THE PRIVATIZATION OF AMERICAN PUBLIC HOUSING
Leaving the Poorest of the Poor Behind

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Introduction: Pathways to Privatization

In recent years, the public sector has played a shrinking role in direct housing provision for eligible lowest-income Americans, leading to what critics frequently decry as “the privatization of public housing” (Arena 2012, xxix, also see Hackworth 2007). The Rental Assistance Demonstration (RAD) program, authorized by the U.S. Congress in 2011, has brought this language to the fore—even though supporters of the program insist that its sole purpose is to “save” public housing by providing a mechanism that raises substantial funds to repair or redevelop it so that it can remain an asset for the lowest-income households. Detractors, however, see RAD as an unwelcome blurring of the public–private boundary since the program permits conventional public housing apartments to be converted to long-term project-based contracts that no longer require public ownership or management. Privatization, in this sense, is a term of derision proffered by those who see RAD as no more than another component in the neoliberal takeover of American cities—another way to push out the poorest to make way for private investment. This critique, however, misses the larger picture: American public housing has been on the pathway to privatization since its very inception. Rather than assess whether privatization has been a good thing or a bad thing for the actual management and operation of deeply subsidized housing—certainly a vitally important question—this chapter instead focuses on the extent to which privatization has failed to forestall the shortfall in public housing supply.

We argue that public housing in the United States is more than the stereotyped federal public housing program of the 1950s and 1960s, with its series of frequently vilified superblock neighborhoods and discredited policies. Rather, the ever-expanding notion of “public housing” since the 1930s provides windows into evolving attitudes about which of the American poor ought to be housed with assistance, either directly or indirectly, from the government. Over time, the initial idea behind “conventional” public housing—housing financed, owned, and operated by the public sector—has undergone so many changes that it makes increasingly little sense to describe all of it with the same name (Marcuse 1995).

Public Action in Service of the Private Sector

The basic “public”-ness of public housing in the United States has been contested right from the start. Truly “public” housing would have a governmental entity design, fund, construct, own,
operate, and maintain buildings—take on, in other words, all of the tasks necessary to make and manage a home. But little if any of the public housing ever built in the U.S. fits this definition precisely. Projects funded by the Public Works Administration in the mid-1930s were designed by private architectural firms; they were bid out to private contractors; and they benefited from private bond financing (extolled as “high grade investments of the future”) (The New York Times 1937, 35). The basic justification for public housing was, from the beginning, rooted in the goal of stimulating the private building industry (Marcuse 1995). Has public housing ever been truly public?

Throughout its history, promoters of “public” housing needed to find ways to accommodate the needs and preferences of the private sector. Private property interests have molded the evolving shape of the public housing program in many important ways (Vale 2000). Most fundamentally, the Housing Act of 1937 targeted public housing access to low-income families through a formula that tied low rents to low incomes. By limiting eligibility to families earning no more than five times the fixed rent (six times the rent in the case of large families), the legislation thereby ensured that any significant rise in income would spur their departure into private market-rate housing. The bill also appeased private homebuilders and Congressional conservatives with provisions stipulating dollar limits on per-room and per-dwelling construction costs, intended to minimize the chance that public housing would compete with privately supplied housing. Further reducing competitive threats were stipulations that federal money would go only to projects that were without “elaborate or expensive design or materials” and that cost less than the “average construction cost of dwelling units . . . currently produced by private enterprise, in the locality” (U.S. Housing Act 1937, Section 2 (1), Section 15 (5)). Despite such stipulations, real estate interests frequently blamed early public housing for running unfair competition with the private sector. Writing in 1944, former U.S. Housing Authority Administrator Straus did his best to debunk such claims:

Public housing throughout every phase of its production is actually private business. . . . The sites are appraised by qualified private appraisers. The buildings are designed by private architectural firms. The projects are constructed by private building contractors chosen on a competitive bid basis. The labor employed works under normal conditions of private business.

(Straus 1944, 167–168)

Despite its accommodation of private sector concerns, public housing faced persistent opposition from private realtors and developers. Writing in 1935, Stout, president of the Atlanta Real Estate Board, cast the public housing question in familiar ideological terms of individualism, self-reliance, and frontier manhood:

The working classes of this country will rue the day when they are housed in Government-owned, Government-built, and Government-regulated houses. Masters house their slaves, but free men house themselves. Those who are descendants of pioneer American stock will not regard as “Home” a unit in a fine building, built at taxpayers’ expense, in a slum clearance project.

(Stout 1935, 72–94, capitalization in the original)

Such private sector complaints notwithstanding, American-style public housing was never entirely public, and soon became even less so.

Starting in the late 1950s, all manner of private and not-for-profit entities entered the fray even more directly. New social partnership experiments kept public housing in “project-based” form but
declined to saddle those particular projects—which were publicly subsidized but developed and managed by the private sector—with the “public housing” name, choosing instead to use names that were indistinguishable from market-rate housing developments. Many public housing authorities (PHAs) engaged in large-scale experiments to re-conceptualize public housing as tenant-based vouchers dispersed across a landscape of private landlords. There have also been partnerships that offered somewhat less deep housing subsidies utilizing the tax code through Low-Income Housing Tax Credits (LIHTC), administered by the federal Internal Revenue Service (IRS), and thereby engaged both investors and a variety of nonprofit organizations and financial intermediaries. Imperceptibly, but incontrovertibly, what once could be confidently described as “public housing” became transmuted into a continuum of public-private ventures.

The United States has never gone as far as the large-scale explicit privatization of council housing launched in the United Kingdom by Thatcher in 1979—and the future of the program, once supported by both Conservative and Labour parties, is now in question (Hodkinson and Robbins 2013). American policymakers have consistently found new and creative ways to incorporate the private sector, yielding what may be more aptly described as a form of public-private housing. With public–private partnerships (PPPs) proliferating across nearly every domain of urban development—from wastewater and sewage treatment works to schools, airports, subways, government offices, fire and police stations, hospitals, and prisons, to telecommunications infrastructure, toll roads, bridges, and tunnels—it is hardly surprising that the phenomenon has come to encompass public housing as well (Sagalyn 2012).

Others have noted this phenomenon using the term “hybridization” (Billis 2010), with some focusing specifically on housing subsidy provision (Bratt 2012; Mullins et al. 2012; Nguyen et al. 2012) to describe the transitions in housing policy and practice in the U.S. and European contexts. Marcuse has argued that American-style public housing will remain marginalized as long as it is seen as failing to serve “a broad spectrum of residents”; by contrast, “mainstreaming” public housing would entail treating all manner of housing subsidies, from vouchers to tax deductions, as part of a more inclusive concept of public provision (Marcuse 1998, 31–34). That approach might expand the reach of public housing but remains firmly at odds with the current public understanding of the conventional public housing program. Thus the importance of a new term, “public-private housing,” that responds to the reality of a federal deeply subsidized housing program that is in many ways an evolving public–private partnership.

In this chapter, our goal is to integrate the saga of American public housing into a larger cultural narrative of housing initiatives. Housing scholars and planning practitioners typically draw sharp and tight boundaries around what counts as “public housing,” treating it as an entirely separate genus from programs that utilize vouchers or that deploy federal subsidies to assist rental housing that is privately owned. This taxonomic separatism can be weakly justified on the grounds that these other programs are “public” in some ways but not in others, yet all of them have rapidly evolved and descended from a common ancestor—the Housing Act of 1937. We argue that they ought to be included within the broader ambit of public-private housing, defined to encompass all forms of publicly assisted deep subsidies intended to help the poorest Americans afford their housing. Seeing public housing this way illuminates the long trajectory of its privatization.

**Shifting From Conventional Public Housing to New Modes**

Just as public housing now incorporates a wide variety of built environments, fiscal programs, management regimes, and social constructs and is itself “public” in some ways but not in others, those alternatively named governmental policies that were designed to spread housing affordability through tenant- or project-based vouchers or loans to private developers were developed as evolutions of the
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initial public housing program, rarely as dramatic departures from it. “Conventional” public housing is no longer so conventional, and the U.S. Department of Housing and Urban Development (HUD) has made its public housing units increasingly fungible with deeply subsidized housing units funded through other programs. It is time, we argue, to have a single term that describes the larger American phenomenon of deeply subsidized housing.4

Public-private housing for low-income households comes with a subsidy from the federal government that may be defined as either “deep” or “shallow.” Public housing, as the original “deep subsidy” program for low-income Americans, shares several important characteristics with the newer hybrid forms of deep housing subsidy that have come to supplement it.5 At base, a deep subsidy links the size of rent payment to a percentage of household income (typically 30 percent at present). The subsidy covers the difference between this percentage of tenant income and the “fair market rent” for that unit and can apply to public housing, project-based vouchers, or tenant-based vouchers.6 By contrast, “shallow subsidy” programs, such as LIHTC, also charge below-market rents, but those rents do not vary according to the income of the tenant. Our principal focus here is on the deeply subsidized portion of the public-private housing stock.

Looking across 80 years of experimentation in public housing and its public-private offspring, the federal government has launched many different kinds of policies that subsidize a small fraction of the nation’s poorest households. Cumulatively, despite the terrible reputation that “public housing” has held for decades, the nation’s overall commitment to deeply subsidized housing rose steadily for five decades—even though it assuredly remained well short of the actual need. Since the early 2000s, however, the stock of deeply subsidized housing, including vouchers, has stopped growing; given that the national population has risen by about 15 percent during the same period, on a per capita basis the stock of such housing has lost considerable ground. Figure 14.1 reveals the place of the

Figure 14.1  Trends in Deep Subsidies for Federally Assisted Rental Housing. Overall, these subsidies expanded significantly over several decades, but have slowed dramatically during most of the last 25 years, in tandem with a decreasing reliance on the conventional public housing program.

Privatization of American Public Housing

public housing program in the larger realm of federally sponsored efforts to generate deep subsidies for low-income families through public-private housing. The clear message is that conventional public housing, while certainly the pioneer program, has long since been eclipsed by other efforts that have grown larger even as the number of public housing units has declined by 370,000 since the program’s peak in the early 1990s. Conventional public housing now accounts for less than a quarter of all deeply subsidized apartments and stands out far more starkly in peoples’ minds than it does in the world of actual housing supply.

Its lingering hold on the public imagination—undergirded by an enormous scholarly literature coupled with a much larger presence in the popular media—is both due to its distinctive visibility on the urban landscape and because it is the nation’s most noticeable reminder of persistent urban poverty in a wealthy nation. Public housing makes evident the tensions of race, ethnicity, and gender relations, and both strains and clarifies disputes over class by revealing how self-definings of “poor” and “middle class” are constructed in the American city. In doing so, moreover, it demonstrates the power of private markets to shape even that which is explicitly termed “public.”

Even at the times when Congress passed the major legislation in 1937 and 1949 that placed public housing at the center of the nation’s low-income housing policy, it was advanced only thanks to the support of the building trades, which saw new affordable housing construction as a “counter-cyclical” public work that, ironically, supported private contractors (Winnick 1995, 102). During the mid-1950s, once the constituency seeking family public housing started to shift away from the White working class, policymakers sought new ways to serve other portions of the poor judged to have particular worth. Instead of a program designed to support young two-parent upwardly mobile working-class households, public housing quietly shifted into a social experiment in housing the elderly (typically at least age 62) and/or the disabled. The Housing Act of 1956 redefined public housing eligibility to include the single elderly, and both this legislation and the Housing Act of 1961 offered local housing authorities an annual premium for each elderly household housed in its developments. The elderly poor clearly benefited from a broadened definition of public housing. Section 202 of the Housing Act of 1959 provided federal capital grants to nonprofits to complete and operate apartments for very low-income seniors, for the first time offering federal funds to non-governmental entities for the provision of deeply subsidized housing (Schwartz 2015a). By the 1960s and 1970s, Meehan (1979, 36) comments that the elderly poor were “the favored darlings of the public housing program.” Today, those over age 62 head about one-third of public housing households, mostly located in buildings specifically constructed to house seniors (Schwartz 2015a).

Seniors, however, were hardly the only new population seeking public housing. From the late 1950s to the 1980s, largely as a reaction to the pressures of broader American societal trends, i.e., the Civil Rights Movement and the Second Great Migration, the leadership of most large American cities gradually re-tenanted “the projects” with the least advantaged and most economically desperate urban dwellers as their initial White working-class constituency chose to leave them behind for other housing alternatives in the private sector. In 1960, the average public housing household earned 41 percent of the national median income, but by 1970 this had dropped to 29 percent of the median, and it continued to plummet further, sinking well below 20 percent of the median by the early 1990s (Nenno 1996). By 1987 Congress had enacted explicit preferences for a broad array of disadvantaged applicants, encompassing the homeless, the disabled (including the mentally ill), and those paying more than 50 percent of their income in rent. The Reagan administration defended these policies as a necessary recognition of the greater impoverishment among those seeking housing assistance (Schill 1993; Vale 1992).

As public housing was systematically turned into “housing of last resort,” federal policymakers sought reform that expanded the role of private sector actors beyond senior-focused developments
and toward family units. They also moved private actors past the construction and financing phase and into management and ownership of units. This evolution inexorably moved the American commitment to deeply subsidized housing toward public–private housing, taking it well outside the bounds of conventional projects built, managed, and maintained by local housing authorities. The period from the early 1960s to the mid-1980s—from the Kennedy administration to the heart of the Reagan revolution—marks a crucial ideological battleground over the nature and direction of the national obligation to deeply subsidized low-income housing. Although it is certainly correct to regard the Nixon administration moratorium on new federal housing finance, announced in January 1973, as a watershed moment in U.S. public housing history, and correct to view the Housing and Community Development Act of 1974 as a significant move away from production-oriented approaches (such as the conventional public housing program) and toward consumer-based housing vouchers, much of this shift had occurred years earlier.

Though both Presidents Kennedy and Johnson called for the expansion of the conventional public housing program, both administrations pursued reforms that encouraged private investment in public housing and in housing that served those with somewhat higher incomes. The 221(d)(3) program of the 1961 Housing Act provided insurance and subsidized interest rates for mortgages on multifamily units for moderate-income households constructed by nonprofit and limited-profit developers, thereby permitting subsidized rents. During the Great Society, the effort to engage private groups in the public housing production process also sped up; “We are striving . . . to get private business to take on some of this development,” President Johnson (1966) averred. Developers would be able to design and build “public housing” projects and then sell them to housing authorities under the Turnkey system, or do so in later years through acquisition. The Rent Supplement program introduced in 1965 allowed local authorities to distribute low-income households into privately held units (particularly those subsidized by Section 221(d)(3)) and restrict their rental payments to a low percentage of their incomes, while making up the rest via federal grants. Conversely, the 1965 Housing Act also allowed some tenants to buy apartments in conventional public housing buildings through the Turnkey III program, though this pilot measure was rarely used. A similar attempt at private ownership of individual units passed in 1988, HOPE I, which also failed to take hold (Schill 1990). Privatization proceeded apace, just more subtly.

Meanwhile, authorities could lease some existing private apartments under the new Section 23 program and then provide them to the poor, who would pay rents as if they were living in conventional public housing. Local housing authorities referred to these units as yet another form of “public housing,” an appropriate appellation considering their place in the federal program, but clear evidence that the program had evolved past the conventional financing and ownership paradigms of the past (Orlebeke 2000). Section 23 made possible direct private investment in what would become public–private housing.

In 1968, Johnson’s ambitions further expanded as he signed into law a ten-fold expansion in funding for low- and moderate-income housing through a bevy of new subsidies for public housing and other financing programs. The new Section 236 program, which replaced Section 221(d)(3), provided a major boost to moderate-income housing construction; when combined with the Rent Supplement program, it allowed for the provision of a limited number of deeply subsidized units for low-income households since those tenants needed to pay only 25 percent of their income in rent (later increased to 30 percent). The president’s aim was not only to build more housing, but to do so “to enable private industry not only to build low-income housing developments, but also to manage them” (Johnson 1968; Schwartz 2015a, 159). The members of the Kaiser Committee (1968, 72), appointed by Johnson to study the nation’s housing, suggested that conventional public housing had “been transformed by so many new variations” that it could imagine—but did not endorse—a situation in which “the federal government could develop a single housing subsidy technique” incorporating vouchers for both public and private housing.
President Nixon followed through on the funding promises of the 1968 bill, at least at first. In his first term, the government produced the largest investment in new federally subsidized low-income housing ever, building more units in four years than had been produced by the 1949 Housing Act. In 1964, conventional units accounted for 88 percent of all new public housing produced; by 1972, their share had declined to just 15 percent. HUD transformed what “public” meant when it came to public housing, financing three-and-a-half times as many units of turnkey, acquisition, and leased housing as conventional public housing (U.S. Department of Housing and Urban Development 1973). In the process, it showed that public housing could come in a very private form. The mold was set.

The success of these alternative approaches in providing more units serving low-income households at a decreased cost—though several of the programs struggled with poor quality and foreclosure by the mid-1970s (Winnick 1995)—emboldened conservatives, even as conventional public housing complexes began to struggle under the weight of their welfare mission. If private construction of new “public” housing worked, why not simply rely entirely on the private market? Housing authorities could negotiate with developers to allow leasing of an adequate number of units for low-income people. Some even suggested providing direct vouchers to individuals. Disenchanted by the progress of the expanded housing programs and concerned by violence and incivility at places like St. Louis’ Pruitt-Igoe complex, HUD Secretary Romney had by 1972 been convinced. “We can no longer afford $100-billion mistakes,” he stated. The media and the executive branch increasingly publicized problems with federal housing programs, but Congressional paralysis and disagreements about the value of public housing made legislative reform of the 1968 Act difficult to foresee (Herbers 1972, 22). In January 1973, with some ambivalence, Romney announced a complete moratorium on new funding for federal housing subsidies and subsequently resigned (Orlebeke 2000). Nixon (1973, n.p.), called government housing investment “boondoggling,” and suggested that housing programs “have been turning the Federal Government into a nationwide slumlord.”

In late 1973, President Nixon proposed ending traditional federal housing programs and replacing them with either housing or cash allowances based on income, the latter a goal he had been developing under his welfare reform program since 1969. Congress did not go that far but eventually passed the Housing and Community Development Act in summer 1974, dramatically reducing funding for the construction of new conventional public housing (decreasing the six-year total subsidy to just 30,000 new units). The Section 8 construction program, with 400,000 new or rehabilitated private units by 1981, would provide most of the new low-income housing. Meanwhile, thousands of rental certificates would go directly to households, letting them choose apartments in existing buildings—a demonstration program that Nixon wished to expand (Varady and Walker 2007). This method of subsidizing the poor, focusing on choice and private initiative rather than public service provision, fell ideologically in line with conservatives in the Nixon and Ford administrations (Ford 1974). It also addressed the sense that the most significant housing problem facing American low-income families was no longer building quality—overcrowding and dilapidation had declined substantially since the 1940s—but affordability (President’s Commission on Housing 1982). With public housing in most large cities now seen as ghettoized projects that degraded the poor rather than as aspirational living environments for the upwardly mobile lower middle class, both major parties favored a continued evolution of a program that had once relied almost entirely on public initiatives for funding and management into one that incorporated increasing private involvement.

**Seeking Private Landlords**

Proponents of the new rental certificate program did not dare adopt a name that bore any obvious relationship to “public housing,” even though the program had emerged from the original
public housing legislation and even though it resembled the Section 23 leasing and Rent Supple-
ment programs introduced a decade before. Instead, legislators (and the landlords and tenants who
implemented the policy) kept its policy wonk identity intact as “Section 8,” referring to the piece
of the Housing Act of 1937 that left the legislation open to future alteration. Section 8 simply
provided a convenient way to append a large number of new initiatives. Tellingly, the piece of
Section 8 that exploded into the nation’s largest public housing program was not even the one
most noticed in 1974. By the early 1990s, the housing subsidized by this program quietly came to
outnumber conventional public housing units in most large cities (other than New York), some-
times quite dramatically (Vale and Freemark 2012). The certificate program (initially called the
Section 8 Existing Housing program) that provided portable rental subsidies for use by tenants in
the private market eventually merged with another similar voucher program in 1999, to consti-
tute what are now formally called Housing Choice Vouchers. That terminology, with its explicit
emphasis on empowering tenants to decide their own residential location, could be directly coun-
terposed to the presumed entrapment—choicelessness—of the earlier mode of public housing
project (Finkel and Buron 2001). Both ways of naming the new policy—Section 8 and Housing
Choice Vouchers—neatly masked the fact that it provided a level of deep public subsidy to tenants
that was nearly identical to that of public housing projects. This enabled public housing to expand
even during its most stigmatized welfare stage, without actually having to name the new parts of
it “public housing.”

This strategic political choice did not stop landlords from refusing to participate (Varady et al.
2017) or prevent nearby residents from resenting their deeply subsidized neighbors, but the stealth
name and the furtive decentralization of the program still permitted accelerating growth—much
faster than the contemporaneous program of scattered-site public housing. In 1994 the voucher pro-
gram surpassed the unit volume of the conventional public housing program itself, and is now more
than twice its size (see Figure 14.1).

**Seeking Private Developers**

The other, and initially better used, main component of the Section 8 programs, introduced in 1974,
retained the “projects” piece of the public housing concept from 1937, but shifted the ownership of
such projects to the private sector, thereby making it more ideologically palatable. By 1977, Con-
gress favored this new housing production aspect of Section 8, and developers began to master its
“lucrative profit potential” (Orlebeke 2000, 504). The program enjoyed a brief heyday before the
Reagan administration, arguing that the general housing supply had improved sufficiently to make it
unnecessary, applied the brakes and stopped it, preferring instead to expand the tenant-based voucher
portion of Section 8. Despite the relatively short period of implementation, the Section 8 New Con-
struction and Substantial Rehabilitation program left a lasting impact on the metropolitan landscape,
resulting in nearly a million deeply subsidized apartments. As Figure 14.2 suggests, the deep subsidies
that support apartments in privately developed housing projects are more numerous than conven-
tional public housing in many large cities. Like tenant-based Section 8 units, these project-based
units serve a population that is almost entirely extremely low income.

**Seeking Community Partners and Private Investors**

Other important federal initiatives launched since the mid-1970s gained strength during the 1990s,
undergirding the important contributions of more than 4,000 community development corpo-
rations (CDCs), which financed housing units through federally provided Community Develop-
ment Block Grants in 1974, HOME funds from the National Affordable Housing Act of 1990, and
LIHTC (introduced in 1986, as part of the tax code). As shown in Figure 14.3, more than twice as many apartments receive LIHTC contracts as are in the conventional public housing program, and, unlike the deeply subsidized programs, LIHTC has seen a constant rate of increased production for the past three decades; it quietly became the nation’s largest housing subsidy program. Erickson (2009, xiv, 35) calls this “stealth housing program” a “revolution from below,” and notes that these projects have frequently been of higher quality and greater political popularity than either public housing or project-based Section 8 efforts. Unfortunately, it is also true that the more than two million units constructed by public, nonprofit, and private entities with LIHTC subsidies have not reached many renters with extremely low incomes, except for those units that house residents with additional tenant-based Section 8 vouchers (Varady 2006). Of LIHTC households without additional rental assistance, only 31.3 percent are extremely low income (i.e., with incomes less than 30 percent of area median income), far less than comparable welfare-era public housing or Section 8 project-based programs, though the remaining households are largely very low income (i.e., with incomes below 50 percent of AMI) (O’Regan and Horn 2013). In short, most LIHTC units reach the poor, but not the poorest, and they do not provide the deep subsidy that comes with limiting tenant rent to 30 percent of income. Still, they are surely an important part of the emergent public-private housing landscape.

These various efforts enacted under Section 8 and the tax code to bring the private sector more fully into the business of deeply subsidized low-income housing did not, however, obviate the need

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**Figure 14.2** Other “Projects” on the Rise in Large U.S. Cities: Privately Developed Public Housing (2015). In many large cities, the number of Section 8-subsidized project-based housing units is greater than the public housing stock. The bulk of project-based assistance has centered on the privately developed projects constructed in the 1970s and 1980s, but more recently some housing authorities have also gained the flexibility to convert some of their own public housing to project-based assistance, including through RAD, though many of these units are not owned by the authorities themselves.

*Source: authors, based on housing authorities (for public housing data and project-based units run by agencies, 2015–2016, including moderate rehabilitation units); U.S. Department of Housing and Urban Development (2016b).*
to deal with the existing conventional public housing stock, still caught in the impoverished throes of the welfare housing social experiment.

**Seeking the Return of the Worthy Poor**

As the 1990s began, city leaders and their private sector counterparts eventually embarked on a new public housing social experiment. In an effort to remove “severely distressed” public housing, viewed as both a social danger and a political liability, they embraced HUD’s HOPE VI program and championed other housing finance initiatives. They aimed to replace traditional public housing with new communities premised upon a broader socioeconomic constituency, often mixing conventional public housing units, tax credit-financed units, and market-rate units, while simultaneously...
expanding the earlier policy initiative to supply more of the poor with portable tenant-based vouchers. HOPE VI came in two guises: a redevelopment program that began in 1992, and a separately administered demolition-only program that lasted from 1996 to 2003.

The overall supply of conventional public housing peaked at 1.4 million units in 1991, and has declined steadily ever since. Taken together, HUD has authorized the demolition of about 20 percent of the national public housing stock, with about half of this loss of 370,000 units coming from the HOPE VI program and its associated demolition grants (Cisneros and Engdahl 2009; Goetz 2013). HOPE VI typically involved hiring a private developer, appeasing the needs of private corporate investors who did not trust local PHAs, and making sure that the small percentages of public housing residents who were granted the chance to return to the newly rebuilt communities would face the enhanced scrutiny and strict rule enforcement of a private sector manager (Chaskin and Joseph 2015; Vale 2013).

HOPE VI ushered in new forms of public–private redevelopment partnerships linked to broader policy trends that have coalesced since the early 1990s. Once the politically conservative Republicans captured the Congress in the 1994 mid-term election, public housing reform and welfare reform—a key component of the Clinton administration’s federal policy in the mid-1990s—proceeded in tandem. In 1995, the legislature suspended the federal one-for-one replacement requirement, thereby permitting much larger numbers of demolished units to be replaced with vouchers.

More recently, the Obama administration’s Choice Neighborhoods Initiative, first funded in 2010, has replaced and expanded on HOPE VI by not only funding the demolition and replacement of public housing, but also providing federal dollars for the redevelopment of privately owned and built projects, such as those covered by the project-based Section 8 program, and in some cases combining them with new middle-income and market-rate units. All of the initially funded projects took advantage of LIHTC for a portion of capital expenditures (Pendall and Hendey 2013).

With the Quality Housing and Work Responsibility Act of 1998 (QHWRA), public housing reform came into full bloom. Among many other provisions, QHWRA formally embraced the new reliance on mixed-finance development, permitting housing authorities to issue bonds or otherwise borrow funds for the renovation or redevelopment of public housing (with repayment premised on future receipt of federal capital funds). At the same time, QHWRA facilitated (or at least proposed) a significant demographic shift over time, rooted in a belief that the least advantaged working-age families would be better off with vouchers and, correspondingly, that future housing developments should have fewer extremely low-income households. By 2001, public housing residents had a mean income equivalent to 23.8 percent of the area median income, still well within the bounds of the “extremely low-income” category, but a significant increase from the 17 percent of area median income recorded in the early 1990s (Council of Large Public Housing Authorities 2006, Quality Housing and Work Responsibility Act of 1998 1998, Riccio 2008; Schwartz 2015a; Vale 1993).

Meanwhile, as housing authorities sort through which of the poor they want to assist in which kinds of places, the number of unserved households facing dire housing needs has continued to grow. Despite the growth of shallower housing subsidies, such as those supplied by LIHTC units, Figure 14.4 shows that the provision of deeper housing subsidies has entirely stalled for the past two decades, falling further behind population growth. The number of deeply subsidized units, both project-based and voucher-based, has declined by almost 20 percent on a per capita basis since the early 1990s.

As already pointed out earlier, the provision of public housing—and, more broadly, the supply of public–private housing—has remained far short of demand. Unlike other social programs that have been treated as entitlements for the very poor, such as Medicaid, which provides health insurance, and the Supplemental Nutrition Assistance Program (SNAP), housing subsidies have been parceled out parsimoniously (Priemus et al. 2005). In 2015, 7.7 million American renter households faced “worst case housing needs,” meaning that they received no housing assistance despite having incomes
less than 50 percent of the median in their metropolitan area and paying more than half of that income for housing, or else lived in homes with severe problems such as lack of plumbing or heat (U.S. Department of Housing and Urban Development 2015a). Only about one in four qualified households receive some form of deep housing subsidy (Sard and Fischer 2013). Despite extensive public housing experimentation in the United States, most of the eligible public has not been invited to take part.

### Moving to Work, Moving to RAD

In 1999, HUD began implementing the Moving to Work (MTW) demonstration program, first legislated in 1996 and designed to encourage flexibility, eliminate burdensome regulations, and reduce expenditures among local PHAs. Families with a working head of household are provided financial incentives and encouraged to increase their incomes while retaining their federal rent subsidies. In addition, participating agencies (there were 38 as of 2015, representing 11 percent of American
public housing units and 13 percent of vouchers) are allocated funds for public housing capital and operating expenditures, as well as Housing Choice Vouchers (HCV), but unlike non-MTW agencies, they can move federal allocations freely between those accounts. As such, many MTW agencies have significantly shifted their funding away from public housing (which constituted 53 percent of their units in 1998) and toward the HCV program (which accounted for 71 percent of their units in 2009), though this change was accompanied by a 47 percent increase in deeply subsidized apartments supported by federal funds (Cadik and Nogic 2010; Schwartz 2015a; U.S. Department of Housing and Urban Development 2016a).

In 2013, under the Obama administration, HUD introduced the RAD program, which has further blurred the boundaries between public housing and project-based contracts. In the context of declining federal support for capital improvements and steadily aging buildings, RAD opens up new sources of funding by allowing local housing authorities to convert their conventional public housing apartments to long-term project-based Section 8 rental assistance, given a commitment to maintain each subsidized housing unit on a one-to-one basis. In 2012, Choice Neighborhood Initiative grantees were allowed to apply for RAD-based conversion of their public housing units to Section 8 contracts (U.S. Department of Housing and Urban Development 2015b). RAD also allows PHAs to use LIHTC financing for renovation, adding to public agencies’ funding portfolio a revenue source typically used by nonprofit or private developers, and effectively shifting public housing maintenance costs from HUD to the IRS. In a unique melding of programs, RAD allows tenants to exchange their public housing units for rental vouchers for use in private units elsewhere (Schwartz 2015b).

RAD allows the transfer of public housing properties to nonprofit or even for-profit entities, although local housing agencies must retain a controlling stake. Though initially conceived as a demonstration limited to 65,000 units, RAD has quickly expanded nationwide. In July 2018, HUD implemented a new cap of 225,000 units, and some policymakers recommended there be no limit at all. Virtually all small housing authorities engaged with the program thus far have converted all of their public housing into RAD (Schwartz 2015b; National Low Income Housing Coalition 2016). Even New York City has plans to transition 15,000 of its almost 180,000 conventional public housing units through RAD (New York City Housing Authority 2016). RAD could portend a future in which conventional public housing in the United States disappears entirely.

Public Housing: W(h)ither the Public?

After 80 years of policies, ever-increasing numbers of American public housing operations have become completely privatized. In many cities, housing authorities are regularly turning over their conventional housing stock to private managers and often own nothing more than the land beneath their redevelopment endeavors. In this context, even the basic definitional reason for calling some housing “public housing” now comes into question. Indeed, it is not altogether obvious that any PHAs will continue to manage a large number of conventional units. Future research should explore the question of the remaining role for PHAs in providing subsidized housing.

As housing authorities increasingly reinvent themselves as “asset managers,” they move more fully into the mainstream of private property practice. Instead of an “owner and manager of public housing,” for example, the reinvented Chicago Housing Authority now self-identifies as “a facilitator of housing opportunities” (Chicago Housing Authority 2000). If “public housing” is not distinguished by public ownership and management, what basis is still there for distinguishing it from the other kinds of federally assisted deep-subsidy efforts to house low-income renters? Purists and concerned advocates will wish to retain a firm distinction between the “hard units” of conventional public housing supported by permanently available public subsidies and everything else. They will note the perennial vulnerability of vouchers (which depend on Congressional renewal of funding), the
tenuousness of project-based units (which have expiring contracts that may or may not get renewed), and the time limitations of LIHTC units (which may revert to market rates after 15 years). These concerns are all valid, and certainly worrisome, but no more worrisome than the fact that support for conventional public housing also depends on Congressional appropriations, and it is actually these “hard units” that have been disappearing the fastest. The good news is that a half century of aversion to talking about the full panoply of public-private housing as “public housing” quietly facilitated significant growth in the nation’s stock of deeply subsidized units between the mid-1960s and mid-1980s. Unfortunately, that growth in the deeply subsidized portion of what is called public-private housing has slowed dramatically since the late 1980s.

Ultimately, then, the pathways to privatization have thus far collectively failed to yield greater provision of housing for the least economically advantaged Americans. This failure has both supply and demand dimensions. First, despite many decades of new programs, the total number of deeply subsidized housing units—including not only conventional public housing, but also vouchers and programs—now lags behind population growth. Instead, fueled by the preferences of private investors, the major growth in subsidized housing through the LIHTC program has targeted the less poor among the poor, rather than the poorest. Moreover, much of the remaining deeply subsidized housing stock remains vulnerable to conversion away from low-income occupancy. This leaves the lowest-income households with a double problem in many American urban areas. Their incomes lag behind housing affordability, even as the affordable housing supply lags well behind demand. For renters, the dearth of housing subsidies has been particularly devastating in the aftermath of the Great Recession that lasted from December 2007 until June 2009; the number of rent–burdened households has sextupled since then, and the results have been increases in evictions, growing concentrations of poverty, and rising homelessness in major cities (Joint Center for Housing Studies 2016). This remains the most disheartening dimension of all.

At base, the privatization of public housing has a much longer history than many of those who treat it as a symptom of neoliberalism care to acknowledge. But that just means that the inadequacy of public housing supply is rooted even more deeply.

Notes

1. Changes to the legal status of council housing have made it easier to sell it off (Wiles 2015).
2. We do not mean to suggest that the term “public–private housing” will gain widespread acceptance, but it can aid our understanding of the overall evolution of housing policy.
3. Hybridity arguments typically stress the role of nonprofit entities in funding housing, largely facilitated in the U.S. through LIHTC. Our chapter de-emphasizes the role of nonprofits since (at least in the U.S. context) they are less associated with projects that reach those with the very lowest incomes and receive deep subsidies.
4. It is certainly possible to disagree with this chapter’s argument—that vouchers are evolutions of previous subsidy techniques—but the evolution of the subsidized housing policy environment, particularly between 1964 and 1972, pre-figured much of the move away from conventional public housing by embracing a gradual inclusion of more forms of privatization. This argues against the notion of a truly “dramatic departure” in 1974 (Vale and Freemark 2012).
5. Although, using this definition, public housing can be considered the first “deep subsidy” program, it is worth noting that most public housing did not actually employ this precise kind of income-calibrated rents until passage of the first Brooke Amendment, in 1969, which set rent for a particular apartment at 25 percent of its household's income (raised to 30 percent of income in 1981). The Housing Act of 1937 had required that household incomes be no more than five or six times the rent charged for an apartment (depending on family size), but rents were linked to apartments and did not vary with tenant income. By 1940 the United States Housing Authority slightly altered this policy so that income limits gave way to a maximum rent standard in which rent could not exceed 20 percent of tenant income. Starting in the early 1940s, however, some public housing providers, such as the Chicago Housing Authority, introduced apartment unit rents that did vary by income.
6. Fair market rents vary according to the jurisdictional location and the number of bedrooms in the unit. Rent setting varies according to several factors such as family size and depends on whether utility costs are included. For shallow subsidies, rents may be set at 30–40 percent of the maximum tenant income associated with that unit. For tenants earning less than that maximum income, this means that they may be asked to pay more than 30–40 percent of their income in rent, thereby making it less affordable.

7. Section 202 of the Housing Act of 1959 is not part of the conventional public housing program itself. That program, though still smaller than the number of public housing apartments devoted to seniors, gradually grew to encompass about 270,000 units, reaching about 11 percent of the eligible population of low-income seniors (Schwartz 2015a). Beginning in the early 1990s, some of these units (as well as senior-dedicated Section 8 project-based units) were rented out to income-eligible younger people with mental health or substance abuse histories. Though the number of Section 202 units has not expanded since the 1980s, senior units in cities like Atlanta and Chicago have survived even as many of their family public housing counterparts have been demolished (Heumann 1996; Vale and Freemark 2012).

8. Housing vouchers were then being studied by the Experimental Housing Allowance Program being run by HUD, but “the fact is, Congress enacted the housing allowance’s basic legislation before EHAP was launched and was still supplementing that legislation even as EHAP’s first raw data trickled in” (Winnick 1995, 96). Formal experiments continued to be outflanked by informal policy experimentation.

9. This view of the most problematic cases overlooks many important success stories (Stockard 1998).

10. Voucher programs continue to reach those with the lowest incomes. Of the nation’s Section 8 tenant-based voucher recipients in 2012, 76 percent had an extremely low income (below 30 percent of area median income), more than is true for public housing residents (61 percent). An additional 21 percent of Section 8 voucher holders, compared to 26 percent of public housing residents, reported very low incomes (between 30 and 50 percent of area median income). Nationwide, 28 percent of Section 8 voucher households include at least one non-elderly disabled family member, and 19 percent are elderly, compared to 21 percent and 31 percent, respectively, of public housing families (U.S. Department of Housing and Urban Development 2012).

11. As of 2012, 81 percent of current inhabitants in project-based Section 8 housing are extremely low income. Average monthly rental payments of households were just $265 in 2012, less than the $294 for Section 8 voucher recipients or $318 for public housing inhabitants. In addition, project-based Section 8 units are oriented toward the elderly (36 percent of units) and the non-elderly disabled (28 percent of units) (U.S. Department of Housing and Urban Development 2012). It is worth noting, however, that these “projects” are less likely than conventional public housing to serve families. In 1981, 80 percent of the program’s units were designated for the elderly; in 2012, nearly two-thirds of residents were elderly or non-elderly disabled (U.S. Department of Housing and Urban Development 2012; President’s Commission on Housing 1982).

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