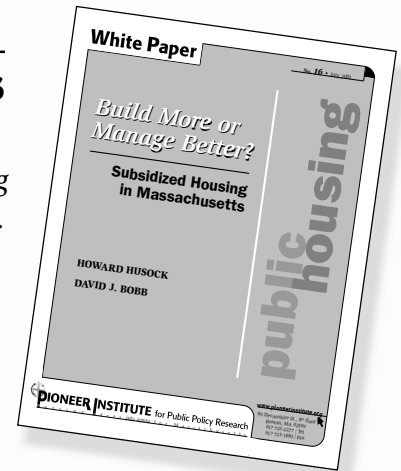


Policy Dialogue

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Build More or Manage Better? Subsidized Housing in Massachusetts

A recent Pioneer Forum titled “Build More or Manage Better? Subsidized Housing in Massachusetts” marked the release of a Pioneer White Paper of the same title. The paper’s co-author, **Howard Husock**, director of case studies at Harvard’s Kennedy School Government, summarized the study’s findings. Commentary was provided by **Thomas M. Finneran**, speaker of the Massachusetts House of Representatives; **Aaron Gornstein**, executive director of Citizens’ Housing and Planning Association; and **Sandra B. Henriquez**, administrator of the Boston Housing Authority. The remarks of each are excerpted below.



Making Better Use of Existing Public Housing Stock

Howard Husock: By a great many measures, Boston and Massachusetts have more public and subsidized housing than almost any place in the nation—some 160,000 units for a population for 6.1 million. Among the 50 states, only New York, Rhode Island, and South Dakota (which has extensive housing for Native Americans) exceed the Massachusetts total of subsidized housing per capita, which is 2.58 units per 100 people—35 percent above the national average.

Notwithstanding our high current investment, it seems that the only question we ask about subsidized housing is how much more should we build and how should we finance it? Our report suggests some other considerations. Foremost is the question of how to improve the management of the extensive existing stock of public and otherwise subsidized housing in the Commonwealth. We identify three major areas in which better management could create more available housing units without the need for additional construction.

- We urge a reduction in the number of long-term vacancies in subsidized housing statewide. Poor maintenance and inadequate capital investment lead to uninhabitable units. Today, there are almost 1,000 long-term vacant units in Boston Housing Authority properties alone, as well as others throughout the state. Our report is not attempting to single out the BHA—which is the largest operator of subsidized housing in the state—for its management practices. The larger point is this: If thousands of subsidized apartments are consistently vacant, it may be unwise to invest in new construction until we can find ways to sustain the units we have already built. There has been a reduction in the time that it takes the Boston Housing Authority to fill vacancies that are ready to be rented. That rate still averages about 30 days.



House Speaker Thomas Finneran was one of the participants at the Pioneer Forum on public housing.

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Howard Husock,
co-author of the
White Paper

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—Howard Husock

The complete *White Paper* "Build More or Manage Better? Subsidized Housing in Massachusetts" can be downloaded at Pioneer's website, www.pioneerinstitute.org/research/whitepapers/wp16cover.cfm.

- We urge the reduction of what is called in HUD [U.S. Department of Housing and Urban Development] language "overhousing"—units in which there are more bedrooms than residents. Currently it is estimated that 9 percent of subsidized units statewide fall into this category. The BHA's overhousing rate as measured by HUD in 1998 was higher than 12 other comparably sized cities. By current BHA figures, 1,778 households are overhoused. As of 1998, there were 7,700 households statewide in subsidized housing that were considered by HUD to be overhoused.

- We urge a new approach to waiting list management. Applicants are encouraged to put their names on as many waiting lists as possible. Duplicative waiting lists overestimate demand and serve prospective tenants themselves poorly. A centralized waiting list would allow us to get a better handle on demand. By creating a centrally managed statewide waiting list for subsidized housing, whether it is public, private, or non-profit owned, we can match residents with apartments that might become available wherever they might be. A Boston resident could find an apartment in Lynn. A Brockton resident could find an apartment in Mattapan. A model for waiting list management comes from the state's Department of Housing and Community Development (DHCD), which has merged what used to be nine regional waiting lists into one.

Public Housing and Single-Parent Households

Among the tough questions we must ask is whether by accommodating single-parent families as they form we run the risk of encouraging the formation of more such families, where we know the long-term risks of poverty and poor outcomes for children are very great. We risk as well making it difficult to accommodate two-earner middle-class families in Boston because

we're devoting a large portion—relative to other cities—to subsidized housing in which the single-parent household is over-represented.

Another way to make better use of existing public housing would be the initiation of a time limit for new tenants. The pressure of a time limit could change housing developments from places of long-term poverty to waystations on a road to upward mobility. Currently, the average household in public or subsidized housing in the Commonwealth spends 83 months, almost exactly seven years, there. If that figure were to be reduced only to the nationwide average of 72 months, thousands of new apartments would become available. If it were reduced to five years—the welfare time limit—still more would become open.

There are other possible approaches. In New York's Long Island area, three large suburban jurisdictions have adopted accessory apartment ordinances, laws that allow formerly single family homes to include small apartments. This often enables elderly people to keep their house by moving into the small apartment and renting out the larger area, providing housing for younger families. Such innovative housing regulation helps the market adapt to demand.

In short, before we rush to build more, let's take stock unemotionally of where we are. Our conclusion is we can make better use of what we already have.

Build More *and* Manage Better

Thomas Finneran: The title of the report asks the question, Build more or manage better? The answer is both—build more *and* manage better. I think it's important to acknowledge that we in the legislature do not have the resources at the state level to build our way out of this challenge. There have to be other solutions that come not just from the public sector.

I don't think any of us can afford to delude ourselves by holding onto policies of the past.... It is the failure of those policies that has led to ferocious resistance to public housing.

—Thomas Finneran

We also have to acknowledge that there is ferocious resistance to the notion of public housing or affordable housing, including in inner-city communities of color. In my district in Mattapan we were just doing a rehab and conversion of the old chronic disease hospital, the TB hospital on River Street. Hundreds of people at countless community meetings were fiercely resistant to the notion of public rental and affordable housing, vouchers, Section 8, or anything else like that. Their resistance had the same type of tone that one might expect in suburbs like Lincoln or Dover or Wellesley.

It's difficult to disagree with any of the paper's recommendations except for the last one. Efforts are under way to address persistent vacancies. To reduce overhousing, the appropriate allocation or alignment of units with household size is to be encouraged. I think it is appropriate also to develop a single statewide waiting list so there can be greater coordination and better information provided to people who are desperate for housing. The last recommendation I will quibble with; to impose some type of rigid timeline is not cognizant of the realities of the housing market here in Massachusetts.

Realtors will tell you location, location, location defines value in housing. The solution to our housing challenge is supply, supply, supply. We are woefully deficient on supply—and not just the supply of affordable public housing. It is supply across the entire spectrum of housing needs. And we should encourage and applaud increased supply anywhere because that provides relief everywhere.

The analysis that I think is compelling and persuasive suggests that the Commonwealth of Massachusetts should be building somewhere between 12,000 and 15,000 rental units a year. That is in part because of our population growth and because of the normal decay and loss of units over a long period of time. It is also because of demographic changes that have occurred in household composition and in household size. During the 1990s we were building about 2,000 units per year. There were six to seven applicants for every new unit. You don't have to be an economist to realize what is going to happen to price—it is going to go through the roof, and it has.

Modest Steps in the Right Direction

Four years ago Paul Haley, then the Chairman of Ways and Means, and the members of the House put in place a tenant escrow program in which a tenant can divert part of his or her rent into an escrow account to be held aside. The state matches it 50 cents for every dollar set aside. It's paid back into the local housing authority. Over a period of time, the tenant has the opportunity to build up some money. They can use it for first or last month's rent or other things. This program is designed to encourage good habits of saving and to also encourage more rapid turnover of units.

Last but not least, the welfare reforms of 1994 and 1995 addressed the notion of single-parent households because of their social and economic circumstances being given priority for vouchers or public housing placement. We thought that was not a particularly wise policy. We said very specifically, unless that person can show some evidence of violence, abuse, or other highly inappropriate conduct in the household, we now encourage and require them to stay in the household. The focus is on finishing school, living with your parents, and adjusting to the circumstances, as difficult and as challenging as they may be.

We did not want to send the wrong signal; we did not want to create or continue to have in place the wrong incentive in which the young lady or her boyfriend becomes aware of the situation and says, "Drop out of school, get your housing." In that situation, welfare, fuel assistance, food stamps, and housing probably sound like a good deal; nobody who knows the reality of these things would think that it's a good deal, but it can and does often look that way.

Also see the Pioneer op-ed, "Build housing, not a convention center," on-line at www.pioneerinstitute.org/research/opeds/chhousing.cfm.



*House Speaker
Thomas Finneran*

These are modest steps in the right direction. This paper, as timely as it is, as appropriate as it is to stimulate our thinking, might not come to a full appreciation of the most recent efforts at BHA and of the work that's been done at DHCD and by the people at MHFA [Massachusetts Housing Finance Agency] with regard to their very close supervision and dramatic improvement of the SHARP Program [which provides loans to low-income housing developments].

I don't think any of us can afford to delude ourselves by just holding onto policies of the past. A lot of those policies have failed, and it is the failure of those policies that has led to that ferocious resistance we see to public housing.



*Aaron Gornstein
of Citizens'
Housing and
Planning
Association*

Housing Needs Exceed Existing Supply

Aaron Gornstein: The central finding of the study is that reducing vacancies and over-housing will free up 1,819 units of public housing. We agree that vacant public housing should be put back on line as quickly as possible. But capturing 1,800 units would meet only a fraction of the need. Mountains of data reveal a severe shortage of affordable housing. Vacancy rates are at 1 percent. Rents and home prices have skyrocketed. Average rent for a two-bedroom apartment is \$1,500. Average median home price is \$275,000 in the greater Boston area—60 percent higher than five years ago. Two hundred fifty thousand households are paying more than half their income for rent.

The city of Boston alone has lost 18,000 affordable units that have gone market-rate since 1995. The new statewide waiting list—Section 8, which Howard referred to—now has 42,000 households on it, and that includes no double counting. Finally, about half the households that receive vouchers today in greater Boston have to turn them back in to the housing authority because they can't find an available unit. A survey done by the city in May found that only 13 of 4,046 apartments advertised during the entire month were at or below the fair market rent level under Section 8.

It is this compelling evidence that has led Cardinal Law, business leaders, Governor Swift, Speaker Finneran, and the legislature to proceed with a two-pronged strategy: preserve existing subsidized housing and produce additional housing. So build more or manage better? As the Speaker said, the answer is simple: Do both.

The report says that subsidized housing has actually created Boston's housing crisis. We believe the housing crisis is caused by increased demand, fueled by incredible economic growth. New production has not been able to keep up. Massachusetts ranks 46th out of 50 states in new housing starts over the past decade.

The report finds a significant problem with vacancies in public housing. According to DHCD data, the vacancy rate in public housing is 2.1 percent, compared to the private market rate of 3.5 percent. The report groups normal vacancy turnover rates with offline units and comes up with a 14 percent figure for the Boston Housing Authority. There are specific plans for every BHA development that is offline. If you exclude those developments, the vacancy rate at the BHA is less than 2 percent.

The report finds the average tenure in public housing is seven years and that we should get it down to five years to align it with welfare reform. With an average income of \$15,000 in public housing, it will be virtually impossible for these households to find housing in today's market. This policy will further contribute to homelessness, which has already doubled over the past year.

There are a slew of welfare-to-work programs to encourage self-sufficiency in public housing, many of which have started since 1998. The housing authorities in the state are exploring statewide waiting lists. There are a lot of issues to address, but it could be a better system for the applicants, and we hope that that moves forward.

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—Aaron Gornstein

In conclusion, the report does focus on important management issues. I do not think that it provides a complete picture of the public housing system or the larger housing market in greater Boston.

BHA: Providing Improving Service



*Sandra Henriquez
of the BHA*

Sandra Henriquez: This research is woefully lacking in important data and information. Much of the data contained in the report is outdated, inaccurate, or insufficient for scholarly research. It appears that the authors have singled out the BHA to cast negative light on affordable and public housing.

The Boston Housing Authority has a varied 65-year history, and it will take more than a few years to correct those deficiencies. The authority's employees have worked incredibly hard to turn this agency around. The data from 1998 to the present are much changed, in large part because we do realize that we operate a real estate business. To run a good business you can't have long-term vacancies or tenant arrearages. You have to have conditions that make people want to live in the units that you deliver. We have worked on performance standards and to institutionalize changes. There is absolutely no appreciation—either in the report or in the wider housing community—for what the people at the BHA have done for the past five years.

Until five years ago, the BHA did not have a complete list of its properties. The BHA now has a list of every single vacant unit in its portfolio by address.

—Sandra Henriquez

Until five years ago, the BHA did not have a complete list of its properties. The BHA now has a list of every single vacant unit in its portfolio by address. We can tell you what floor it is on and how many bedrooms it has. We can tell you its condition, and we can tell you what the sources are that will be used to put it back online. There is a plan and a timetable for every single unit, which includes where the dollars are coming from.

Overhousing is a zero-sum game. For every family downsized to the right size unit, two units have to be prepared. If we focused only on correcting every under- and over-housing unit first, there would be no families moved from our waiting list into our units. With limited resources and a waiting list that has grown by several thousand people in one year, we have to strike a balance between how many units we use for correcting underhousing and overhousing and how many we use for new applicants.

Our waiting list grew to 21,000 households. This includes individuals and seniors but it also includes families. We wrote to all 21,000 households and said, Tell us if you're still interested, what's changed about your circumstances, where are you? The number dropped to 14,000. And in a year, it grew by 3,000-4,000 more households.

Whether or not we are in a crisis depends on one's perspective. If you are housed appropriately at a price we can afford and can also afford heat and light and food and to do other things in our lives, then housing is a concern or an issue. But if you're homeless and you're on the street or you're in a car or you've been doubled-up for three years and you're in a one-bedroom with nine people, then I wonder if the word crisis is strong enough for what you see.

I would invite anyone to come spend time with the public housing authority in the city of Boston. We provide an incredible service to more than 27,000 people in this city on our conventional public housing side and probably another 25,000 or so through rental assistance.

We did not create the housing problem. We are trying to solve it along with other advocates, and we will continue to do that. It is our mission. It is both morally and ethically the right thing to do.

You can discuss housing issues online at Pioneer Network at www.pioneernet.org/forums_view.cfm?forumid=19. Pioneer Network is a virtual community of scholars, policy experts, journalists, and opinion leaders which is dedicated to providing a forum for leading edge scholarship and market-oriented solutions to public policy issues.