

## Considering a Social Housing Solution



### Housing affordability can be improved using a well-tested approach

**With housing shortages reported across the country, policy makers are increasingly enacting legislation designed to promote construction of affordable housing.** Often this takes the form of zoning laws mandating that a specified fraction of multiunit developments be affordable to households with income under the local mean. This may be combined with various incentives for developers to offer a portion of new units at below market rates. Frequently, there is either too little profit in these arrangements for developers and investors to initiate projects or too much to allow resulting rents and mortgages to be significantly below market rates.

**As an alternative, there is recent growing interest in the U.S in using social housing to tackle a jurisdiction's housing crisis.** While there is no single definition of social housing, it is generally described as publicly financed, affordable housing that is developed and owned by either government or a mission-driven nonprofit.

**In an example of this approach, municipalities would borrow money, use the money to build housing, and then rent out the resulting units.** The money could be borrowed from municipal bond markets or from the federal government at the Treasury rate. Additional funds could be secured through capital grants from the federal, state, or local governments. Use of lower-cost financing and elimination of profit would result in lower production and maintenance costs. The housing would mostly be built by construction companies, just as public buildings like libraries already are. The management of the building could be done in-house or through contracts with building management companies. Empty government-owned land can be used or blighted or abandoned buildings redeveloped.

**Long term costs to taxpayers of these rental developments are dependent on the income targeting policies of the government owner.** Rents could be set high enough to at least cover costs with some designated fraction of units rented at lower amounts than others based on income. Targeting a large fraction of units to lower income residents will require continuing subsidy of the development.

**There are multiple benefits to allowing people of all incomes to apply to live in these new developments.** First, local governments will be able to charge higher rents to higher-income residents, and thus capture capital income. Instead of being a large budgetary burden on cities and the federal government, they could be mostly self-sustaining. Second, it adds new rental capacity in the housing market directly where it is needed. By expanding

the supply of mid-range and affordable units, it will both accommodate more residents and make existing privately-owned apartments cheaper. Third, income diversity prevents the concentration of poverty, which is associated with all manner of severe social ills. It will likely also improve management of the units, as more affluent people have a greater political voice and can better demand effective administration.

As reviewed by the NY Times, [Vienna, Austria](#) is often identified as the leading example of successful implementation of social housing policies. With a serious housing shortage after WWI Vienna began a program of housing construction with the municipal government acting as a non-profit developer. In Vienna, fully 3 in 5 residents now live in municipal and cooperative social housing. Other European cities and countries have been following this general scheme for decades. For, example, in Finland, nearly three-quarters of residents are eligible for publicly-financed social housing, and the housing authority has had marked success in ratcheting down homelessness.

**Over the past few years**, as the nation's housing shortage has spread to more places and deepened the outright crisis on the coasts, a number of U.S. states and municipalities including [California](#), [Massachusetts](#), [Colorado](#), [Hawaii](#) and [Rhode Island](#), along with cities like [Seattle](#) and [Atlanta](#), have either passed or considered new public housing programs that avoid the words "low-income housing" and rebrand themselves as "social housing."

**Nearby**, [Montgomery County](#), has created a Housing Production fund for its Housing Opportunities Commission which will allow it to create as many as 8800 housing units. Projects will be self-sustaining with about 30% income restricted and the remainder provided at market rates. It is important to note that this is not "public housing" in the sense that it is reserved for very low-income residents. Affordable units are indistinguishable from market rate units, but public ownership allows more of the units to be provided at affordable rates.

**Locally**, In [Anne Arundel County](#) the Arundel Community Development Services (ACDS) is a non-profit organization that acts as a developer, funding administrator, and project manager for a variety of affordable housing initiatives. Recently the Anne Arundel County government announced that it had created a permanent financing mechanism to fund a Housing Trust Fund, which is expected to generate \$7.5 to \$10 million annually for affordable housing activities. Leveraging these funds, ACDS has now closed on loan funding that will allow development of 120 units of affordable housing for families earning 60% of the Area Mean Income or less and has five additional projects currently in its pipeline.

**Many cities need a dramatic increase in the number of mid-range and affordable dwellings** to ease the price pressure on their rental markets, but private developers have recently built almost exclusively high-end apartments. As the above examples show, however, social housing can allow cities to directly attack their housing affordability problems. It can add new supply where it is most socially needed — instead of where it is most profitable.

**It can be argued that far too much time and money has been spent on trying to coax private markets into accomplishing policy objectives. In housing provision, as with health insurance, direct state action may get the job done better, faster, and cheaper.**

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#### **About the Alliance**

*The Anne Arundel Alliance for Livable Communities is a non-partisan coalition of 25 local and state organizations advocating for sustainable growth and environmental protections to safeguard and enhance residents' quality of life.*

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**Anne Arundel Alliance for Livable Communities**

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