

How to Solve the Housing Crisis with One Weird Trick

American cities are (finally) beginning to hear about social housing.

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America is in the grips of a severe housing shortage. Tens of millions of people are newly in the market for a home or apartment thanks to the pandemic rescue packages and the strong labor market. At the same time, however, the country is badly short of housing inventory thanks to the decade-long collapse in residential investment after the housing bubble popped. Meanwhile, there is booming demand for larger places to make room for home offices, given that most white-collar jobs seem to be settling into a new normal of at least part-time working from home.

It all means that at the end of last year, average rents were rising at about 10 percent per year, and average home prices were shooting up almost twice that fast. That in turn is exacerbating the crisis of homelessness across the country—not to mention the rate of inflation. What is to be done?

One answer is social housing. Four years ago, I co-authored a paper with Saoirse Gowan for the People’s Policy Project making the case for this idea, and I thought it would be a good time to check in around the country to see if it’s caught on anywhere. (Peter Dreier wrote a similar article for the *Prospect* at around the same time.) Somewhat to my surprise, the answer is yes—and not just in blue states.

But before I get to that, what are we talking about? Social housing is just government-owned housing—but unlike American-style public housing, it’s available to people of all incomes instead of just the low-income. Such projects have been around for over a century in Europe, and have several big advantages. First, social housing is self-financing. For instance, a typical setup would be a project composed of one-third heavily subsidized units, one-third moderately subsidized, and one-third market rate. The income from the market rate units (and the medium units in more expensive markets) is then used to cover maintenance and operating expenses. A project therefore wouldn’t need continual state subsidies, which play into toxic welfare stereotypes. Moreover, those subsidies may be cut off at any time—witness the gigantic maintenance backlog in existing public-housing units, recently estimated at about \$80 billion, after the federal government slashed funding.

More importantly, the economics of social housing mean that it could be built at needed scale. It’s this that has especially attracted Sean Parker, a city council member in Nashville, of all places. In his city, home prices roughly doubled between 2009 and 2019, he says, and the “pandemic boom brought in even more out-of-state buyers who are outbidding locals, making cash offers, and waiving contingencies.” And whereas home subsidies are expensive and add to rent pressure, “social housing captures the rents and rolls them back into the program. The public property portfolio grows. Residents get decent, stable housing they can count on long-term. It’s a win-win.” He hasn’t gotten enough support from the council or the mayor to actually start, alas.

Indeed, governments wouldn’t even need to appropriate much (or any) money for the initial construction, because they could float a bond against future rental incomes. Montgomery County, Maryland, has actually done this on a modest scale. It’s taken a small grant program providing \$3 million a year, used that to back a bond, and then built hundreds of cross-subsidized units—a huge number given the tiny initial capital. As housing writer Paul Williams notes, “one of the first projects [the county] will be building with this model is 268-units of a new passivhaus certified

development adjacent to a [planned] bus rapid transit line.” (Passivhaus is an ultra-efficient energy standard for buildings’ energy usage.)

That leads to a second advantage: By reducing housing costs, social housing delivers supply to all segments of the market simultaneously. The housing shortage in many American cities is so severe that even families with comfortably upper-middle-class incomes often struggle to afford rent or a mortgage payment. Harvard’s Joint Center for Housing Studies estimates that even before the pandemic, in the New York City-Jersey City area about 49 percent of renters were cost-burdened (meaning they pay more than 30 percent of their income in rent), and 27 percent were severely cost-burdened (or paying more than half their income).

These extreme housing costs mean an ever larger portion of a city’s economic product goes into the pockets of landlords or bankers who do little to earn it, and who tend to save rather than spend as they are much richer than average. Low rents and home prices, by contrast, yield more disposable income for ordinary folks whose spending creates businesses and jobs locally.

The broad constituency that would be helped by social housing is especially attractive in California, which has perhaps the worst housing crisis in the country. In the Los Angeles-Long Beach-Anaheim area, for instance, 54 percent of renters were cost-burdened in 2019, and 30 percent are severely burdened. It’s the central reason why California Assemblymember Alex Lee recently introduced a social-housing bill along the lines noted above, which has attracted wide interest. The bill “has acquired support from California’s biggest public-sector union, the renters’ council, the nurses, and the construction workers unions who are major strongholds in the legislature along with other housing groups,” says Darrell Owens, a policy analyst for California YIMBY, a housing think tank that advocates for more construction.

Another benefit for social housing is that it creates socioeconomic integration. Rather than poverty being warehoused in slums or run-down public-housing projects, social housing mixes people of all incomes together. That avoids not only gentrification, where rising home prices push out existing residents, but also concentrated poverty, which is associated with all kinds of social ills.

Social integration is a big motivation behind a Seattle effort to get social housing through a ballot initiative. This week a group called House Our Neighbors filed to get such a measure on the ballot this year, and started collecting signatures. In a statement, they said that without it, “rent continues to rise, more of our neighbors are pushed into homelessness, Black and Brown communities are displaced and low-wage workers are pushed out of the city.”

A final benefit worth mentioning is that social housing stabilizes the construction sector. America is experiencing a substantial boom in housing construction right now, but as noted, it’s coming after an entire decade of severe underinvestment. It will take years to catch up on the backlog of needed inventory, and construction spending is not going nearly as far as it might have because the construction industry has only barely recovered from its massive collapse after the housing bubble, and the red-hot market has bid up the price of materials like lumber. If we had been building social-housing units for the last decade, there would be a great deal more inventory, it would have come at a much cheaper cost, and it would have reduced the severity of the Great Recession substantially.

So far, of course, social-housing projects are very small compared to the vast size of the United States, and the idea faces steep uphill battles even in liberal California. But given how many very serious problems can be solved through social housing, it’s easy to imagine it spreading quite rapidly.

Montgomery County proves that the idea can work, and Parker estimates that he has between three and five potential allies on his city council. “Nashville can move heaven and earth to build a new NFL stadium or support a corporate relocation. We can build housing, too,” he says.

Editor's note: This article has been updated to clarify the nature of Montgomery County's grant program and the status of the BRT line.

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