

The Future of Public Housing

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Sidebar

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With luck, 1998 will be a pivotal year for federal housing policy. Key members of Congress and the Clinton Administration have reached a consensus that dramatic changes must be made to our public housing program to correct the decades of neglect that have made public housing in many American cities the embodiment of urban blight and despair. Although there remains disagreement among some members of Congress and the Department of Housing and Urban Development (HUD) over the details of these reforms, there is substantial agreement both about the problems plaguing public housing and on directions for change. Public housing in many large American cities has been transformed from an idealistic dream into an urban nightmare; now, several proposals are pending to reform the program.

ORIGINS

Modern public housing traces its roots to the mid-1930s, when a program of publicly constructed housing was proposed as a way to employ workers in the construction trades who had

been devastated by the Great Depression and to house low and moderate income families. The Public Works Administration initially purchased land and built publicly owned housing. In 1935, however, a federal court struck down the program on the since overturned legal theory that the Constitution did not permit the federal government to use its power of eminent domain to acquire land for housing. This court decision had tremendously important implications for the future of the public housing program. Since states and municipalities were permitted to buy land for publicly owned housing, the U.S. Housing Act of 1937 structured a program in which public housing would be paid for by the federal government, but owned and operated by local public housing authorities (PHAs). In return for the money to fund capital expenses, PHAs would be required to follow federal laws and regulations concerning admissions standards and the operation of the housing.

The outbreak of World War II meant that relatively little housing was built under the 1937 Act, however, following the war, Congress reenacted the program as part of the Housing Act of 1949 which also established the Urban Renewal slum clearance program. Over 10,000 developments containing more than 1.4 million units of public housing were built, about 2% of the U.S. housing stock and 6% of its rental housing stock. Most of these apartments were completed prior to 1979. Although most studies suggest that the majority of apartments are in decent condition, a significant proportion of these units, primarily those concentrated in the largest cities, exhibit unacceptable levels of physical and social distress.

## PHYSICAL DISTRESS

In describing the problems of severely distressed public housing the distinction between physical

and social distress is convenient, although not altogether appropriate. Physical and social distress are inextricably linked. The deterioration of bricks and mortar inevitably adversely affects the lives of tenants, while high rates of crime and unsupervised children result in vandalism and the physical deterioration of the structures.

According to the 1992 report of the National Commission on Severely Distressed Public Housing, five percent of the nation's public housing units require modernization expenditures exceeding \$40,000 per unit. These renovations range from the repair of windows and ceilings, to the reconstruction of apartments that have been destroyed by arson.

Physical deterioration of the public housing stock has been caused by many factors. From its inception, special interest groups (such as the United States Chamber of Commerce and the National Association of Real Estate Boards), concerned with competition from the public sector, succeeded in including a proviso that public housing "not be of elaborate design or materials" and that economy be used in its construction. Cost ceilings led PHAs to use nondurable materials and obsolescent apartment designs.

A concern with the public sector increasing the supply of housing and thereby lowering rents caused private real estate interests to successfully pressure Congress into inserting in the 1937 Act a requirement that one unit of slum housing be removed or renovated for each unit of public housing built. The long term consequences of this provision were considerable. Since the suburbs at that time did not have appreciable amounts of slum housing, the "equivalent elimination" requirement effectively assured that most public housing would be built in the cities where land values were high. In addition to being inspired by contemporary architectural theories, PHAs built towers to economize on land. In

retrospect, most people agree that these structures were ill-suited for poor families. Large numbers of anonymous and transitory neighbors, isolated stairwells and a lack of adequate elevators made it difficult to keep out non-residents and maintain building security. Insufficient recreational facilities and inadequate parental supervision of children increased the strain on the buildings' mechanical systems and facilitated vandalism.

The absence in the 1937 Housing Act of significant subsidies for maintenance, operation or renovation resulted in even more physical deterioration. Tenant incomes rose more slowly than operating expenses. In the late 1960s Congress reacted to higher public housing rent burdens by limiting rents to a fraction of income. Unable to raise sufficient revenues from tenants, the typical PHA deferred maintenance. Congress subsequently responded to the financial bind it had created for PHAs by instituting operating and modernization subsidies, however, these payments have consistently been under-funded, mismanaged and, in some instances, siphoned away through corruption.

Many PHAs also bear a large share of the blame for the physical deterioration of public housing through their long histories of mismanagement and corruption. HUD has classified over sixty PHAs as "troubled" on the grounds that they maintain insufficient operating reserves, have poor maintenance records, badly deteriorated units and unacceptably high vacancy rates. For example, over ninety percent of all units examined by auditors in Chicago and Philadelphia in the early 1990s failed to meet minimal maintenance standards. Rather than quickly re-renting apartments as tenants move, many PHAs have kept apartments vacant thereby facilitating vandalism. In some instances, PHAs continued to receive operating subsidies for these vacant units by eluding the oversight of HUD. In some cities, funds earmarked to maintain or renovate public housing have found their way into the pockets of PHA

employees either through no-show patronage jobs or outright embezzlement.

## SOCIAL DISTRESS

In many public housing developments, particularly in large cities, social distress goes hand-in-hand with physical deterioration. In these apartment complexes, high rates of crime, drug abuse, persistent unemployment, school drop-outs and teenage childbearing have become the norm rather than the exception. Much of the social distress that envelopes large urban public housing is caused by the extraordinary concentration of poverty within its walls. Recent data from the 1993 American Housing Survey indicate that the median income of families in public housing was less than \$7,300 compared to the median income for all renters of \$19,606. Seventy percent of all households in public housing had incomes below the poverty level compared to 24% among all renters. In some large PHAs, the proportion of families receiving public assistance exceeds ninety percent. In addition to being impoverished, public housing residents largely live in environments that are segregated by income and race or ethnicity.

Central cities in the United States have become increasingly poor throughout the second half of the twentieth century as jobs and the middle class have moved to suburbia. Although, as we will suggest in the next section of this article, some of this decentralization may have been attributable to the blighting impact of public housing itself, it is likely that the other causes of the exodus of households to the suburbs would also have led public housing to become increasingly poor, even in the absence of governmental action. Notwithstanding this fact, actions by the Congress, PHAs and the judiciary have exacerbated these demographic trends, transforming public housing from a reflection of its environment

into its caricature. For years, Congressional mandates that PHAs house the neediest families in their communities have ebbed and flowed, with little consideration to the effect these changing rules have had on the social fabric of the housing, neighborhood or host city. Presently, the very poor (those earning less than half of the area's median income) must compose between seventy-five and eighty-five percent of the tenants in public housing.

PHA siting policies have intensified the isolation of poor, primarily minority families from the rest of the city. PHAs have repeatedly been found guilty of racial discrimination in their tenant selection and site location policies. Whites were assigned to more desirable parts of towns while blacks and Hispanics were assigned to the least pleasant locations. Public housing developments were also frequently located (at densities far in excess of standard zoning criteria) in close proximity to each other so as to minimize neighborhood opposition. This process of geographic isolation reaches its apogee in Chicago where public housing towers line State Street for as far as the eye can see.

Inefficient management practices also contribute to the concentration of poor households. As crime increases, repairs languish and troublesome tenants are permitted to remain in residence, those tenants with sufficient resources move out leaving developments composed solely of those with no resources and options. Judicial rulings also have, in some instances, intensified this problem by limiting the ability of PHAs to screen out suspected "problem tenants" and evict those whose behavior damages the community.

## IMPACT ON RESIDENTS AND NEIGHBORHOODS

Public housing has, contrary to the hopes of some of its earliest proponents, become a permanent home for many of urban America's least advantaged families rather than a way-station for temporarily needy households. The impacts of concentrations of poverty have been the subject of much debate. William Julius Wilson argues that youths growing up in environments with few employed role models fail to develop strong attachment to the labor market and middle class norms. Instead, perceiving few opportunities for achieving economic mobility, young men and women turn to illegal activities to earn money and develop alternative status systems enforced and legitimized by their peers. Remaining in school and working in low paid jobs lose their allure, replaced by being a teenage parent or gang leader as sources of prestige. Empirical studies support his hypothesis, showing that teenagers living in neighborhoods with few high status neighbors are more likely to have children, drop out of school and subsequently receive public assistance than children of similar family income and composition who live in more economically diverse surroundings. Living in communities of concentrated poverty such as public housing generates hardships for tenants that are different in both kind and magnitude from the many problems poor people face in less concentrated surroundings.

To date there have been no systematic studies on the effect of public housing on residents' lives. Nevertheless, anecdotal accounts and case studies suggest that the concentration of poverty in public housing developments has taken its toll. For example, crime rates in public housing are much higher than in other neighborhoods in large cities. The impact of crime and an absence of economic opportunities have been documented in the narratives of children. In Alex Kotlowitz's 1991 book, *There Are No Children Here* and last year's *Our America* by LeAlan Jones and Lloyd Newman, the

picture of life within public housing that emerges is extremely grim, with children risking their lives merely to walk short distances across developments on the way to and from school.

Residence in public housing is also likely to harm better qualified tenants' prospects for economic mobility. Surveys of employers indicate that they frequently use stereotypes in evaluating the trustworthiness and qualifications of potential employees. Among the negative criteria are residence in inner city neighborhoods such as those with large proportions of public housing. Indeed, many public housing residents utilize the addresses of relatives and friends when applying for jobs so as to avoid being put at a competitive disadvantage.

Our own research with William Carter also suggests that the blighting impact of public housing in large central cities is not solely borne by tenants. Our study examined the impact of public housing on neighborhood poverty rates in four large American cities-- Boston, Cleveland, Detroit and Philadelphia. Our findings suggested that from 1950 to 1990, the existence of public housing in a neighborhood was significantly related to increased neighborhood poverty rates (not including the residents living in the public housing themselves). For example, in Cleveland, we estimated that the poverty rate in a neighborhood with public housing would climb from about 41% to 59% as the proportion of public housing within that neighborhood increased.

## CHANGES IN FEDERAL HOUSING POLICY



Since President Nixon ordered a temporary moratorium on low income housing construction in the early 1970s, the number of units of newly constructed public housing has diminished to a trickle. In place of the traditional “build and house” public housing program, Congress enacted two sets of programs under Section 8 of the Housing and Community Development Act of 1974. The first set of initiatives, Section 8 New Construction and Substantial Rehabilitation, like public housing, were supply-oriented programs. Subsidies were earmarked for developers of housing who agreed to rent to low and moderate income tenants. The federal government signed contracts with these developers which guaranteed to pay them the difference between market rents and 30% of the tenants’ incomes. The second set of programs were demand-oriented and focussed on giving qualifying households choice. Section 8 Housing Certificates and Housing Vouchers increase tenant access to housing by providing tenants who move into units owned by private landlords with subsidies that amount to the difference between 30% of their incomes and the rents charged.

Until the past two years, when budgetary constraints caused Congress to make cuts in the Section 8 program, most of the incremental increase in housing assistance has been in the form of Section 8 housing vouchers and certificates. This reorientation of federal housing policy from developer subsidies to tenant subsidies makes a good deal of sense in most cities. Studies have shown that vouchers and certificates do not cause rental inflation and are much more cost-effective than either public housing or Section 8 subsidies earmarked for private developers. They are also less susceptible to corruption. A major demonstration program completed in the early 1990s, also concluded that, except in the New York metropolitan area, minority households were able to utilize vouchers as well as non-Hispanic white families. Importantly, housing vouchers and certificates also permit tenants to select

their own neighborhoods and, if they wish, enable them to move out of communities of concentrated poverty.

In 1994, following the election of Republican majorities in both the House of Representatives and Senate, the Clinton Administration proposed a radical plan that would have fundamentally altered the public housing program. Under the President's "Reinvention Blueprint," all tenants of public housing would have been given housing vouchers. Those households that chose to remain in public housing could do so while those desiring to move elsewhere would be given vouchers. The idea was to reduce the cost of the program and increase the efficiency of PHAs by making them subject to the discipline of the private market. In the end, the President's "vouchering out" proposal was a non-starter, attracting opposition from many Democrats, PHAs and tenant leaders. Ironically, the "reinvention plan" also attracted little support from the Republican majority, despite its espousal of free market principles.

More incremental reforms of public housing have been enacted. After years of turning a blind eye to the problems of public housing, HUD has increased its oversight of troubled public housing authorities. Indeed, in several cities including Chicago, Philadelphia and San Francisco, HUD has taken over PHAs and operated the housing for a period of time. In other cities (such as Kansas City and Washington, D.C.), HUD has facilitated the creation of court receiverships.

In addition, for many years, federal law provided that prior to demolishing a unit of public housing, a PHA would be required to demonstrate how it would replace the unit on a one-for-one basis. Federal rules made it virtually impossible to replace these units with housing vouchers. The effect of this one-for-one replacement requirement was that PHAs throughout the country were unable to demolish massive vacant public housing developments, even those which blighted neighborhoods and

provided a location for illicit and illegal activities such as drug-dealing and prostitution. In 1995, Congress passed a one year suspension of this requirement which has been renewed every year since.

This flexibility to demolish public housing has increasingly been used by PHAs. First under HUD Secretary Cisneros and now under Secretary Cuomo, HUD has facilitated the demolition of over 23,000 units of public housing. According to recent estimates, over 100,000 units will be torn down by the end of the decade. The destruction of public housing is typically a component of federal efforts to redevelop distressed public housing developments. This program, operated under the name HOPE VI, also has as one of its goals the reduction of concentrated poverty. Among the ways in which this objective is achieved is through the demolition of public housing and the construction of low scale, mixed income developments. Although it is still too early to evaluate the success of mixed income public housing built under HOPE VI, one development in Chicago which was developed under an earlier federal initiative, Lake Parc Place, has successfully maintained a mixture of working and non-working families for several years.

Congress and HUD have also taken certain actions to reduce the concentration of poverty in public housing by permitting PHAs to establish ceiling rents. Because rent for public housing is set as a proportion of total income, tenants who participate in the labor force frequently find that their rents increase to levels that exceed those in the private market. Essentially, the method for calculating rent constitutes a rather high (for families at this income level) marginal tax rate on labor. Tenants respond either by working less or by moving out of public housing, thereby depriving the community of employed role models. HUD has authorized PHAs to establish, if they wish, ceilings on rents to permit and encourage working families to remain in the developments.

## FUTURE REFORM

In 1996 both houses of Congress passed bills to make permanent the incremental reforms of public housing that were enacted over the past decade. The bills also would have introduced major changes to the funding and management of the program. Differences between the Republican majorities in the Senate and House of Representatives, as well as between Congress and the Clinton Administration doomed the 1996 legislation. Similar legislation has been introduced in the 105<sup>th</sup> Congress and the likelihood that a housing authorization law will be enacted is high. Members of Congress and the President have articulated a strong desire to correct the errors of the past and to transform public housing from a warehouse for poor people into a decent, safe and sanitary living environment that will facilitate, rather than inhibit social mobility. Reducing the concentration of poverty in public housing is high among the priorities of all participants.

Nevertheless, agreement on how far to go in alleviating concentrated poverty has remained elusive. Achieving an economic mix in public housing (or for that matter any supply-oriented program) creates a dilemma for public policymakers. Housing subsidies in the United States are not an entitlement program. Therefore, only about one-third of all households eligible to receive assistance benefit from these federal programs. Under principles of vertical equity, assistance should first go to the very poorest. In most instances this means targeting subsidies to the poorest of the poor. However, efforts to reduce the concentration of poverty in public housing fly in the face of this principle since they almost always involve admitting moderate income tenants instead of those with very low incomes.

Therefore it is no surprise that the major sticking point in coming to a legislative compromise on

public housing reform is the income targeting rules. Each of the legislative proposals likely to emerge from Congress increases the ability of PHAs to offer assistance to working families. However, the House and, to a lesser extent, the Senate would increase the proportion of working families more than the Clinton Administration.

Disagreements over income targeting have also spilled over into debates concerning the Section 8 housing voucher and certificate programs. Bills passed by the House would reduce the proportion of very low income households that must be assisted, presumably to reduce the cost of this program. The Clinton Administration's bill would retain much more stringent targeting requirements for the demand-oriented subsidies.

Although relaxing the income targeting rules appears to be the price that must be paid for reducing concentrated poverty in public housing, no such trade-off between equity and deconcentration need exist for housing vouchers and certificates. In addition to inefficiency, one of the major problems with a supply-oriented program such as public housing is that the more one targets assistance to the very poor, the more one creates communities of concentrated poverty. One of the major attractions of housing vouchers, however, is that the more precisely one targets assistance to the poorest of the poor, the more one facilitates deconcentration of poverty, by giving the recipients of assistance the ability to move to other neighborhoods. Therefore, a strong argument exists for treating the two programs differently and for maintaining stringent income targeting requirements for the voucher and certificate programs even if they are reduced for public housing.

ENDNOTE

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