-19.

¹⁶⁹ Op cit, Pendall, Puentes, & Martin (See Footnote 119).

substantial discount if it will be used to serve public or collective purposes. In addition to military property, governments, especially at the state and local, have control of lands that once were used as the sites of public hospitals and other institutions. These, too, are often subject to pressures to be sold to the highest bidder, and some jurisdictions have laws that require as much. In all cases, it appears, getting access to the process for acquiring surplus public land is complex, and governments are often slow even to decide to what to do with unused properties.¹⁷⁰ Further, although hard data are not available, it seems likely that many surplus government lands are located in remote or otherwise unappealing areas for residential purposes. For the same reason that they may be hard to sell to proprietary buyers, they may not be the best sites for GHCs.

Abandoned and vacant private properties represent another option. These properties can be located anywhere, from small towns to cities to rural areas. As with surplus public land, getting access to abandoned or vacant private property is often slowed by a complicated and confusing local process.¹⁷¹ Most often, abandoned properties are isolated, scattered, or situated in small clusters.¹⁷² It is rare to find several contiguous properties that, combined, would be large enough to constitute the basis for

¹⁷⁰ Kaganova, O. & McKellar (2005), *Managing Government Property Assets: International Experiences*, Washington, DC: The Urban Institute.

¹⁷¹ Kromer, J. (October 2002), *Vacant-Property Policy and Practice: Baltimore and Philadelphia*, Washington, DC: The Brookings Institution.

¹⁷² Alexander, F.S. (April 2005), *Land Bank Authorities: A Guide for the Creation and Operation of Local Land Banks*, New York: Local Initiatives Support Corporation.

a GHC. Thus, for GHC purposes, vacant private property would most likely need to be part of a broader development strategy that would also include purchasing or encompassing other property already in use.

A third possibility are so called “brownfields.” A brownfield is a property that has been environmentally contaminated and needs to be cleaned up before it can be used. Typically, these are former industrial and mining sites, and there are, according to the U.S. Environmental Protection Agency, some 450,000 throughout the country.¹⁷³ EPA provides funding to help states, localities, and others cover the cost of clean-up. Once hazards have been removed, a site is ready for redevelopment. Conversion of brownfields to residential use, while not widespread, does happen, and unlike vacant and abandoned properties, the sites are often large enough to accommodate the development of a whole, small-size community on the order of a GHC. Not every brownfield is in a desirable location for residential living, but some are.

Changing housing and community development policy to support the creation of GHCs

Housing and community development operates in a gray area between the commercial marketplace, where efforts must not only bring in enough revenue to cover costs but eventually turn a profit, and conventional social policy, where efforts should break even but often do not and yet still survive. Market discipline plays a larger role in housing and community development than it does in most other areas of social policy.

The GHC approach did not come into being with market discipline in mind. It was prompted, not by a desire to build affordable housing or create a mixed income neighborhood, but to solve the problem of abused and neglected children being raised, to their misfortune, in foster care. A community which took shape specifically for this purpose was the solution. Once that happened and the result, Hope Meadows, found success, GHCs became relevant to housing and community development policy, and housing and community development policy became relevant to it.

Market discipline plays a larger role in housing and community development than it does in most other areas of social policy.

Hope Meadows testifies to the reality that a community is not something which can be engineered into existence. Building affordable housing for people, situating it in a well located mixed income environment, and giving residents access to more and better services, however desirable these goals may be, do not make a community. A community grows out of people interacting with one another on a regular basis. When those interactions are shaped by little more than proximity, the resulting community is apt to be loose and relatively weak. It is capable, possibly, of providing for residents’ safety but doing relatively little for their growth as human beings. When, however, interactions are spurred by a common purpose, when that purpose is what draws people in the first place, then the community that forms is likely to be more cohesive and stronger. It is capable of providing

¹⁷³ www.epa.gov/swerosps/bf

an outlet for human development comparable to the work place or school.

The foregoing analysis housing and community development policy points to a number of changes that could be considered to make GHCs more prevalent.

1. Make intergenerational community as intervention an option within HOPE VI.

Conceptually, HOPE VI has two key points of intersection with a GHC. It fosters a measure of economic and social diversity within the developments it supports, to the end of attempting to provide disadvantaged residents with a healthier environment than they would otherwise have. A GHC goes two steps further, however. It reaches beyond just providing a healthier setting by giving the community itself an overarching purpose, so that residents have more in common than merely a location. And a GHC uses this purpose to cultivate internal capacities for problem solving that reduce the need for external intervention. Establishing GHCs as an option within HOPE VI would provide an opportunity to explore a more complete form of community development that would allow the economics currently driving the operation of this federal program to be brought into balance with the social change expectations being used to justify it as policy.

While a GHC could help to flesh out the HOPE VI approach, HOPE VI might also provide an opportunity for a GHC to function in an economically viable and sustainable environment.

Incorporating a GHC might actually help HOPE VI politically. No new funding authority has been allocated to the program in some time; it is currently surviving on unspent authorizations from the past. Support has appeared to divide mainly along conventional partisan lines, with urban Democrats in favor and suburban and rural Republicans against. Also, however, the lack of strong, consistent results from HOPE VI to date cannot be discounted as a factor in its failure to generate more enthusiastic endorsement, especially as members of Congress feel the federal budget deficit breathing down their necks. Possibly, under these circumstances, the program could benefit from offering additional options that might appeal to a wider cross-section of policymakers. The GHC emphasis on communal self-sufficiency and residents caring for and supporting one another has resonated with a broad spectrum of policymakers in Illinois, where Hope Meadows is located, and might very well have the same effect federally.

While a GHC could help to flesh out the HOPE VI approach, HOPE VI might also provide an opportunity for a GHC to function in an economically viable and sustainable environment. HOPE VI's focus on providing a mix of housing types creates the potential for a measure of cross-subsidization. Some part of the revenue generated from market-rate owners and renters could be used to help defray the cost of the GHC component of a HOPE VI development. Showing that the costs of a GHC can be met on a reliable basis is likely to be necessary to make the concept attractive to private sector investment.

2. *Create tax credits as an incentive for private sector investment in the development of GHCs.*

The Low Income Housing Tax Credit's prominence in housing and community development makes it hard to avoid in thinking about how to weave GHCs into the fabric of the field. For GHC purposes, the chief liability of the credit is the rather narrow income category it has wound up serving. The degree of targeting that has occurred was not intended at the time of the LIHTC's enactment, since the policy requires that only a minority of units in a development be set aside for lower income people. The idea was to use the credit to integrate affordable and market rate housing. In practice, as already pointed out, states have trained their LIHTC allocations increasingly on lower-income developments only. Although lower income households do get decent housing this way, they get little else.

There are at least two ways that the credit might be workable with GHCs. First, states could be persuaded to include GHCs as a preference in the qualified allocation plan (QAP) they each periodically write to set their priorities for the use of credits. This might be likeliest in states with the largest LIHTC allocations, since their QAPs tend to be more complex, with more preferences and options, than states with smaller allocations.¹⁷⁴ In itself, giving a preference to development proposals that incorporate GHCs might be of only modest assistance, however, owing to the current income targeting in place. Thus, a second change would be to widen the

¹⁷⁴ Gustafson, J. & Walker, J.C. (May 2002), *Analysis of State Qualified Allocation Plans for the Low-Income Housing Tax Credit Program*, Washington, DC: The Urban Institute.

income-eligible range to include households above the current maximum of 60 percent of the area median income. The justification would be to assure that supported developments are attracting sufficient diversity to be of benefit to the local economy.¹⁷⁵ In other words, changing the LIHTC to be more supportive of local economic development might create conditions more favorable to the formation of GHCs.

There may be merit in pursuing the enactment of a specific tax credit for the development of GHCs once the concept is better established in practice.

Although these changes would be desirable for GHC purposes, it is not clear that they could pass political muster. Affordable housing advocates and their champions in Congress and the states might resist efforts to weaken the LIHTC's income targeting. If anything, they might prefer to see the credits focused even more sharply on the lowest income households who, because of their more constrained ability to pay rent, often now get excluded from credit-funded properties. In this, advocates might find common cause with those economists who worry that the LIHTC is providing a subsidy the

¹⁷⁵ Increasing the upper limit of the income-eligible range has been proposed by others. See Joint Center for Housing Studies (April 2007), *Revisiting Rental Housing Policy: Observations from a National Summit*, W07-2, Cambridge, MA: Harvard University; and Lubell, J. (2007), *Increasing the Availability of Affordable Homes: An Analysis of High-Impact State and Local Solutions*, Washington, DC: Center for Housing Policy.

market does not need to build housing for people with incomes above the lowest.¹⁷⁶

If making the LIHTC more flexible was determined to be politically unlikely, or even if its prospects were somewhat better than that, there may be merit in pursuing the enactment of a specific tax credit for the development of GHCs once the concept is better established in practice.

An enhancement to the current deduction of home mortgage interest might be provided as an incentive for middle and even higher income households to live in a GHC.

The argument for a GHC-specific credit would be twofold. First, a dedicated credit would reduce the possibility of confusing the broad, developmental aims of a GHC with the narrower affordability objective of the LIHTC. Using the LIHTC for GHCs runs the risk that the distinctive character of a GHC will be lost on policymakers and others, who, in the spirit of political incrementalism, may want to see it only as a change in degree rather than kind from the affordable housing norm. A credit just for GHCs would obviously help to avert this problem. Second, a dedicated credit would provide for-profit interests with a reason to pay attention to the GHC approach. Providing incentives to get the private sector involved in efforts to improve social conditions is a legitimate purpose of

¹⁷⁶ Jackson, P.J. (March 7, 2007), *The Low-Income Housing Tax Credit: A Framework for Evaluation*, RL 33904, Washington, DC: Congressional Research Service.

public policy. When the LIHTC credit was created, no one knew whether or not the private sector would respond, and, as already mentioned, for the first few years of the LIHTC, it largely did not. Eventually, it did. There is no a priori reason to think that a GHC credit would fail to have the same effect, so long as the underlying economics show a clear potential for a GHC to achieve a break-even point within a reasonable period of time after its start-up. Incorporating GHCs into larger mixed income, mixed use developments, as suggested above, would seem to have the potential to satisfy this economic test.

3. Promote the mixed income dimension of GHCs through an enhanced mortgage interest deduction.

GHCs are apt to work better economically if some of the households in them are owned rather than rented. In addition to having higher incomes than renters much or most of the time, owners tend to stay in a place longer and to make more of an investment in their homes and the environment around them. The mortgages that owners pay generate revenues, some portion of which might be used to help subsidize the affordable housing component of a GHC. For these same reasons, home ownership often serves as an attractor for private investment in neighborhoods and communities. Further, in recent years, federal and state policymakers have created opportunities to make home ownership easier (e.g., incentives for first-time home buyers).

In the same way that the GHC model provides an economic incentive, such as below market rent, to help attract seniors, an enhancement to the current deduction of home mortgage interest under federal law might be provided as an

incentive for middle and even higher income households to live in a GHC. The deduction could be increased by a certain percentage or a specific dollar amount adjusted over time for inflation. The existing deduction has had its share of detractors who see it as an inefficient giveaway to the economically advantaged, but it has proved politically resilient. For many taxpayers, it may be the only deduction they take or get. So, its popularity might make the mortgage interest deduction a particularly interesting mechanism for promoting GHCs as a way of living open to all. The basic argument for an enhanced deduction is that people who live and own a GHC provide a benefit to society that lightens the burden on government, and this should be reflected in reduced taxation.

Exerting a pull on homeowners through a special tax benefit would give even more weight to GHCs as an alternative to or improvement on the current strategy of using mixed-income development to improve conditions for the economically disadvantaged. Mixed-income developments have sustainability problems because of people's natural proclivity to sort themselves eventually into homogeneous groups. In a GHC, this proclivity is redirected from socioeconomic and racial/ethnic characteristics to the common identity that grows out of acting on the community's shared purpose. As time passes, that purpose becomes embedded in how residents see themselves and how they behave toward and with one another. While GHC living would not be for every potential home owner, surely there are some who would find it appealing, and others whose inclination to consider it would be strengthened by the availability of an additional tax break.

4. Advance GHC as a new type of development in local zoning and land use codes.

Although zoning and land use governance are highly localized and vary across the country, like any policy they may be influenced by broader trends. A new idea for handling a housing issue emerges, it gets picked up in a number of places, continues to spread over time, and eventually is incorporated into the zoning policies of many localities. Because of the localization and variability of zoning, it has been difficult to approach the task of zoning change systematically. Nevertheless, change does happen, and some degree of intentionality in promoting change on a larger scale would appear to be more tenable these days, when information can be disseminated fairly easy via the Internet and the mass media foster widespread access to new ideas.

Promoting a GHC as its own zoning or land use category would help to give the concept and its unique requirements visibility.

When a new form of residential living surfaces, such as a GHC, the temptation may be to fit it into existing zoning categories or try to stretch the categories only to the degree necessary to accommodate the approach. This may be an appropriate short-term or interim solution, but it is probably not good long-term strategy. Fitting a GHC into existing categories may blur its meaning.

While having some features in common with extant categories, a GHC is not likely to fit

squarely into any one. It includes multi-unit housing and single-family housing, renters and owners, families with children, working age adults, and seniors, and common facilities. It needs a middle range of density, probably ruling out both homes on large lots (the zoning preference in many suburbs) and high density apartment buildings (the zoning preference in many cities). In some cases, small scale retail may be desirable in close proximity to where people live. The physical manifestation of a GHC would seem to transcend the more finely

grained schemes of classification present in modern zoning codes.

Promoting a GHC as its own zoning or land use category would help to give the concept and its unique requirements visibility. Not only that, if zoning codes were actually amended to incorporate the category, the rules of local development would change. Developers would have a new option to consider, and might very well respond in innovative ways, elaborating still further what a GHC could be as a form of the built environment.



GHDC

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