



The Challenge of Developing Affordable Housing in Neighborhoods That are Not Poor

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Housing policy in the United States emphasizes breaking up concentrations of poor people to expand equal opportunities. “Fair housing” calls for progress toward a more equitable distribution of affordable housing across neighborhoods and regions. However, a steady decline in federal funding for housing over the past forty years has led to a shift in responsibility for policymaking to municipal governments. Although policy guidance and much of the funding for affordable housing still come from the federal level, decisions about siting and development are made locally. Of course, local governments seldom actually build affordable housing themselves – they leave it to private and nonprofit developers to construct the vast majority of the units. Affordable housing is thus usually publicly subsidized but privately built and locally sited.

How well is the current system working? Successful attainment of fair housing goals requires public officials and private developers alike to navigate complicated financing structures, understand local, regional, and state regulatory systems, and appease a skeptical public. To understand current shortfalls and plan for better fair housing policies in the future, the cumulative effect of these challenges needs to be deciphered in some detail.

Misplaced Incentives and Financial Challenges

Today, nonprofit and private developers are the principle providers of federally subsidized housing. But many smaller nonprofits that would like to build such housing face difficulties in financing their projects. Even though nonprofit housing agencies target households and neighborhoods with the greatest need for affordable housing, they are at a disadvantage when competing for funding and are extremely vulnerable when possible financing is delayed or lost. Even a short disruption can sink a small nonprofit project. Larger nonprofit and for-profit developers are better able to ride through financial delays, and as a result most federally subsidized housing units are not suitable for people who need housing help the most. Nationwide, there are 11.5 million extremely low-income renters, but only 3.2 million units available that are affordable and available to them.

Difficulties in financing nonprofit projects are not the only problem. In practice, the rules and regulations embedded in federal housing programs often frustrate the local realization of fair housing goals – above all the goal of breaking up concentrations of residential poverty. The Low-Income Housing Tax Credit is the principal national financing mechanism for the development of affordable housing, contributing to the development of nearly 2.5 million units since its inception in 1986. Yet the ready availability of this credit also makes it easy for developers to build new affordable units in low-income areas, with the result that new units are often added to low-income central city neighborhoods. This reinforces residential poverty.

Regulatory Challenges

Difficulties in navigating regulatory requirements are another important impediment to the production of affordable housing – especially when additional fair housing is proposed for stable, middle-class neighborhoods. Across the United States, property rights and homeownership are protected through numerous legal mechanisms – including local zoning rules, subdivision regulations, and private covenants – and many of these mechanisms block the development of affordable housing in non-poor areas.

By separating the poor from other parts of society, local and private rules comprise some of the most consequential legal barriers to mixed housing, reinforcing race and income barriers in housing. Until the mid-1970s, residential spatial isolation was declining, as Americans were increasingly likely to live in mixed-income as well as mixed-race neighborhoods. But this trend has reversed since the mid-1970s – at least in terms of income. Affluent and middle-class neighborhoods can wall themselves off.

In fights against legal impediments to residential integration, promoters of affordable housing do not have many legal tools at their disposal. State and federal governments have little authority to guide local zoning decisions, and the courts have consistently refused to outlaw local rules just because they are shown to have a disparate impact on racial or low-income groups. The only route forward lies in persuading citizens and local officials to change the rules.

Wariness in Public Opinion

But many groups in the American public are uneasy about affordable housing. Even when developers and policymakers overcome the financial and regulatory barriers created by the present system, public opposition can cause delays, or force changes to the residential make-up of projects, or lead to untenable demands that, in practice, block projects altogether. Research reveals that whether the potential residents are seen as desirable or undesirable neighbors can be decisive in generating public support or opposition to affordable housing projects.

- Unfortunately people often leap to unwarranted conclusions. Public attitudes are often not based on any reliable evidence about who might move in to new affordable units, or about real housing needs in American society today. Instead, many people view public housing through the lens of what they think they know, or have heard, about huge urban “low-income housing projects” in operation decades ago.
- Race matters. As researchers have found, many Americans associate subsidized housing with racial minorities, leading to reduced support and heightened concern about the siting of projects in non-poor neighborhoods. Middle- and upper-class Americans continue to regard poor and minority people with suspicion and do not want to share neighborhoods with them.

The bottom line is that one barrier after another stands in the way of developing affordable housing anywhere except in low-income areas. Funding is hard to get, especially by the nonprofits most committed to fair housing goals; multiple levels of regulations must be satisfied; and local zoning and land-use rules can prove almost insurmountable. If a developer succeeds in jumping through all of these hoops only to be met with neighborhood opposition, the result can be not only to sink a given project but to erode any will to try again. America’s national fair housing goals may be laudable, but in practice multiple barriers to implementation fundamentally undermine the effectiveness of existing policies.