

How the Government Killed Affordable Housing

By John O. Norquist

Federal intervention in housing has been a disaster for cities and the people who live in them. After a succession of fiascos associated with attempts to eradicate slums, build housing for the poor, and pursue other seemingly noble goals, it should be obvious that government efforts often make urban conditions worse rather than better. Not every government effort is destined to fail. In Milwaukee, where I serve as mayor, we have achieved success with some housing endeavors. But the efforts that have brought genuine benefits have usually been *locally initiated* and have tried simply to help the private market work better, rather than assuming that a bureaucracy can competently build or operate the places that people call home.

The sorry consequences of federal involvement in housing can be seen in the decline of low-cost housing. Up to the 1950s, American cities offered people without much money a variety of choices in shelter. Not all of that housing was pretty or spacious. But the options were numerous, and included walk-ups, apartments over stores, triplexes, duplexes, single-family houses, apartments over garages, flats in back, boardinghouses, tenements, low-rent hotels, and row houses.

Many of the customers for these places were immigrants, most of whom eventually moved on to something much better. Though much of this housing fell short of today's standards, it allowed people to save their money while still being sheltered in an urban setting.

Efficient, low-income housing grew organically in cities.

For instance, at the turn of the century it was common for people to live above the shops on a commercial street. Tenants attracted to these apartments worked in the establishments below or on streets nearby. Sometimes the apartments above shops were occupied by the shop owners themselves.

In Milwaukee, German and Polish immigrants with peasant backgrounds placed an extremely high value on home ownership. Their self-denial and inventiveness is demonstrated by the "Polish flat."

The Polish flat was a modest three- or four-room cottage built with the first money these immigrants saved. As the mortgage was paid off, the owner of the cottage typically would raise it on posts four or five feet high in order to construct a semi-basement living space, with a separate entrance, below. Sometimes

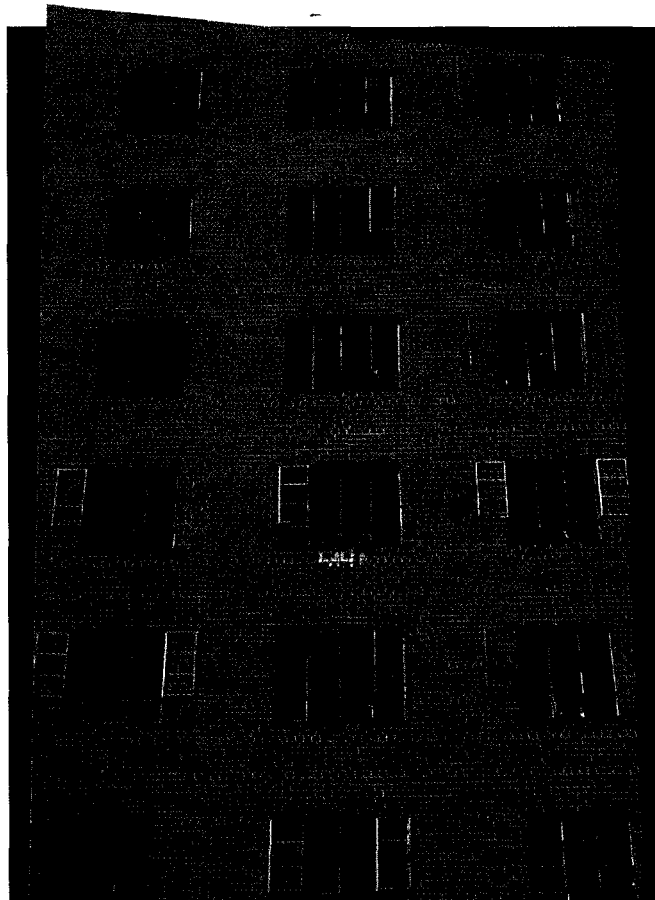
this space was occupied by newly arrived, income-earning members of the owner's family or extended family; sometimes it was let to boarders. As soon as additional income allowed, the timbers in the basement were replaced by brick walls. Rooms were added to the upper floor. Sometimes cottages were lifted off their foundations and rolled through the neighborhood to be joined to the homes of their kin. You could tell the Polish families that had made it in Milwaukee—they no longer used the basement for income, and had converted their duplex to a single-family house.

In Milwaukee and other big cities, there were sometimes gaps in the urban housing market. The incredibly rapid urbanization of the United States during the industrial revolution caused the gears of the housing market to grind painfully at times in an effort to keep up, particularly in the major destination of immigrants, New York City.

In 1890, muckraking journalist Jacob Riis produced *How the Other Half Lives*, documenting the unhealthy living conditions in some of New York's tenements. Riis's book focused public attention on real problems, resulting in valuable improvements in immunization programs and water, sewer, and sanitation services. But a detrimental consequence of the book was the vilification of such urban housing forms as New York's tenements and Boston's triplexes.

Reformers spread the notion of a housing shortage, claiming that the market had failed. New York, Chicago, and other cities

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began to create public housing, at first paying for it themselves. Cities built only what they could afford, and thus built to a human scale. In 1920 in Milwaukee, money was appropriated for cooperative home building, which consisted of two- or three-story apartment buildings. These buildings had an institutional look, but unlike later federally funded housing many of these buildings are still in service and attractive to tenants.

While cities tried to patch perceived housing gaps, state and federal bureaucrats and planners began to damn the urban neighborhoods that were playing such a valuable role in assimilating immigrants and low-income citizens. Of the poor but marvelously functional and upwardly mobile Polish neighborhoods of Milwaukee, one state health official said:

"The 12th and 14th wards are more than any others the regions of the modern cave dwellers....The basements are occupied from choice and long fixed habit, as well as, in some cases, to reduce the cost of living. In many cases well-to-do owners of the property are found living in the basement when the first floor rooms are vacant. The only excuse for such living is ignorance.... In fact, the basement has a musty, sour, human smell that they like."

Such prejudice fueled many state and federal improvement programs for cities. The exalted ideals of reformers crushed the humble dreams of the immigrants. "Lot coverage restrictions gradually eliminated new construction of the rear house and the Polish Flat," report researchers Judith Kenny and Thomas Hubka. As a consequence, home ownership became more difficult.

In 1930, the Hoover administration developed a model zoning ordinance that emphasized separation of houses from commercial and industrial activity. This was a response to some legitimate concerns raised by people living near noxious factories, stockyards, and rendering plants. But the result is the familiar pattern we see today in suburbs—offices in one parking pod, retail in another, light industrial in another, and housing on cul-de-sacs, isolated from everything.

Neighborhoods have no corner stores or anything else within walking distance, except identical housing. Nearly overnight, with the widespread adoption of these codes, the corner store with living space overhead ceased to be built in the United States. Main Street, with its mixed uses and pedestrian orientation, became a historical rather than contemporary form.

Separated, single-use zoning hurts U.S. cities. If governments would get rid of some of their prohibitions on combining commercial and residential uses, developers could build low-cost housing on top of venues like video stores, supermarkets, fast-food outlets, or drugstores. Developers will respond, as they have in Japan, Western Europe, and Canada as well as a few U.S. cities like Charleston, South Carolina, and San Francisco.

In 1937, as part of the New Deal, Congress established the United States Housing Authority to create more public housing. Most of it was two-story and three-story construction, widely scattered. Early public housing simply shadowed the natural housing market, supplementing a market disrupted by depression and then war. By 1950 federal public housing—intended to be a temporary program during a time of economic distress—had outlived its usefulness. The small federal bureaucracy could have been easily dismantled. Instead, aided by Congress, it looked for and found a new clientele.

Housing bureaucrats adopted the migration of poor African Americans to big cities as a cause. Before the gears of urban housing markets could click into place, giving low-income blacks housing strategies like immigrants before them, the federal government jumped in with sterile high-rises, separated from the urban fabric by lawns and parking lots.

This resulted in such infamous projects as Pruitt-Igoe in St. Louis, where 12,000 African Americans with incomes at or below poverty level were warehoused in a high-rise apartment complex and expected to create a community. They didn't. Pruitt-Igoe, Robert Taylor Homes in Chicago, and scores of similar projects were complete disasters.

From coast to coast, cities used federal urban-renewal grants and, later, Urban Development Action Grants to eliminate the blight of low-cost hotels and apartments. Removing blight really meant putting people without means on the streets and onto government dependence. After World War II, journalist Pete Hamill rented a one-room apartment in New York for \$8 a month, which, even in today's inflated dollars, would be a low outlay, about \$100. That kind of opportunity was available in U.S. cities before urban renewal removed it. By tearing down low-cost housing, the government forced private providers out of the low-end housing market, thus creating both a permanent public-housing clientele and, eventually, homelessness.

After much of the low-cost housing had been destroyed, the federal government began a single-room-occupancy program to increase the supply of one-person dwellings. For nearly 200 years the market had produced low-cost housing in a variety of forms, shapes, and sizes. Now the only low-cost housing is produced by the government. And considering the tax subsidies involved, it is not low-cost.

What's wrong with federally funded public housing other than poor targeting, poor design, poor management, and periodic scandal? Just one thing: It's not needed. The United States does not have a housing shortage. Rather, it has a distorted housing market. The federal government, by focusing on below-market public housing in city neighborhoods, has smothered market mechanisms that would attract private-sector investment. This has made it easy for lenders to "red-line" those neighborhoods. In his book *HUD Scandals*, Irving Welfeld points out how illogical it is to have the government build "affordable housing": "If the poor cannot afford food, we earmark assistance and give them food stamps. We don't create farms that grow only 'affordable food' or build 'affordable food' supermarkets where only the poor can shop."

The housing problems of cities have been aggravated by government agencies like the Federal Housing Authority (FHA), which has insured almost \$200

billion in mortgage loans for detached, single-family, new construction. The FHA diverted capital from the urban housing market by focusing almost exclusively on new single-family homes in the suburbs.

And for most of its existence, the FHA has been unnecessary. Mortgage insurance has been widely available in the private market since the mid-1950s. Yet the private companies providing it have to compete every day with the federal government.

The federal Department of Housing and Urban Development (HUD) is another problem agency. It has 11,000 full-time employees (that's more than 100 federal bureaucrats for every central city in the U.S.). It administers dozens of programs that add billions of dollars to the national debt each year. And most of these programs aim to solve problems that have actually been created by government.

Congress hasn't helped in any of this. Over the years it has directed housing programs to sprint one way, stop, turn around, and sprint the other way. Until 1949 low- and middle-income workers were public housing's clients. For the next 25 years policies wavered back and forth, but gradually excluded all wage-earners except those with the lowest incomes. In the mid-1970s Congress "tried to turn the clock back to the good old days" and appeal to a broader range of incomes. Not surprisingly, it was too late to induce "role-model" families to live in what had become shabby, crime-ridden projects. In the 1980s the tide turned back to providing services only for people with the very lowest incomes.

After high-rise projects failed miserably as family housing, local housing authorities began to convert them to elderly housing. In Milwaukee, these changes were working well. In the 1970s, however, HUD told local housing authorities that the agency's rules required that elderly people live with people with disabilities. Under HUD's rules, however, *disabled* included people with drug or alcohol addictions. Often these people had criminal records. Not only did they have to be housed in the same buildings with elderly people; it required placing them *on the same floors*. A conspiracy theorist might think this was a calculated at-

tempt to drive law-abiding citizens out of federally subsidized housing in order to turn it into an extension of the crowded federal prison system.

As a state senator in 1987, I visited a high-rise housing unit on the west side of Milwaukee. The elderly residents cried as they pleaded with me to help get the drug addicts and criminals off their floors. I told Milwaukee Congressman Gerald Kleczka I wanted the law changed. After continued pressure from Kleczka and from Wisconsin's U.S. Senators, and over the opposition of HUD bureaucrats and advocacy-group extremists, the rules were finally changed years later, during the Clinton administration.

Priate landlords still provide most of the low-cost housing in the United States, and much of what they supply is in pretty good shape. Some is not. That's where building-code enforcement has traditionally stepped in. Court-enforced penalties may be the only way to deal with genuine slumlords. But experience has taught our Milwaukee building inspectors that people who own and manage residential property may perform poorly simply because they don't know better.

Milwaukee's inspectors were using up valuable time chasing the same code violators who were renting to the same bad tenants over and over. Then deputy building inspector Marty Collins had the idea for the Landlord Training Program, in which building inspectors teach landlords how legally to screen against bad tenants—those with a history of damaging property, engaging in criminal activity, or not paying the rent. The inspectors also teach that well-kept property attracts reliable tenants. The program provides tips to landlords on how to comply more easily with code requirements. Equally important, the program gives building inspectors an opportunity to learn from landlords.

More than 30 percent of Milwaukee's landlords have completed the program. Code violations among those who have received training are down substantially. Also, landlords are helping the police reduce illegal drug use and related crime.

Milwaukee's building inspectors, police, and neighborhood groups together

devised the Drug Abatement Program which encourages landlords to evict suspected drug sellers immediately, even if this means passing up the opportunity to stage a big drug raid. Why? Because people, especially children, who live near a suspected drug house need quick relief from the threat to their lives and property. As soon as drug activity is suspected, the landlord is informed and asked to evict. Police monitor the suspects if they move to another location in Milwaukee. Statistical review shows that drug sellers generally stop after being confronted; they know that the police and that cooperating landlords have them on watch lists.

People already living in public housing should be allowed to stay as long as they follow the rules. But the federal government should stop producing new public housing. Over time, the private market can produce low-cost housing much more efficiently. The presence of public housing, both through its buildings and through rent subsidies, distorts the low-cost housing market by chasing away private investors and raising rents.

The federal government should also reduce its mortgage subsidies, whether they are made through the Federal National Mortgage Agency, the FHA, or the mortgage-interest tax deduction. In 1994, income earners in the top 20 percent received \$63 billion in housing subsidies; those in the bottom 20 percent received \$18.7 billion, and the middle 60 percent received \$21.9 billion. The current mortgage interest deduction could be capped at the level of interest required to finance a half-million-dollar home. Over time, as housing prices increase, the deduction would have a decreasing impact on housing decisions.

There are many bad policies that need to be discontinued and bad habits that must be broken. If we heed the lessons from this century's experience with housing problems and urban deterioration, we can make stronger, healthier cities which will work better for everyone, including people of modest means.

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In Real Life

FIRST-PERSON AMERICA

TEENAGE ANGST

By Blake Hurst

WESTBORO, MISSOURI—State Senator Sam Graves has introduced a bill in the Missouri legislature to do away with our system of annual vehicle inspections. Sam argues that less than half of the states now have vehicle inspections, and statistics show that the accident rate in those states without inspections is no worse than those where inspections are still mandatory. He points out that only two percent of all accidents are caused by faulty equipment.

Sam is a good friend, but this time I hope his bill doesn't pass. My libertarian impulses agree with Sam, but you see I have two daughters: ages 19 and 17. Sam's daughters, on the other hand, are 8 and 2. When Sam has adolescent males roaring into his driveway at all hours of the day and night to visit and, God forbid, drive off with his precious Megan or Emily, he'll begin to lose some of those libertarian urges. Now that my daughters attract multitudes of worn-out pickups steered by inexperienced drivers, I believe that inspections should be carried out *monthly*. I also favor random checks of tie rods, seat belts, king pins, and brake pads on each and every Saturday night.

When prom night comes for Sam in the year 2007, he'll spend a sleepless night thinking about turn signals and bald tires. (He'll also worry about other things, which is why our house groans under the weight of numerous books by Bill Bennett, required reading for all who live under my roof and eat my food.)

The first time I met my wife's parents I was stopped in the driveway with the hood up on my car, adding oil. While I was busy visiting with her folks, at least three different vital fluids were dripping out of my old wreck. Julie's parents, always gracious, kept whatever doubts

they might have had to themselves, but 20 years later, I'm not handling things nearly as well. My eldest daughter's latest beau is clean cut and drives a new pickup, but I'm wondering if he ignores recall notices.

Whenever I read a piece in a magazine making a libertarian argument on a social issue, I'm always sure of one thing: The author has no daughters. Recently, I drove my daughter to Kansas City and waited in the parking lot while she and a friend attended a concert. As I watched several thousand adolescents stumble by my car, dropping enough aluminum beer cans in their wake to build an airliner and using language that made me blush, my adolescent flirtation with Ayn Rand was only a distant and not-so-fond memory. Personal freedom is a fine thing, but not for those who have any contact whatsoever with my two personal hostages to fortune.

Sam's bill died before the end of the last session, but an amended version, calling for inspections bi-annually, has passed the Senate this year and is bogged down in the House. It's final disposition is unclear, but since the state and thousands of repair shops share in \$42 million of fees annually, and another \$35 million is spent repairing problems found in inspections, Sam is likely to lose this session as well.

Of course, I'm sure to lose as well. As much as I would like the girls never to venture away from home except to return copies of Jane Austen to the library, life doesn't work that way. It is a temptation to think that we can live apart from the world in our rural community, but that isn't possible. I guess I wouldn't have it any other way. But I'm not having much fun. My daughters are adults, or nearly so, and neither their mother nor I,



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nor any laws that the Missouri legislature can pass, can protect them from the dangers that lie ahead. My mother, whose faith I envy, reassures me often by quoting Proverbs: "Train up a child in the way he should go, and when he is old he will not depart from it."

A fine sentiment, but it really isn't my daughters' training that I'm worried about. If my recent parking lot exposure to my daughters' peers is any indication, they aren't spending much time reading Proverbs or Bill Bennett. And my mother's faith, admirable as it is, couldn't insulate her from worries caused by my own adolescence. Within 12 months of the day the State of Missouri awarded me a driver's license, her hair turned white.

Blake Hurst is a regular contributor to The American Enterprise.

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