

## How Affordable is Affordable Housing?

*An expensive solution*

*to an age-old problem.*

**FRIEDRICH ENGELS**, co-founder with Karl Marx of scientific socialism, thought he had the answer to the housing problem. Rationalization of housing could be achieved, he wrote in *The Housing Question*, by “expropriation of the present owners, and by quartering in their houses the homeless or those workers excessively crowded in their former dwellings.” What is it about housing that attracts such simpleminded, not to say ruthless, nostrums? And not only among social utopians like Engels. In the 1960s, the U.S. federal government, faced with worsening housing conditions for the poor in decaying inner cities, produced solutions that were equally simpleminded and equally ruthless: the projects.

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High-rise apartment blocks proved a poor solution for low-income families. Moreover, concentrating hundreds—in some cases thousands—of poor families created more problems than it solved: crime, drugs, family breakdown, antisocial behavior, and a culture of dependence that lasted for generations. Public housing was a failure, and by the late 1990s, many of the projects had been demolished. They are being replaced by so-called affordable housing. Instead of concentrating the poor, affordable housing spreads them out on so-called scattered sites. Instead of isolating low-income families, affordable housing mixes them among various income groups. Homeownership is encouraged. Since municipally run housing agencies proved incompetent, when not downright corrupt, affordable housing now looks to the private sector. Low-income tax credits provide incentives to developers, while block grants assist state and local governments in subsidizing community development corporations and other non-profit housing organizations. Lastly, in an effort to avoid the stigma that was attached to public housing in the past, affordable housing is built to be indistinguishable from private housing.

## DESIGN

One of the chief tools of the affordable housing strategy is design. The old

Modernist utopian approach of building high-rise apartment buildings on super blocks has been replaced by a street-oriented approach that is greatly influenced by Traditional Neighborhood Development. Many affordable housing units are located in houses—usually row houses—and if there are apartments, they are in low-rise buildings. Instead of barren spaces between the buildings, there are streets and sidewalks. The architecture itself is rarely modern but more often traditional, commonly incorporating a middle-of-the-road architectural style, not quite old, not quite new. In other words, it resembles the kind of housing that most middle-class Americans occupy.

Many of the developments are built on the sites of demolished 1960s public housing (see “Hope VI: Pleasant View Gardens,” *WRER* Fall 1999), and consist of both owned and rented units. A typical example might earmark some ownership units for families earning no more than a given percentage of the regional median income, while rental units would be divided between taxpayer-financed public housing and subsidized apartments. Importantly, the architectural design makes no distinction between the different income groups, as all units are built to the same quality. In other cases, rental units in developments are divided equally between households paying subsidized rents and those paying market rates.

Again, the design quality of all units is indistinguishable.

Another characteristic of 1960s vintage public housing was single-use. The projects rarely had retail or commercial space incorporated into the apartment blocks, with the result that, particularly at night, the public spaces were usually deserted. Affordable housing, on the other hand, is often contained in multi-use buildings, with retail space at ground level and sometimes also commercial and community uses. A typical urban example is 101 San Fernando, in downtown San Jose, California. (Figure 1) This exceptionally handsome, high-density, mixed-use project has a density of more than 100 units/acre. A fifth of the more than 300 rental units is reserved for lower-income households; the rest are market rate.

**Figure 1:** 101 San Fernando, San Jose, California. (Solomon E.T.C. Architects)



The five-story structure is animated by street-level shops and office space, and rings a city block, creating a large inner court that is used for recreation.

The sophisticated architecture of such developments is light-years away from the utilitarian public housing projects of the 1960s. But will design really change popular attitudes toward subsidized housing, as advocates claim? The stigma attached to public housing projects was not only, or even primarily, architectural. True, the functional apartment blocks were not pretty, but neither were the low-income neighborhoods that surrounded them. Poor people cannot expect to live in the lap of luxury. But they did react to public housing's atmosphere of neglect, the residents' anti-social behavior, the crime, the drugs, and the general sense of hopelessness. Racism, too, was a factor. It is still too early to know how affordable housing will fare. So far the results have been encouraging, largely because low-income residents have been carefully screened, and most of these projects do not cater to the poorest of the poor.

Housing advocates often demand that more affordable housing be built. The implication is that we are not doing enough. No doubt. But such calls do not address a large part of the problem: high housing costs are caused largely by restrictive zoning that requires large lots, antiquated and costly urban building regulations that dictate inefficient construction practices, and

lengthy and expensive permitting processes (as Raven Saks points out elsewhere in this issue). In many areas, municipal governments and neighborhood watchdog groups make it virtually impossible to build inexpensive housing.

### E C O N O M I C S

By the bare-bones standards of the commercial homebuilding industry, which delivers basic houses for \$50 a square foot, affordable housing is expensive in many areas. There are many practical reasons for this high price tag. Dealing with the bureaucratic and regulatory requirements of federal, state and municipal agencies and lenders drives up the design costs. So does community involvement, a regular feature of affordable housing. Designing and building complicated mixed-use projects is expensive. But also, building low-rent housing to middle- and high-rent standards significantly increases construction costs. The high cost of construction inevitably constrains the number of units that can be built. Most affordable housing developments to date either have been small, or have included only a relatively small fraction of low-rent units. Constructing a small number of expensive projects—no matter how well-designed—is not an effective strat-

egy to increasing housing choices for the poor.

Like the housing reformers of the 1960s, affordable housing advocates take it for granted that project-based assistance is the best way to achieve housing affordability. However, not only is subsidized housing expensive, it is also inefficient. Todd Sinai and Joel Waldfogel (Zell-Lurie Real Estate Center Working Paper #394, “Do Low Income Housing Subsidies Increase Housing Consumption?”) find that subsidized housing crowds out equivalent-quality low-income housing that otherwise would have been provided by the private sector. On average, three government-subsidized units displace two units that would otherwise have been provided by the private market, for a net gain of only one. Put another way, each new subsidized housing unit adds only one-third of a unit to the housing stock. Sinai and Waldfogel conclude that “tenant-based housing programs, such as Section 8 Certificates and Vouchers, seem to be more effective than project-based programs at targeting subsidized housing units to people who otherwise would not have their own.” Most economists believe that assisting low-income tenants directly through housing vouchers, the shelter equivalent of food stamps, is both cheaper and more efficient than subsidizing projects. (Tenant-based assistance also crowds out private housing, but at a lower

rate.) In addition, with vouchers, people can decide for themselves where they want to live.

Yet, of the roughly \$25 billion of public money that is spent on housing assistance, only about a quarter goes to tenants directly. The rest subsidizes bricks, mortar, and trade unions. Of course, project subsidies benefit many groups, including developers, builders, architects, community development corporations, and non-profits, not to mention local politicians (who can take credit for the handouts). The only group that benefits directly from vouchers is the needy.

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