



1200 18th St. NW, Suite 1225
Washington, DC 20036
Phone: (202) 559-1473
Fax: (202) 524-8445

1422 Euclid Ave., Suite 1652
Cleveland, OH 44115
Phone: (216) 282-2022
Fax: (216) 785-2068

Peter Gowan, Senior Policy Associate

HB 1149-Support

I am writing in support of HB1149, the Social Housing Act of 2020.

This legislation would create and fund a social housing subprogram within the Partnership Rental Housing Program of the Department of Housing and Community Development. The program would be modelled off European cost-rental social housing models which have been far more successful in delivering large, financially sustainable, high-quality, transit-accessible housing than existing models of affordable housing delivery in the United States. The housing would be mixed-income by design, would be primarily new construction, thus increasing the total housing stock and reducing pressures on other programs, and most importantly would provide a huge investment in the housing future of the State of Maryland.

The bill would capitalize a social housing fund which would provide loans and other financing to municipalities for the construction of publicly-owned housing which is rented out at rates which cover the municipality's capital and operating costs over the long run. The bill is, unlike the previous session's bill which was funded primarily through a marginal tax on people earning over \$1 million per annum, instead funded through tranches of a progressive real estate transfer tax and changes to recording fees. This should hopefully address the concerns of delegates who opposed the previous legislation due to concerns over the wisdom of reinstating the "millionaire's tax".

The social housing program proposed has been rehoused within an existing agency and will be administered alongside the existing Partnership Rental Housing Program. This reduces the administrative complexity of the program by ensuring that it is managed by staff who already are allocating loans to publicly-owned housing, albeit not permanently and exclusively limited to people who meet a relatively stringent means test. The social housing program would instead be available to all households, though more units would be available to lower income households who would receive a cross subsidy. This would ensure that the benefits of social housing are shared across the community

This ongoing investment would help the state transition from a housing market which is segmented, stratified and segregated; into one which is sustainable, integrated and affordable. It would provide large amounts of assistance to cities to create new union jobs and housing



1200 18th St. NW, Suite 1225
Washington, DC 20036
Phone: (202) 559-1473
Fax: (202) 524-8445

1422 Euclid Ave., Suite 1652
Cleveland, OH 44115
Phone: (216) 282-2022
Fax: (216) 785-2068

infrastructure and, we estimate, could help fund tens of thousands of new social housing units over the next ten years.

The units would be rented out at cost prices. Some units – up to a quarter – could be rented out at rates higher than cost price but below market rates, in order to fund cross-subsidization of units in municipalities with a need for deeply affordable housing. Units would be made available to poor, working-class and middle-class households, and the total of rents in each development would cover the upkeep and debt service costs for the municipality, ensuring that they have no disincentive to build housing due to fear that they will be left on the hook for rents.

Building so many social housing units will have a knock-on effect on the entire rest of the housing market – by removing pressure on existing affordable housing programs and subsidies, it will benefit Maryland residents far beyond just those who receive units under the social housing program. It will begin to create what Jim Kemeny (1995) called a ‘unitary market’: one where social housing actively provides competition to private landlords, creating a floor which they need to meet. These models have been successful in cities like Vienna, where 60% of residents live in some form of social housing, often dense and high-quality like the Alt-Erlaa development where over 10,000 people live – from the comfortable to the very poorest.

If clean, safe social housing is available, landlords will feel less free to neglect security and cleanliness in their buildings. If affordable social housing is available, landlords will be less capable of imposing double-digit rent increases.

But those who receive units will also get a huge asset – a permanent, stable, cost-rental home which they can live in without fear of eviction or displacement. For thousands of seniors, working individuals and families, this will be a massive relief – lifting them out of housing-related poverty.

We too often see affordable housing as just another welfare program. It’s not – social housing is public infrastructure. Good housing policy is healthcare policy, it’s transportation policy, it’s climate change policy. HB1149 would make sure that the homes are of a high quality, that they are near transit, and that they are in relatively dense communities thus ensuring that people have access to amenities and are not locked to high rates of vehicle usage, reducing carbon emissions, traffic and pollution.

This bill is a first step in creating a 21st century social housing program based off international best practice. After an extensive review of the international evidence, my home country of the Republic of Ireland has included cost-rental social housing developments in



1200 18th St. NW, Suite 1225
Washington, DC 20036
Phone: (202) 559-1473
Fax: (202) 524-8445

1422 Euclid Ave., Suite 1652
Cleveland, OH 44115
Phone: (216) 282-2022
Fax: (216) 785-2068

its national housing strategy, and it was announced that construction would begin on the first such development last January.

Evidence presented to parliamentary committees during this process – Norris and Byrne (2017) found that Austria’s social housing system contributed to the stability of housing costs during and after the financial crisis as compared to similar countries without such a system. The focus on developing new units – seeing housing as capital infrastructure rather than a subsidy or transfer program – has ensured that Austria has very low levels of ongoing expenditure on housing-related subsidies.

European countries with the lowest levels of homelessness and housing costs tend to have a social housing sector which comprises around 20-30% of the total housing stock – this is often even higher in cities such as Vienna, where well over half of housing is within the social housing sector. Vienna has been ranked the ‘most livable city in the world’ for almost a decade running largely due to its good quality affordable housing and transit infrastructure.

Maryland is unlikely to be able to retire any of its existing housing subsidies any time soon – the infrastructure is not yet in place for that – but programs like this will reduce the ongoing need for increases in housing subsidies. These subsidies, while absolutely necessary in the short run, are at least partially captured by private landlords rather than their tenants in the form of increased rents. They are more expensive in the long run than spending money on building up a publicly-owned, cost rental social housing sector.

The existence of a large cost-rental social housing sector in Finland is what has enabled them to essentially eliminate both outdoor and sheltered homelessness – so few people fall through the cracks and face the intensified case management challenges that are required to move someone out of chronic homelessness that it is now possible to provide permanent supportive housing with intensive on-site case management to everyone who needs it. One of Maryland’s greatest challenges has therefore been essentially solved by Finland – and this certainly merits close attention. Social housing does not solve the problem by itself, but a large sector stems the flow of new cases to the extent that countries can begin rapidly reducing the number of people requiring homeless services.

Legislators have a choice – they can choose ambition now, or they can choose to spend more later, for worse results. This state has a deep, enduring, and unjust housing crisis. It is pushing low-income communities of color out of their homes, and often onto the streets. This state can do better, and HB1149 is where we can begin to rectify the injustices of the past, repair our communities, and build a housing policy that works for the many, not just the few.