

Testimony in favor of LD 1867, “An Act to Establish the Community Housing and Rural Development Authority.”

Josie Phillips, Policy Fellow
May 19, 2023

Good morning, chairpersons Gere and Pierce, and all members of the Housing committee. My name is Josie Phillips, and I am representing Maine Center for Economic Policy. I am testifying in favor of LD 1867. The kind of social housing prescribed in LD 1867 has been used to great effect in other countries. Providing mixed-income publicly owned housing could be a valuable tool in the state’s toolbelt of policy options to increase affordable housing while decreasing de facto segregation across the state. However, social housing is unlikely to be self-sustaining in terms of revenue and would require a source of ongoing funding to avoid repeating the mistakes of previous attempts at public housing in the U.S.

I want to start my testimony by addressing the elephant that plagues any room in the U.S. where social housing is being discussed, which is the failure of previous attempts at public housing in the U.S.. Public housing projects in the U.S. were in many ways set up to fail. Many of them were built on the mass eviction of Black communities,ⁱ serve exclusively renters with low income, and have since fallen into significant disrepair, with a maintenance and capital improvements backlog of \$80 billion across the country.ⁱⁱ All of this put together means that America’s attempts at public housing have increased de facto racial and income segregation and failed to provide renters with low income a safe, affordable option for housing.

Social housing does not have to be this way, though, and we know this because of evidence from other countries. A policy brief from the OECD, an organization of economically developed countries, considers social housing to be “a key part of past and future housing policy” and “an important dimension of social welfare policy and affordable housing provision.” In five countries, social housing accounts for between 10-19 percent of their total housing stock. In two additional countries, Denmark and Austria, social housing accounts for more than 20 percent of their housing.ⁱⁱⁱ

This idea is particularly widespread in Austria, where in its capital, Vienna, approximately three in five residents live in social housing.^{iv} Austria’s emphasis on social housing is generally considered a success. Residents show high satisfaction with their housing,^v and Austrians spend less of their disposable income on housing than Americans do.^{vi} The example of other countries shows that social housing can effectively bolster the stock of housing, particularly housing affordable to renters with low and moderate incomes.

Ultimately, social housing is not a magic bullet, but used in concert with other strategies, it can be an effective piece of the puzzle when it comes to addressing the affordable housing crisis.

For instance, social housing can offset some of the drawbacks of the housing choice vouchers, and vice versa. One of the drawbacks of social housing is that it can create “lock in” effects, where residents may opt to stay in social housing even if they receive better job offers in other cities, especially if housing is not readily available in the city where the new job is located.^{vii} This leads to an inefficient distribution of workers and jobs, hurting families’ financial wellbeing and the overall productivity of the economy. Housing choice vouchers can mitigate these lock in

Board of Directors

Barbara Burt, Chair	Sandra Butler	Stacy Mitchell
Lucy Van Hook, Vice-Chair	Maulian Dana	Matt Schlobohm
Pamela Cox, Treasurer	Marcus Hutchins	Lee Webb
Ben Chin, Secretary	Jessica Maurer	

effects by helping renters with low income find housing in a location that is best suited to them. On the other hand, housing vouchers and other forms of rent subsidies can increase rents, particularly in locations where the supply of housing is relatively fixed.^{viii} Social housing avoids this problem by increasing the supply of housing rather than subsidizing the demand for it. In tandem, social housing and housing vouchers can increase the options available to renters with low and moderate incomes without incurring the harmful effects of over-relying on either strategy.

Social housing development would also dovetail nicely with other statewide development plans, such as the Thriving Corridors program laid out in LD 1673. Putting mixed-income housing in walkable, high-density neighborhoods would efficiently align population density with the density of services needed to support that population. Because the social housing in LD 1867 would serve tenants with a range of incomes, pairing social housing with a Thriving Corridors program could extend the benefits of walkable neighborhood development to renters with low incomes without contributing to income or racial segregation.

Because of its potential to increase housing options for renters with low and moderate income without exacerbating de facto segregation, social housing warrants serious consideration. That consideration should also come with an equally serious commitment to not repeat the past mistakes of U.S. social housing policy. If social housing is to succeed, it will likely require resources above the revenue that would be generated from tenants' rent. In Austria, for instance, funding is supplemented by a one percent tax on residents' paychecks.^{ix} If Maine were to attempt its own social housing program, it would also likely need to identify a supplemental source of funding to ensure that maintenance is both timely and adequate.

Given its benefits, I encourage this committee to explore the possibility of social housing in Maine. If properly planned and adequately funded, social housing could be a strong addition to the array of policies Maine pursues in addressing the affordable housing crisis. For that reason, I am in support of LD 1867. However, this support comes with the qualification that a reliable source of ongoing funding is critical for the success of this program. Without it, we risk repeating the failures of past attempts at public housing and relegating Mainers with low income to unsafe, substandard housing.

ⁱ Governing, "America's Failed Experiment in Public Housing." <https://www.governing.com/community/americas-failed-experiment-in-public-housing>

ⁱⁱ The Center for Public Integrity, "The U.S. ignored public housing. This is what happened." <https://publicintegrity.org/inside-publici/newsletters/watchdog-newsletter/us-ignored-public-housing/>

ⁱⁱⁱ OECD, "Social housing: A key part of past and future housing policy." <https://www.oecd.org/social/social-housing-policy-brief-2020.pdf>

^{iv} Marketplace Morning Report, "In Vienna, public housing is affordable and desirable."
<https://www.marketplace.org/2021/05/03/in-vienna-public-housing-is-affordable-and-desirable/>

^v Statistics Austria, "Housing Conditions." <https://www.statistik.at/en/statistics/population-and-society/housing/housing-conditions>

^{vi} OECD Affordable Housing Database, "HC1.2. Housing Costs over Income." <https://www.oecd.org/els/family/HC1-2-Housing-costs-over-income.pdf>

^{vii} OECD, "Social housing: A key part of past and future housing policy." <https://www.oecd.org/social/social-housing-policy-brief-2020.pdf>

^{viii} American Economic Journal, "Housing Vouchers and the Price of Rental Housing."
<https://www.aeaweb.org/articles?id=10.1257/pol.20130064>

^{ix} Marketplace Morning Report, "In Vienna, public housing is affordable and desirable."
<https://www.marketplace.org/2021/05/03/in-vienna-public-housing-is-affordable-and-desirable/>