

## **IDENTIFYING THE FAILURES OF PUBLIC HOUSING PROGRAMS IN THE UNITED STATES AND ANALYZING SOLUTIONS FROM ABROAD**

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### **Abstract**

*This article examines the negative impacts of poverty dense housing environments within the United States and suggests a potential solution that has seen success implemented in European countries. Many social welfare programs are born out of altruistic beliefs but fail to live up to their stated goals as they become the target of cynical political movements. Public housing programs in the United States have proven to be no exception. Cynical and often racist attacks against social welfare programs and their beneficiaries have generated reforms which have constricted their ability to function. The targeted underfunding of public housing departments and local authorities have paralyzed programs and trapped tenants who once relied on these social welfare programs to assist them to live a better life. This has resulted in widening divides in opportunity and socioeconomic status between those living in public housing and those who do not. Furthermore, literature examining the conditions of public housing points to a diminished quality of life among tenants with respect to expected income, educational attainment, and physical and mental health. Upon examining programs across Europe, particularly Austria and Denmark, and their impact on tenants and communities, this article recommends the shifting of U.S. public housing programs from operating as landlords to negotiating equitable and efficient public private partnerships.*

### **Introduction**

Research related to the long-term impacts of negative housing environments have shown that those who grow up in densely populated neighborhoods surrounded by poverty face significant setbacks in life such as lower educational outcomes, less expected lifetime earnings, and shorter life expectancy. After reviewing literature and research related to the negative impacts of the current U.S. public housing situation this article identifies prominent European social housing programs and their benefits. Overall, European social housing programs partner with private and nonprofit groups to offer wide varieties of affordable housing options and have succeeded in expanding to low poverty areas and have allowed for upward mobility among their tenants contrary to housing programs in the United States. U.S. public housing programs should transition from operating programs as landlords and focus on building partnerships through government contracts and direct public-private relationships with developers and housing authorities. At a time where there is a trend of growing income inequality and a regression towards segregationist housing patterns which have traditionally restricted opportunity and wealth for impoverished Americans, it is critical that any proposed policy to address economic justice include adequate and robust reforms to housing policy.

### **Housing Program in the United States**

A person's zip code is one of the most important factors in a person's long-term success. For those with limited financial means, public housing programs across the United States have billed themselves as a step up to financial independence. Unfortunately, those programs have resulted in no real change for tenants. This has caused a growing divide between economic classes ultimately making mobility harder than ever.

The public housing crisis is indisputably related to the decline in social mobility. The United States Census Bureau has shown that average mobility between classes has withered from 19.7% over the 1948-1980 period to 11.6% (Census Bureau, 2015). This information is supported by data showing that while wealth has increased for the upper class by almost 250%, wealth decreased by almost 9% for those in the lower class, in the same period. This chasm in wealth is likely to continue. Those in the lower class are not expected to amass wealth at the same rate as those in the upper class with the same education. Lower-class college graduates increase their wealth by 71% in contrast to upper-class college graduates who are expected to grow their wealth by 136% (Bartik & Hershbein, 2018). There is also a correlation between those living in high concentrations of poverty and low social mobility. Children raised in poverty in desegregated communities are more likely to move up the social and economic ladder than their peers who were raised in concentrated poverty with segregated housing units

(Leonhardt, 2013). Children who live in public housing units that are not segregated by race or class are more likely to increase their household wealth and educational attainment due, in part, to the diversity community around them. The aforementioned data are important to the discussion of the impact of public housing as public housing units often concentrate low-income communities in densely populated areas. A summary of the data would show a steady loss of actual wealth as well as share of national wealth by those in the lower class, smaller rewards for completing higher education, and dwindling chances of upward mobility.

These results are reinforced as tenants in public housing often have limited options to choose from when being placed in a unit or neighborhood. According to the U.S. Department of Housing and Urban Development, 42% of public housing units are built in areas with high levels of poverty (Office of Policy Research and Development, 1995) and almost 70% of public housing units are built in urban areas, which are usually characterized by high density living situations. A 2019 ProPublica study found that over 80% of housing units in the state of Connecticut—the wealthiest state in the United States according to the Chamber of Commerce (2021)—were built in struggling and poverty-stricken communities with high rates of criminal activity (Thomas, 2019).

The construction of the units in areas of high concentration of poverty has long term negative effects on the tenants. Most notably, negative impacts would include lower educational outcomes, poor health, and restricted social mobility. According to the Center for Housing Policy, children growing up in overcrowded living situations are likely to experience more behavioral problems and poor literacy. Public housing, especially public housing complexes, which are characterized by overcrowding and lack of accessibility are often linked to higher levels of stress and social anxiety among their tenants (Brennan et al., 2014). According to the Urban Institute, living in areas with high concentrations of poverty or criminal activity was associated with higher rates of psychological problems and daily stress (Perez, 2019). Research by the Rand Corporation (2011) expands on this assertion and ties these factors to a person's economic ability by showing that psychological problems in a person's childhood are likely to lead to significant losses in adult earnings which would indicate an even higher chance of remaining in poverty. These stressful situations also lead to poor health as those living in public housing and concentrated poverty have a life expectancy of almost three years shorter than the average person (Ojima et al., 2015).

The high concentrations of poverty seen are, in large part, due to the consistent cuts of federal funding for public housing projects as well as race and class-based boundaries that have been fortified since the Civil Rights Era. According to the Western Regional Advocacy Project, between 1996-2011, over 650,000 units of Section 8 and public housing were lost or approved for demolition (Women's Economic Agenda Project, 2013). In this same period, there has been no budget for the creation of new public housing units. This mismanagement of public housing programs has resulted in a failed system that is crumbling around the residents of public housing and has made it nearly impossible to renovate or relocate public housing.

These concentrations of poverty are not accidental and are often calculated. Historically, boundaries segregating the poor from the rich or minorities from white neighborhoods have been strictly enforced and hard to blend or expand. Even decades after the passage of the Civil Rights Act, the United States continues to face steep segregation as Black children are ten times more likely than white children to grow up in an impoverished neighborhood (Rothstein, 2014). According to the Economic Policy Institute, racist zoning laws and myths surrounding poverty and property values have kept Black Americans in poverty through the exclusion of suburban real estate and employment markets. They have become cemented in place due to the appreciation of housing values in comparison to stagnant wealth accumulation for minority communities.

The public housing crisis and concentration of poverty are a result of locked-in policies as racist zoning laws dating from the civil rights era and beyond have created large gaps in wealth. Policies such as red lining, as well as laws and business practices which have restricted access for the communities of color or those in poverty to obtain credit, have ensured a persistent and ever-growing opportunity and wealth gap. These institutional gaps have ensured that white and affluent communities have been able to prevent those with substantially less wealth from entering their communities as they have steadily appreciated their property values since the civil rights era. Data from the Center for American Progress show that housing appreciation has consistently favored those living in suburban and white areas regardless of income range. Alternatively, Black homeowners have seen their housing stock depreciate by rates between 6% and 2% at all income levels since the Great Recession whereas white homeowners' housing stock appreciated by rates between 1% and 5% in the same period (Zonta, 2016).

Data from the same study shows that in major metropolitan areas with thriving suburban populations, such as those in Chicago, the District of Columbia, Dallas, Baltimore, and Houston, Black homebuyers are significantly less likely to secure loans for areas in suburban communities with less densely situated populations.

The policies and practices that were exposed by the Kerner Report and outlawed by the Fair Housing Act have impacts that have persisted to this day. The removal of these policies from public code has not been enough to alter the outcomes. That result being substantial and nearly insurmountable income inequality which has effectively segregated many towns and communities.

### **European Alternatives: National and Local Government Partnerships**

To ameliorate the opportunity and wealth gaps that are impacted by location, quality, and equality of access to U.S. housing stock, U.S. policy makers must prioritize the de-concentration of public housing units. One of the most effective examples of this comes from Europe where national and local governments invest heavily in partnerships with developers and social housing organizations to reserve a portion of units in privately owned buildings for low-income citizens (Office of Policy Development and Research [PD&R], 2014). In many European countries, public housing options and laws are not just made available to provide support to those in the low-income bracket, but to middle income citizens, as well. In countries such as Austria and Denmark (Scanlon & Whitehead, 2008), upwards of 90% of the population is eligible for social housing opportunities. In these areas, any current stigma in the United States that is attached to public housing is erased as most people in these countries have enjoyed the benefit of living in social housing. In Denmark, most social housing units are considered to be well integrated with tenants from different class statuses. This situation creates a mixed-income community with a large amount of private and public involvement and investment. This solution has allowed nonprofits to offer public housing opportunities in areas with little to no concentration of poverty.

In cities like Vienna, local officials have used their leverage as regulators to ensure that renters in social housing units pay no more than 25% of their income in rental costs (PD&R, 2014). For comparison, over 70% of American renters who earn less than \$30,000 per year spend over 30% on rental costs. On average, roughly half of American renters spend more than 30% of their gross monthly income on housing (Fernald, 2015). In countries like Austria, social housing developments are allowed to recover their development and repair costs from their initial build which will inflate costs at the outset. Over time, the price will drop and level off as development costs are recovered. With this information and given these conditions it is impressive to see that Austria consistently meets its goal to provide affordable housing at a rate of 20% to 25% of household income. More importantly, the costs associated with social housing in European countries, especially Austria and Denmark, are not indicative of lower quality of housing.

### **Cross Examination/Analysis: United States and European Housing Policies**

When examining the conditions of social and public housing situations in Europe versus the United States, it is clear to see the benefits of the European system over the current U.S. model. With respect to quality of the housing options, in Europe 68% (Housing Europe, 2021) of public or social housing dwellings have a high rating related to renovation and repair, whereas the situation in the United States shows that the Capital Fund used to fund renovations and repairs has been underfunded for decades and has a backlog of \$70 billion in renovation costs (National Association of Housing and Redevelopment Officials, 2021). This backlog has led to the loss of over 10,000 public units per year due to inhabitability (National Low Income Housing Coalition, 2019).

Furthermore, the housing units in Europe are not concentrated in urban areas, but are equally spread throughout the country, as many EU nations have less than 60% (Scanlon & Whitehead, 2008) of their public housing units in urban areas, while the United States is at almost 80% (Organisation for Economic Co-operation and Development, n.d.). In Vienna, many of the social housing programs have significant mixing of units and classes with developments offering high rise apartments mixed with affordable housing options for low-income and middle-income residents (PD&R, 2014). These figures indicate a lower level of poverty density in Europe, rates that support statistics from the Global Social Mobility Report which state that when the U.S. receives a grade of 70/100 in terms of social mobility, almost all other EU countries which utilize social housing receives grades considerably higher, many over 80/100 (Jones, 2020). While these statistics certainly are influenced by more than just one program, it is important to note the stark differences between the two environments and their

outcomes. A program designed to match these mechanics could move the U.S. in the right direction on key social mobility markers.

When it comes to shortfalls of the system, they are mainly due to supply and supporting citizens in different markets. While there were certain financial benefits to social housing programs within Vienna, the regulations and systems in place create little variation in rent prices. The interquartile range for rent prices is 136% larger for privately held apartments rather than those in social housing programs (Bartik & Hershbein, 2018). This tends to lock out lower income tenants in areas where development costs are high at the outset. While this is true, it is also a fact that most of the high rent due to development cost is short lived and ends up being more accessible in the long run. It is also important to consider that while the interquartile range is smaller for social housing units, it is on the lower end of the cost spectrum. In other words, the wiggle room lost tends to be on the higher and more expensive side. When comparing the potential shortfalls with the long-term gains associated with social housing programs the benefits appear to outweigh the side effects.

The current methods used in the United States to administer public housing have proven to be ineffective and counterproductive. A system billed as providing an advantage, but designed in a haphazard and shortsighted fashion, will trap tenants in the very environment they are trying to escape. To respond to the poverty and housing crises in the United States, policy makers should adopt elements of policies—if not entire systems—deployed abroad in Europe that have been associated with affordable housing options, more efficient and equitable administration, and greater social mobility.

States like California are deploying models that move in this direction, with several housing institutions in California purchasing luxury buildings in areas that are considered high value and decreasing the rent significantly. Buildings bought by these authorities have seen their rental prices drop on average 10% with some properties seeing declines around 34% (Khouri, 2021). These programs are funded through joint power authorities which fund the purchase and subsidization of properties through the issuance of bonds to private investors.

While these programs are still publicly managed, they ameliorate much of the problems related to that through successfully enticing private investment which creates a consistent flow of revenue to support the vision of the program. Cost of administering this program through publicly managed housing authorities has a major benefit in that they are exempt from paying property taxes. While this helps support the vision and financial goals of these programs they have also been cited as reasons to oppose joining these joint power authorities as the San Jose City Council unanimously voted not to join these programs due to projected property tax loss (Khouri, 2021).

Limitations to implementing these programs wouldn't just require a change in funding patterns or housing policy but also a change of societal attitudes. Proposing the policies, we see in Europe or pursuing policies like those in California would require a significant change in the political landscape surrounding welfare and social programs in the United States. The history of European social welfare and US social welfare varies significantly, especially when adding the caveat of race. If U.S. policymakers want to implement these policies, they will have to reckon with rising racial tensions that have inspired opposition to more liberal programs in the past.

### **Conclusion and Recommendations**

Upon applying these methods in the United States, it would be wise to examine how public, private, and nonprofit partnerships create barriers and bridges to success and how governing bodies at every level could devise efficient mechanisms of administration to provide affordable social housing options in their community. As well as combating the stigma associated with poverty and social welfare programs that have not been a factor in the European countries identified for possible models. It is important to recognize the vastly different attitudes between U.S. and European populations as it relates to social safety nets. Upon assessment of the programs and developing an understanding of the necessary administrative and attitudinal changes needed to achieve successful social welfare reform, policy makers could ensure that opportunity and wealth gaps finally are addressed in a proper manner.

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