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Richard Porter

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Office of Resident Initiatives



U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

For more information call:
1-800-955-2232

FY 1993 BUDGET

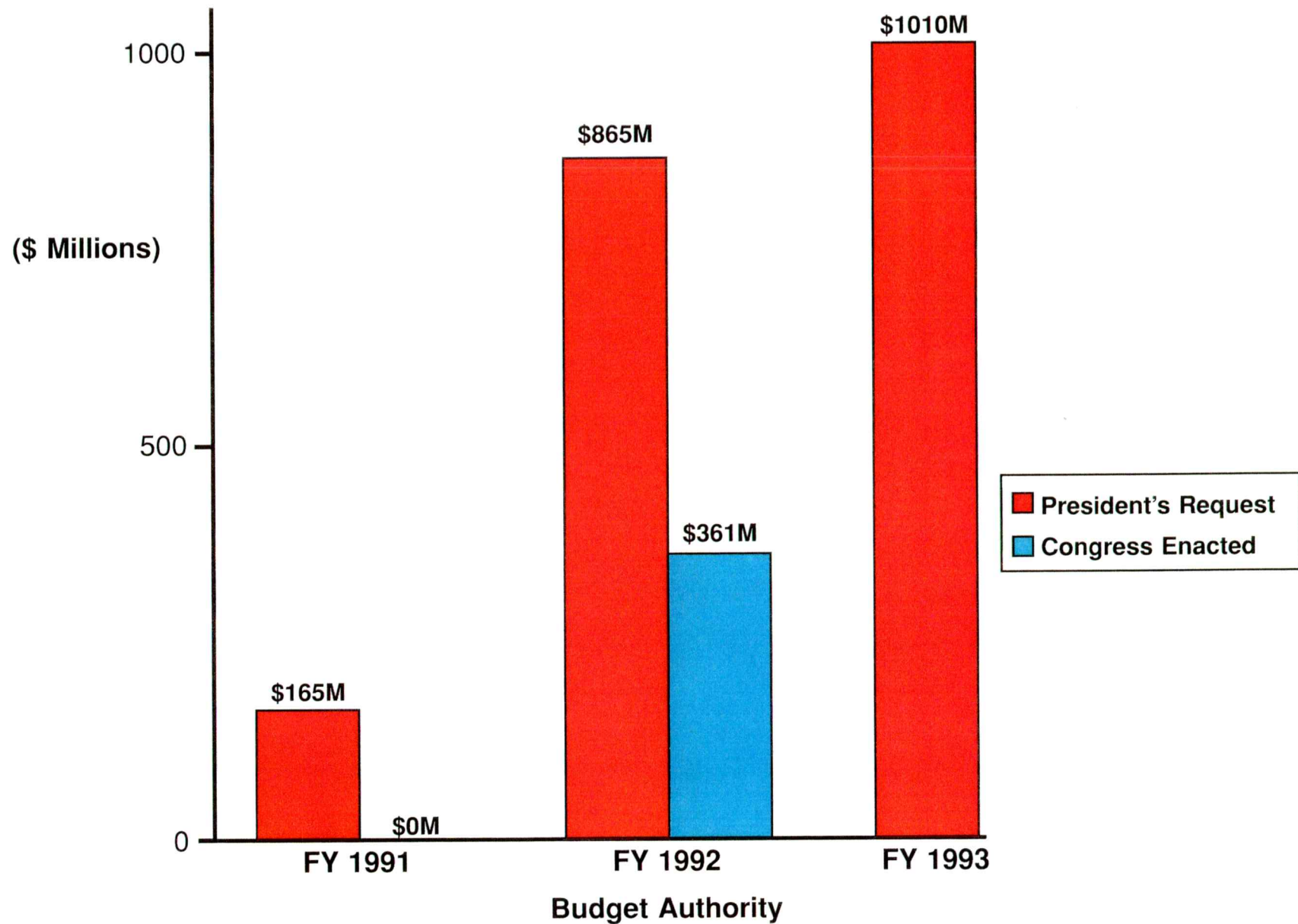
Expanding the Opportunities for Empowerment:



New Choices For Residents

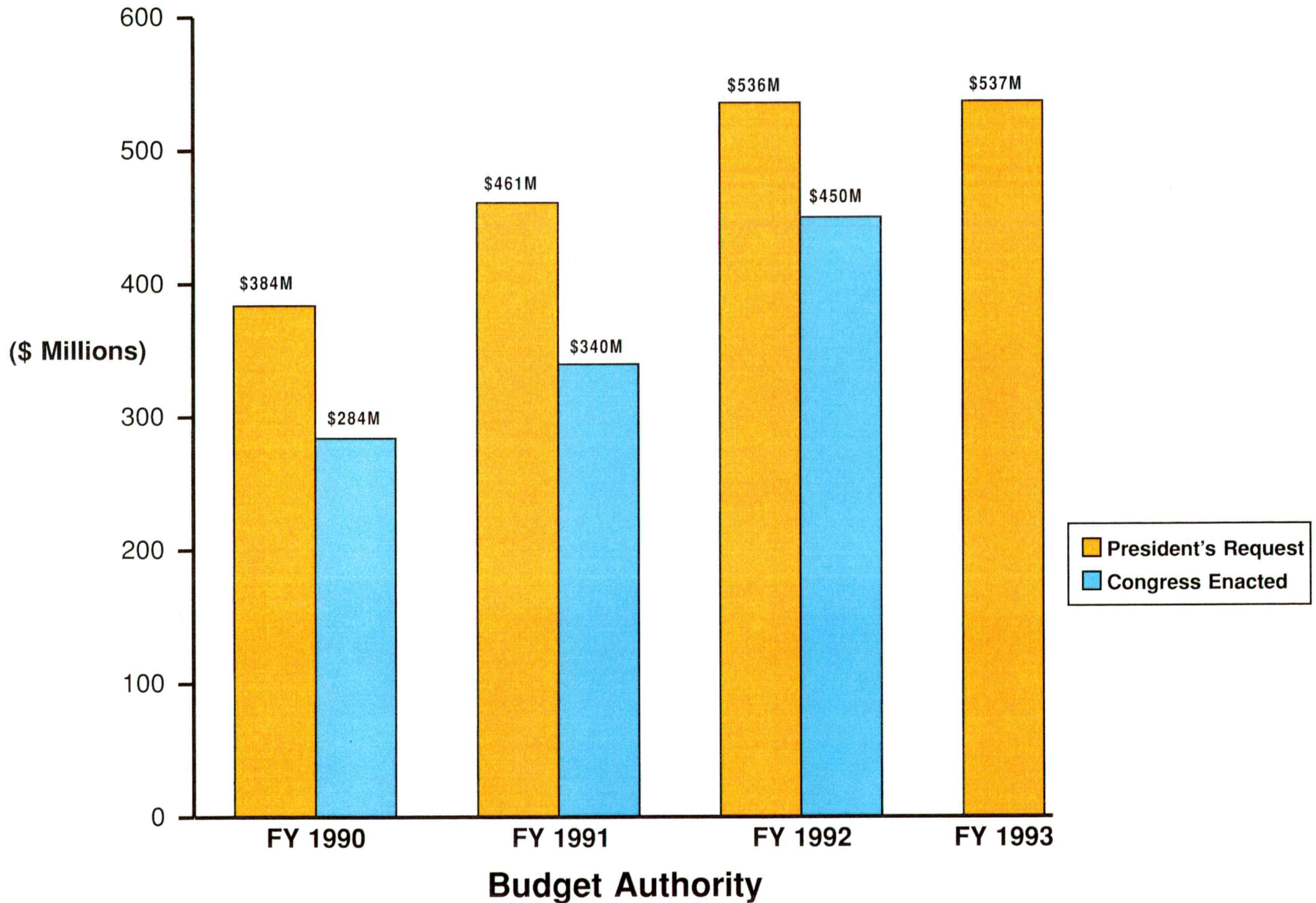
January 29, 1992

Department of Housing and Urban Development HOPE Grants: President's Request vs. Congress Enacted

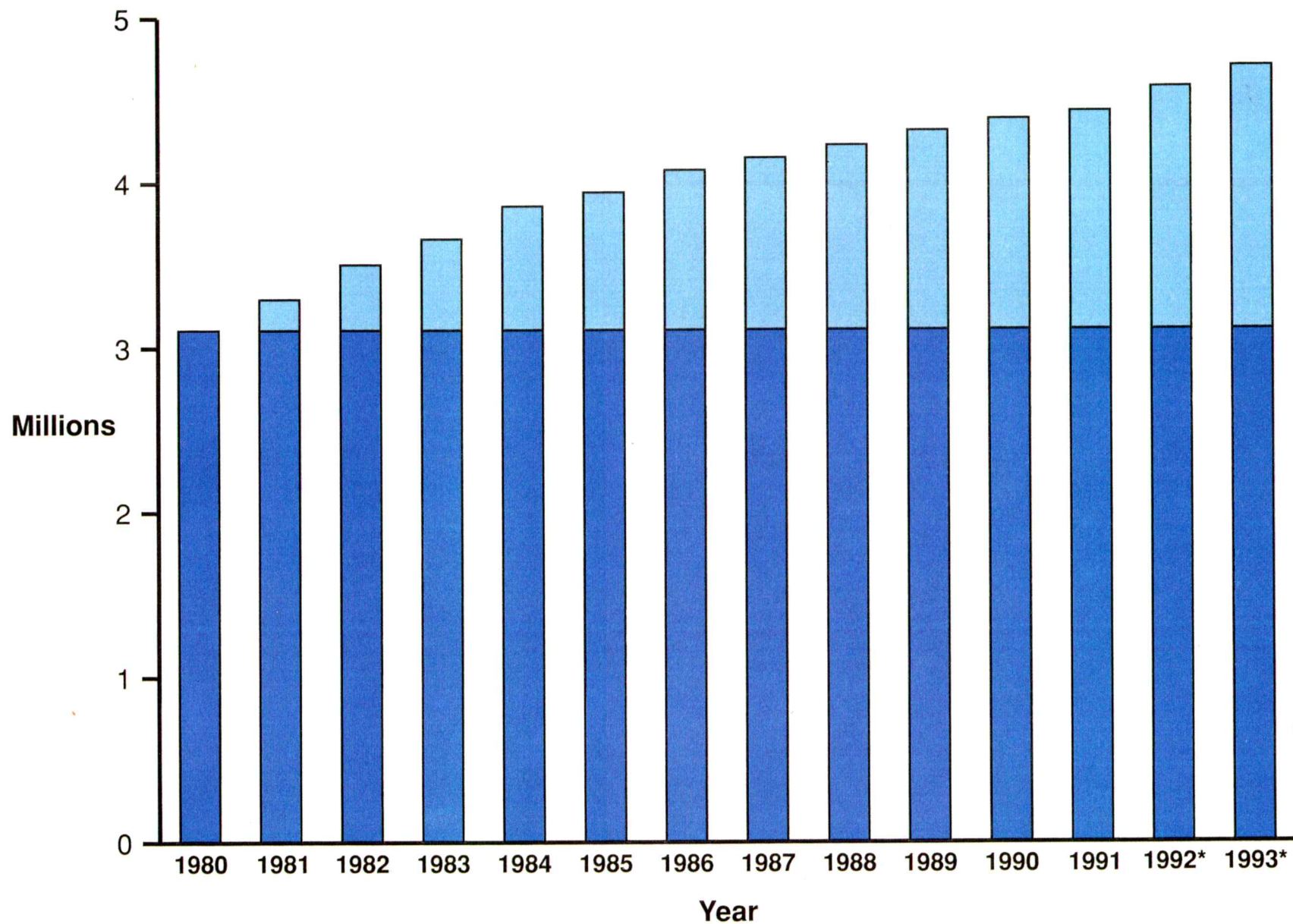


HUD Homeless Programs

President's Request vs Congress Enacted



The Number of Additional Families Assisted Under HUD Programs Since 1980



*Estimate

January 29, 1992

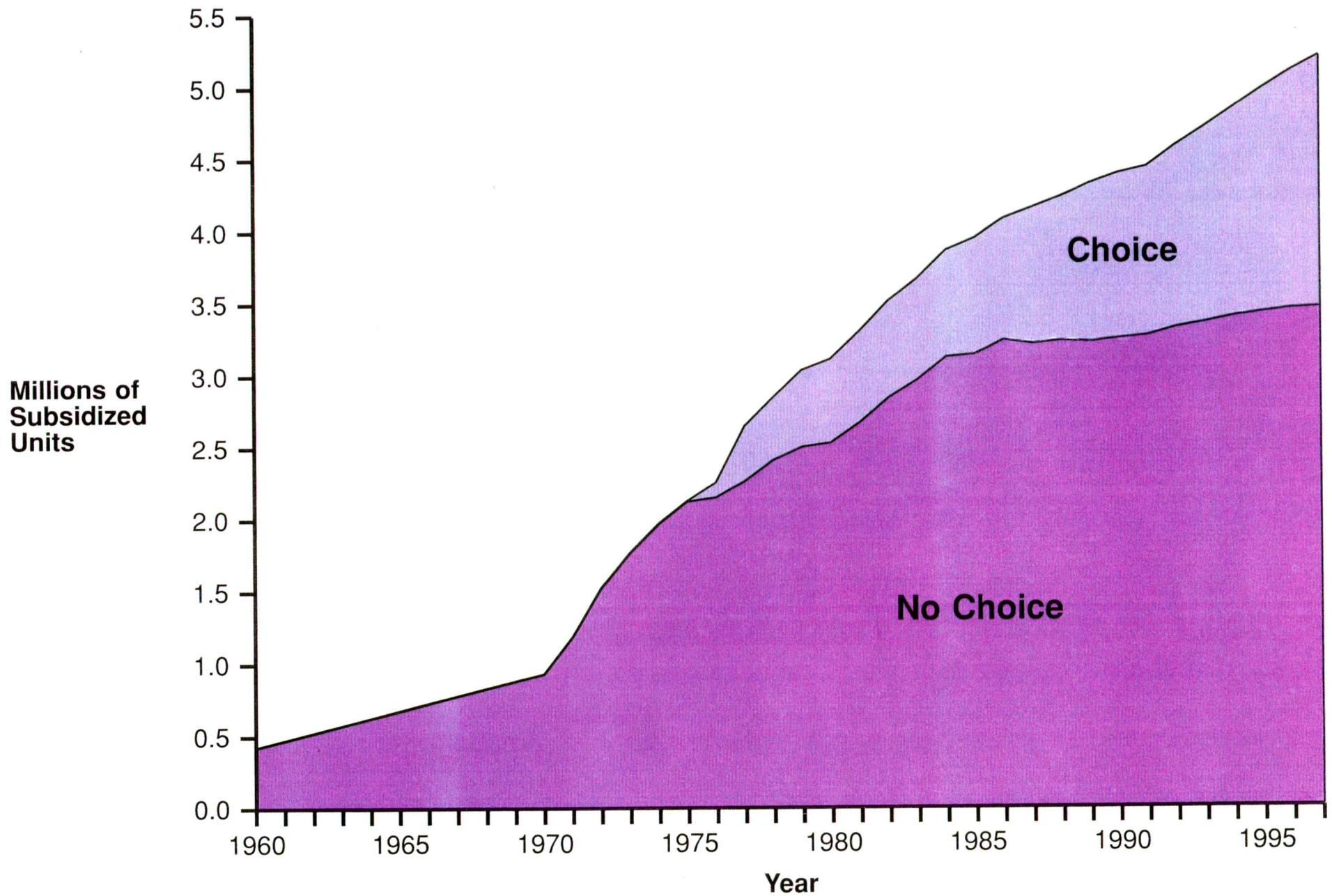
Backup Table:

The Number of Additional Families Assisted
Under HUD Programs Since 1980*

	<u>Families Assisted in 1980</u>	<u>Additional Families Assisted Since 1980</u>	<u>Total</u>
1980	3,107,070	0	3,107,070
1981	3,107,070	190,381	3,297,451
1982	3,107,070	400,826	3,507,896
1983	3,107,070	556,258	3,663,328
1984	3,107,070	752,606	3,859,676
1985	3,107,070	836,168	3,943,238
1986	3,107,070	969,71	4,076,783
1987	3,107,070	1,044,182	4,151,252
1988	3,107,070	1,120,260	4,227,330
1989	3,107,070	1,208,247	4,315,317
1990	3,107,070	1,279,295	4,386,365
1991 (Est.)	3,107,070	1,325,007	4,432,077
1992 (Est.)	3,107,070	1,470,546	4,577,616
1993 (Est.)	3,107,070	1,596,555	4,703,625

* 1992 and 1993 estimates do not include additional families served under the HOME Investment Partnerships program.

More Tenant Choice in Assisted Housing Units



January 29, 1992

Backup Table:

More Tenant Choice in Assisted Housing Units

	<u>No Choice a/</u>	<u>Choice b/</u>	<u>Total</u>
1960	425,481	0	425,481
1970	932,349	0	932,349
1971	1,187,591	0	1,187,591
1972	1,524,551	0	1,524,551
1973	1,768,115	0	1,768,115
1974	1,969,583	0	1,969,583
1975	2,125,601	0	2,125,601
1976	2,154,313	100,000	2,254,313
1977	2,266,943	376,274	2,643,217
1978	2,411,395	430,498	2,841,893
1979	2,502,620	529,359	3,031,979
1980	2,532,535	574,535	3,107,070
1981	2,668,951	628,500	3,297,451
1982	2,838,968	668,928	3,507,896
1983	2,966,180	697,148	3,663,328
1984	3,123,287	736,389	3,859,676
1985	3,139,920	803,318	3,943,238
1986	3,238,191	838,592	4,076,783
1987	3,213,347	937,905	4,151,252
1988	3,232,940	994,390	4,227,330
1989	3,224,637	1,090,680	4,315,317
1990	3,247,776	1,138,589	4,386,365
1991 (Est.)	3,265,820	1,166,257	4,432,077
1992 (Est.)	3,322,265	1,255,351	4,577,616
1993 (Est.)	3,355,349	1,348,276	4,703,625
1994 (Est.)	3,396,194	1,442,199	4,838,393
1995 (Est.)	3,423,863	1,545,137	4,969,000
1996 (Est.)	3,448,052	1,644,814	5,092,866
1997 (Est.)	3,457,427	1,741,402	5,198,829

- a/ Represents Section 8 new construction and mod rehab, project-based Section 8, public housing, Indian housing, Section 235, Section 236, and rent supplement housing.
- b/ Represents Section 8 vouchers and Section 8 existing certificates.

Editorial

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Eye on City Hall

The Board of Supervisors and its committees meet weekly in City Hall, and occasionally at other sites, as do city commissions with legislative powers appointed by the mayor and non-legislative panels created by the Board of Supervisors.

Commission - 4 p.m., 850 Bryant St., fifth floor meeting room.

• March 20 - Library Commission Planning Committee - 4 p.m., Main Library, Lurie Room

6 p.m., Bay View Federal Bank Building, 2601 Mission St., third floor.

• March 26 - Health Service System Board - special meeting 4 p.m., 1212 Market St. see floor meeting room

8/San Francisco Independent/February 12, 1991

Editorial

Authority Misplaced

San Francisco's city administration often opposes the kinds of public policies that issue from conservative administrations in Washington, D.C.

But this seems to be the first time it has fought, with the support of the mayor, the empowerment of the poor, who now have little say over the often repellent and dangerous living conditions in our public housing projects today.

San Francisco's Board of Supervisors has been called upon to ride to the rescue and take the reins of power from the city's executive branch, where they are now used to hinder tenant organizations.

The federal government says public housing tenants should be involved in the management of their own units, and has made examples of some of the worst projects in the United States, to show that in buildings where people are involved, they have a reason to care about where they live.

The government has also shown that when given the means to, tenants can and will improve their living conditions.

All they need is some training, and a local housing authority that wants them to achieve — and helps them to achieve — these goals.

San Francisco's Housing Authority has not been operating for the benefit of its tenants for some time, and now it seems to be in the business of furthering its own bureaucratic existence.

Under a Housing and Urban Development Department administration that

seeks to give tenants more say, San Francisco's local level public housing officials are seeking to suppress calls from tenants for self-management.

Mayor Art Agnos backs up the Housing Authority administration that supports only carefully cultivated and controlled tenant involvement. Tenant associations are pushed to contract for private resident managers, not to manage themselves.

There was a call last week from the Coalition for San Francisco Neighborhoods for the Board of Supervisors to resurrect an idea posed last year by two supervisors that the board should take over the Housing Authority Commission and appoint its members.

This is a proposal worth considering, not because the supervisors have proven themselves wizards at organization and examples of accountability, but because the board can't do a worse job than the mayor has.

It wasn't long ago that somebody wrote a book about how the city should be governed. It said, in part, "I believe tenants in public housing projects can be given a stronger role in managing their lives and improving their conditions."

The mayor has not followed through on those words, which he wrote in 1987. Perhaps the supervisors, who profess to be shocked at the way the projects are run, will have better luck correcting the problems they see.

New Mayor to Take Hard Look at Housing Authority

By Robert Collier
Chronicle Staff Writer

One of Mayor Frank Jordan's most closely watched staffing decisions will be whether he follows through with a campaign promise to fire Housing Authority Director David Gilmore.

In the past year, Gilmore has drawn criticism from a vocal core of public housing tenant leaders. They accuse him of blocking their attempts to participate in a new federal program designed to turn over management — and eventually ownership — of public housing projects to the tenants.

Although the housing agency has long been a lightning rod for criticism, the debate about Gilmore is part of a broader ideological battle. Many of his detractors are fervent backers of U.S. Housing and Urban Development Secretary Jack Kemp, who says the resident management program is a way to take on the welfare state.

Jordan chief of staff Hadley Roff calls the opposition to Gilmore "more boisterous and more vocal" than for any other official inherited from the Agnos administration.



DAVID GILMORE

Jordan vowed to ax housing chief

"He's done everything to block resident management," said Alemany housing project resident Tiki Hadley, president of Alemany's resident management corporation and a member of Jordan's transition team. "If you don't agree with his policies, he tries to divide the tenants against you. We want Jordan to clean house at the Housing

Authority and ... for Gilmore to go back to Boston and take his administrative staff with him."

Gilmore calls the criticism a side effect of success. "We have done more for resident management and for all types of resident participation than has ever been done in this city," he said, citing new Housing Authority grants to resident management groups at three San Francisco projects and new resident programs ranging from day care to recreation.

"I am a lightning rod because I have come into this city to try to repair and salvage a seriously troubled agency," he said. "To do this is impossible without stepping on some toes."

In fact, Gilmore generally receives high marks as an efficient, savvy manager.

"My impression is that (Gilmore) has done some very positive things, getting the agency on a sound financial footing," said Roff, who said no immediate decision will be made on any department chiefs. But if he is fired, it will be at a steep price — his contract with the city would cost about \$200,000 to buy out, Roff and Gilmore said.

Gilmore, a 49-year-old Brook-

lyn native, was hired away from the Boston Housing Authority in 1989 by former Mayor Art Agnos. Gilmore was assigned the tough task of rescuing San Francisco's crumbling public housing, a year after a HUD report said the Housing Authority had "virtually lost control" of half of its 23 projects.

Since then, according to HUD statistics, Gilmore chopped the vacancy rate in the authority's apartments from 10 percent to less than 1 percent, reduced the average time required to repair and re-rent units from 125 days to 21, and, by improving record-keeping and winning increased federal support, enabled the agency to pay off about \$6 million in long-term debt.

Under Kemp's resident management program, public housing tenants can receive HUD training grants to help them take over management responsibilities. Later, they will be eligible to purchase the buildings for a token price.

Two San Francisco projects, Alemany and Hunters View, were awarded \$40,000 HUD grants last year to begin the program, and three other projects — Robert B. Pitts Plaza, Sunnydale and Holly Court — received similar grants

from the Housing Authority.

Some tenant leaders support the director. "Mr. Gilmore has been very helpful to us, and I back him 100 percent," said Eva Mae Williams, president of the resident management corporation at Robert Pitts Plaza. "The people that criticize him, instead of working together they just talk about dividing people."

But some observers said the divisions are political, not personal.

"Jack Kemp has fundamentally changed the rules of the game for inner cities, moving power from downtown bureaucrats to the hands of the tenants," said Robert B. Hawkins, president of the Institute for Contemporary Studies, a conservative San Francisco think tank that has given advice and financial aid to tenant groups at Alemany and Hunters View.

"Gilmore's style is plantation ownership and ours is freedom," said Espanola Jackson, chairwoman of the Bayview neighborhood's District 7 Democratic Club, a member of Jordan's transition team. "The Democrats have hindered us, and the only ones who have helped us the in last year are Republicans."

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An Open Letter to San Francisco's Public Housing Residents



Dear San Francisco Resident:

I know you're tired of the deplorable conditions in your public housing developments because I have worked in and around them for 33 years. I know you pay rent for apartments in dire need of repair. I know that the grounds your children play on are dirty and unsafe. I know that your civil and human rights are routinely violated by Housing Authority staff. I know you and your human families are most often the victims of violent crime. And I know that Art Agnos has done nothing to help you these past four years.

I want to bring you H.O.P.E. and put San Francisco's public housing back on track.

Many of you have heard about H.O.P.E.— So has Art Agnos, but he doesn't want you to have it. The federally-funded H.O.P.E. Program (Homeownership & Opportunities for People Everywhere), is working all across the country. H.O.P.E. provides Resident Management Training to provide you and your families with the skills necessary to eventually manage your own developments. It provides jobs and economic opportunities. It provides drug elimination money to rid your community of crime and violence. It provides you with the opportunity to own your own developments for no more of your incomes than you're currently paying for rent.

Art Agnos opposes H.O.P.E. because it takes the power to control your lives away from him and gives it back to you. I believe you have the talent and energy to make H.O.P.E. work. All you need is the chance to do it.

As Mayor, I will bring Resident Management to San Francisco with this simple plan:

1. *As Mayor, I will insist on an executive director of the Housing Authority who will work with public housing residents and will represent their interests.*

2. *Appoint San Franciscans to the Housing Authority Commission who have your best interests at heart.* They will work with you, not against you. With better resident representation, the Housing Commissioners will be advocates for residents.

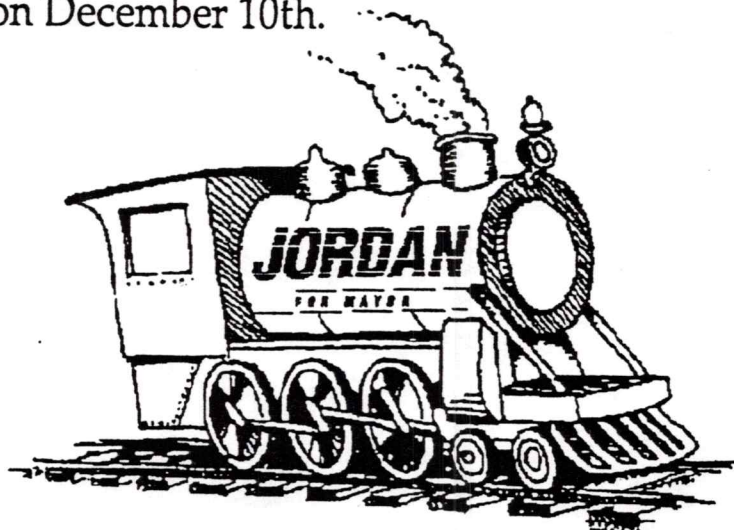
3. *Audit the Housing Authority and streamline the entire bureaucracy.* Put that money to work toward resident services, not administrators' salaries. I will cut the fat from the housing budget and use the savings for residents' services.

4. *Last, I pledge that my Housing Director, my Commissioners and I will bring the H.O.P.E. program to every development that wants it.* This means that the Mayor's Office will provide organizing assistance, technical assistance, and the political clout you'll need to get money from the H.O.P.E. program. We will open City Hall to Public Housing residents and support Resident Management Councils, so that you can take the H.O.P.E. program as far as you want it to go. Once you have successfully managed your developments, you will have the opportunity to own them if you choose.

I ask for your vote and support on December 10th.

Warmest Regards,

Frank M. Jordan
Frank Jordan



#1

Susan Herbert
Associate Editor

The San Francisco In

1201 Evans Avenue
San Francisco, CA 9412
(415) 826-1100

San Francisco Independent

1201 Evans Avenue • San Francisco, CA 94124 • 415/826-1100

February 5, 1991

Dear Secretary Kemp,

When San Francisco's public housing tenants tell me Jack Kemp is their only hope, I hear truth and desperation in their voices.

As a reporter I hear much and I am distressed as I watch the tenants' hopes thwarted at the local level. Florence Fang, whose family owns the *San Francisco Independent*, has assured me she knows you well and that you are a man of political integrity, that your plans to empower the poor are not empty words.

I appreciate this opportunity, therefore, to write to you and share my experience watching your initiatives take root in the lives of the public housing tenants.

It is watching the month-by-month operation of the Housing Authority commission that has given me the most insight into the current state of affairs - the public housing tenants realizing that they have the power to make real changes in their lives and the resistance they meet at the bureaucratic level.

As associate editor and reporter for the *Independent*, I have covered the city's Housing Authority for the last two years, attending every commission meeting and many tenant association meetings. I have walked through projects accompanied by tenants who have later told me they suffered repercussions for inviting me to their homes. I attended one meeting where I was asked by the director to keep everything off the record. When I said I couldn't do that and left, the whole contingent of tenants left, too.

Simply put, two years ago the tenants came to the Housing Authority Commission meetings groveling for light bulbs and plumbing repairs. Today they still have not received the light bulbs and plumbing repairs, but because they have been emboldened by your words, they are standing taller and are now demanding audits and accountability.

They are asking that the Authority make good on the federal goals, to work in partnership with them.

The tenants, many as determined and capable as Bertha G., say they are frustrated in their efforts. Asked to serve as advisors on contract decisions, they say their input is ignored when contracts are awarded. Their request for self-management has been brushed off. Those who speak out say they meet harassment and attempts at intimidation.

San Francisco may be unique in that neighborhood groups have banded together to help the tenants wrest empowerment from a reluctant bureaucracy. Enthusiasm for resident management is at a high now at several sites. Both Sunnydale and Alemany projects have asked the Authority to implement the initiatives and allow them to hire resident management consultants.

All concerned say that San Francisco with its public housing sites scattered throughout the city and its supportive neighborhood groups could be a model for the nation.

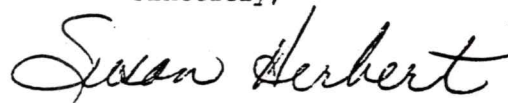
In view of what many people perceive to be a bureaucratic stand-off, will you be sending your own watchdogs to see that your programs are implemented, that this thrust toward empowerment is nurtured? People fear that if this desire for self-determination is frustrated, the Housing Authority will not only continue its crippling "plantation attitude," but will engender a deep and abiding anger among its tenants.

The tenants are ready for your initiatives. Do you have a plan to push the local bureaucracy toward your goals?

When interviewing and talking to the tenants and the neighborhood people, many say you are their only hope.

I would appreciate a response from you or your staff.

Sincerely,

A handwritten signature in cursive script that reads "Susan Herbert". The signature is written in dark ink and is positioned above the printed name.

Susan Herbert

A Bootstraps Approach to Housing

Organizers want residents to manage some S.F. projects

By Lawrence Chickering
Chronicle Staff Writer

San Francisco is one of the centers of a new movement that is seeking to allow occupants of public housing to take over, manage and eventually own it. The movement is being led by an extraordinary group of black women, who are starting their efforts in four local projects.

One of the occupants, Tiki Hadley, does not seem like a typical occupant of public housing. She once lived a happy and prosperous life, owning her own home and a business in the country with her husband and three children. Then one Christmas, she came home and found her husband murdered, and her world began to fall apart. She ended up living in her car and finally found her way into public housing in the Alemany Project in the southeast part of San Francisco.

Now in her mid-40s, Hadley is rebuilding her world by helping lead a revolution that may ultimately change the way we view the disadvantaged and help them achieve economic and social progress.

Hadley began the current phase of her life working with neighborhood activists, business leaders and tenant leaders in other public housing projects to allow tenants to take advantage of rights created for them by the 1987 Housing and Community Development Act and now actively promoted by Housing and Urban Development Secretary Jack Kemp. When the community organizers tried to get the San Francisco Housing Authority to cooperate in communicating to tenants their rights to create resident management and achieve eventual home ownership, city officials stonewalled them and accused them of trying to destroy public housing.

Housing Authority officials say they support resident management efforts, and some tenant resident management leaders say they are satisfied with the city's actions.

Frustrated by what seemed to them to be the city's active opposition to their efforts, the community groups asked help a year ago from the San Francisco-based Center for Self-Govern-

nance, which was founded to assist low-income people in a variety of areas, especially housing and education. As a result of this contact, the center is now working with four primarily black public housing tenant groups on strategic plans for accomplishing tenant management and eventual ownership of the projects. The projects are in the Alemany, Hunters View, North Beach and Sunnyside projects.

The center has also implemented a series of action training programs to give the tenants the tools to master all aspects of management. It got the local office of an accounting firm, Deloitte and Touche, to condense HUD's 500 pages of accounting regulations into a simple 19-page handbook. It is working with a group of local lawyers who are helping the tenants to negotiate memoranda of understanding with the Housing Authority. And it is negotiating with several real estate companies to get help in training people to manage the projects.

Housing Authority officials have fought back against this threat to bureaucratic authority with extraordinary vindictiveness. They have run their own slates of candidates against the tenants' groups. They have arbitrarily moved people out of the projects, trying to destroy their sense of community. And one evening Hadley returned to her apartment and found an entire wall removed, the result of "administrative error." She was also accused of stealing and transporting to her home a 1,000-pound Xerox machine.

Everybody knows that public housing — or "government housing," as the tenants prefer to call it — is infested with drugs, crime and social demoralization. What they don't know, argues Barbara Meskunas, director of the center's newly-established Citizens Alliance for Community Empowerment (CACE), is that "the projects are actively oppressing people living in them."

What do the disadvantaged want, and how can they be helped to achieve it? Robert B. Hawkins, Jr., Director of the center, states the basic point: "They want what you and I take for granted: control over their own lives."

The new movement is not just a repackaged version of either Ronald Reagan's slogan about "getting government off

peoples' backs" or of Saul Alinsky's community organizing in the 1960s. The tenant activists feel that both were flawed because they were negative. For this reason, they are, in fact, contemptuous of both left and right, both Democrats and Republicans.

"They want to play at helping us without getting their hands dirty," says Alma Lark of the North Beach project, "without helping us take charge."

The most interesting thing about the new movement is its scrambled politics. The Center for Self-Governance is an offshoot of the Institute for Contemporary Studies, a conservative think tank that I helped found in the mid-1970s. ICS' movement from national policy studies to community organizing is bringing together a unique combination of conservatives and liberals, of '60s Saul Alinsky activists and Milton Friedman libertarians.

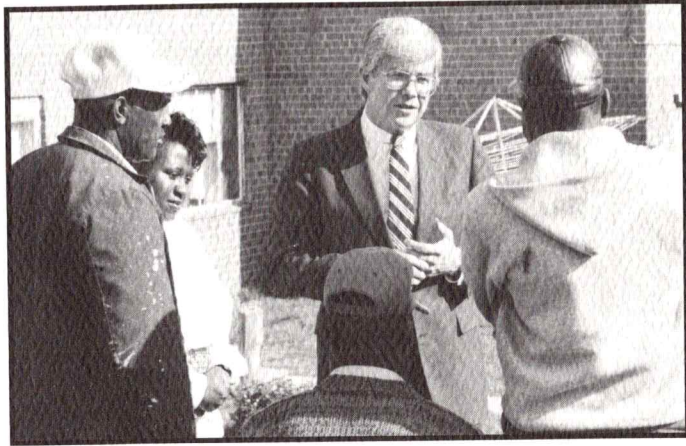
The political implications of the movement may be considerable. In last fall's mayoral election, these tenant activists considered the liberal Art Agnos as a tool of the bureaucrats. This explains why the precincts they organized supported the more conservative candidate, Frank Jordan.

What is going on here and other places illustrates the profound changes in the way growing numbers of people are viewing the disadvantaged, their possibilities and the contributions they can make to society. If the effort succeeds, it will provide enormous benefits for society. If the poor can build productive communities, reduce drug use and broken families and begin to generate wealth, the impact on our social and political life will be enormous.

What is the greatest aspiration for these new entrepreneurs? One of Hadley's associates, Brenda Stringer, answered this question as follows: "My goal is to pay taxes. When I pay taxes, I will know that I am a full citizen."

She communicates an idea of citizenship that many people in our country have lost. It is interesting to think that these new entrepreneurs may change our politics and may provide hope for people who now despair about where our country is going.

THE ECONOMIC VIEW



"I want to work with you to remove the bonds of poverty and engender a new spirit of hope and enterprise in every public housing community in America."

—Jack Kemp, Secretary of HUD

HUD Secretary Jack Kemp created the Office of Resident Initiatives (ORI) in June 1989 to improve the quality of life of public and Indian housing residents through empowerment and partnerships with local housing agencies. These partnerships are intended to help residents become more involved in the management of their developments, achieve economic independence and security, acquire assets, and become homeowners. Resident initiative and self-determination revitalize families and neighborhoods, increase employment opportunities, and restore community pride and self-esteem.

From within HUD's Office of Public and Indian Housing, ORI operates the following five innovative programs:

■ **Drug Elimination**—Supports the efforts of public and Indian housing authorities and residents to rid their communities of drugs through a combination of grants, training, youth sports, and technical assistance programs.

■ **Resident Management and Participation**—Helps establish and strengthen partnerships, build residents' capacity to manage their own developments, and pave new paths for economic empowerment; provides technical assistance grants to resident organizations.

■ **Economic Development**—Assists residents and housing agency partnerships to form resident-owned businesses. This program creates jobs for residents, expands employment opportunities for the community, and facilitates economic growth.

■ **Supportive Services**—Works with other Federal agencies to help implement resident self-sufficiency through initiatives such as Head Start, educational choice, jobs linkage, and health centers in public and Indian housing communities.

■ **Homeownership**—Helps create opportunities for today's public housing residents to become tomorrow's homeowners and administers HOPE planning and implementation grants to help public and Indian housing communities achieve successful homeownership programs.

ORI wants to keep you informed. The Office issues two quarterly newsletters: *Home Front* and *The Resident Leader*. *Home Front* is filled with innovative ideas about how to eliminate drugs in public housing. *The Resident Leader* keeps you informed of activities, programs, and news about successful resident initiatives. It also contains announcements of available funding.

ORI has established the Resident Initiatives Clearinghouse to share information on ORI-sponsored activities and resident initiative programs being successfully implemented around the country. ORI wants to hear about activities in your community and your suggestions for ways we can serve you better. Call the Clearinghouse at 1-800-955-2232 for more information. You can also find more details about the Clearinghouse on the back of this brochure.

REGISTRATION FORM

- ☐ Please sign me up for the Clearinghouse mailing list. I have checked my interest areas and one professional affiliation.
- ☐ This is a change of address.

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- ☐ Student
- ☐ Other

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- ☐ Other State/Local Government Agency

Interest Area

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- ☐ Resident Management/Participation
- ☐ Economic Development
- ☐ Supportive Services
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GETTING THE FACTS ON RESIDENT EMPOWERMENT INITIATIVES

Together We Can...



Office of
Resident Initiatives

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

Resident Initiatives Clearinghouse
P.O. Box 6424
Rockville, MD 20850

ABOUT RIC...

The Resident Initiatives Clearinghouse (RIC) was established by the U.S. Department of Housing and Urban Development (HUD) to share information on the activities of its Office of Resident Initiatives. RIC maintains and operates a:

Toll-Free Hotline and Referral Service

To help you obtain information about HUD's resident initiatives programs and how you can take action on community problems or needs. Call the Resident Initiatives Clearinghouse toll free at 1-800-955-2232, or write to P.O. Box 6424, Rockville, MD 20850.

Mailing List

To send you information, new publications, funding announcements, and timely newsletters.

Database

To provide access to public laws, Federal regulations, research reports, program summaries, Notices of Funding Availability (NOFAs), grant application kits, books, and additional material highlighting resident initiatives in public and Indian housing and low-income communities.

Call Toll Free:

1-800-955-2232

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Empowering Youth in Public and Indian Housing

National Youth Sports and Cultural Convention

June 5-7, 1992
Washington, D.C.

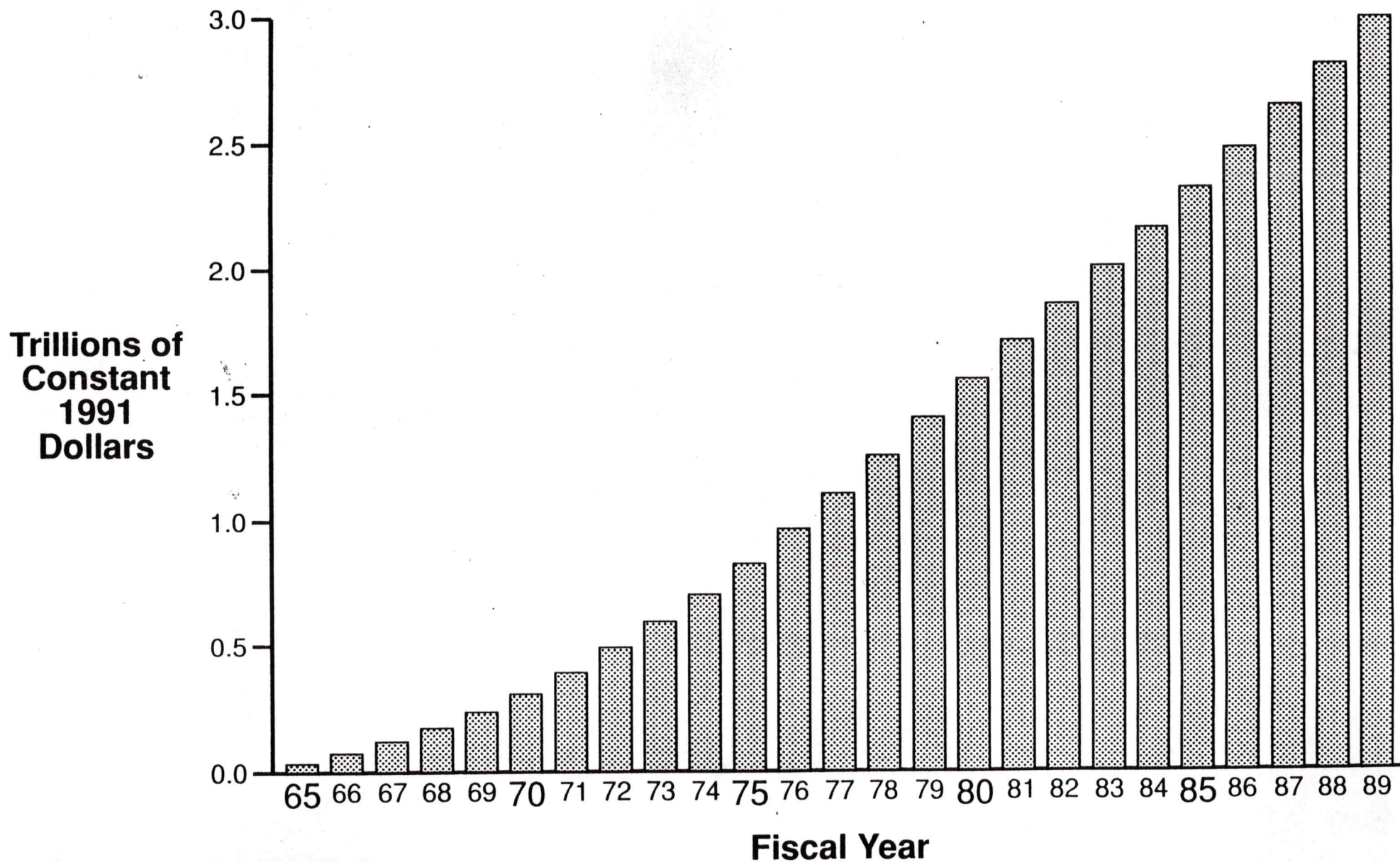
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Justice and Delinquency Prevention

U.S. Department of Housing and Urban Development
Office of Policy Development and Research



The President's National Urban Policy Report

Cumulative Welfare Expenditures



Source: Social Security Administration
Office of Research and Statistics

BACKUP TABLE:

CUMULATIVE WELFARE EXPENDITURES, 1965 - 1989

In trillions of Constant (1991) Dollars

Fiscal Year

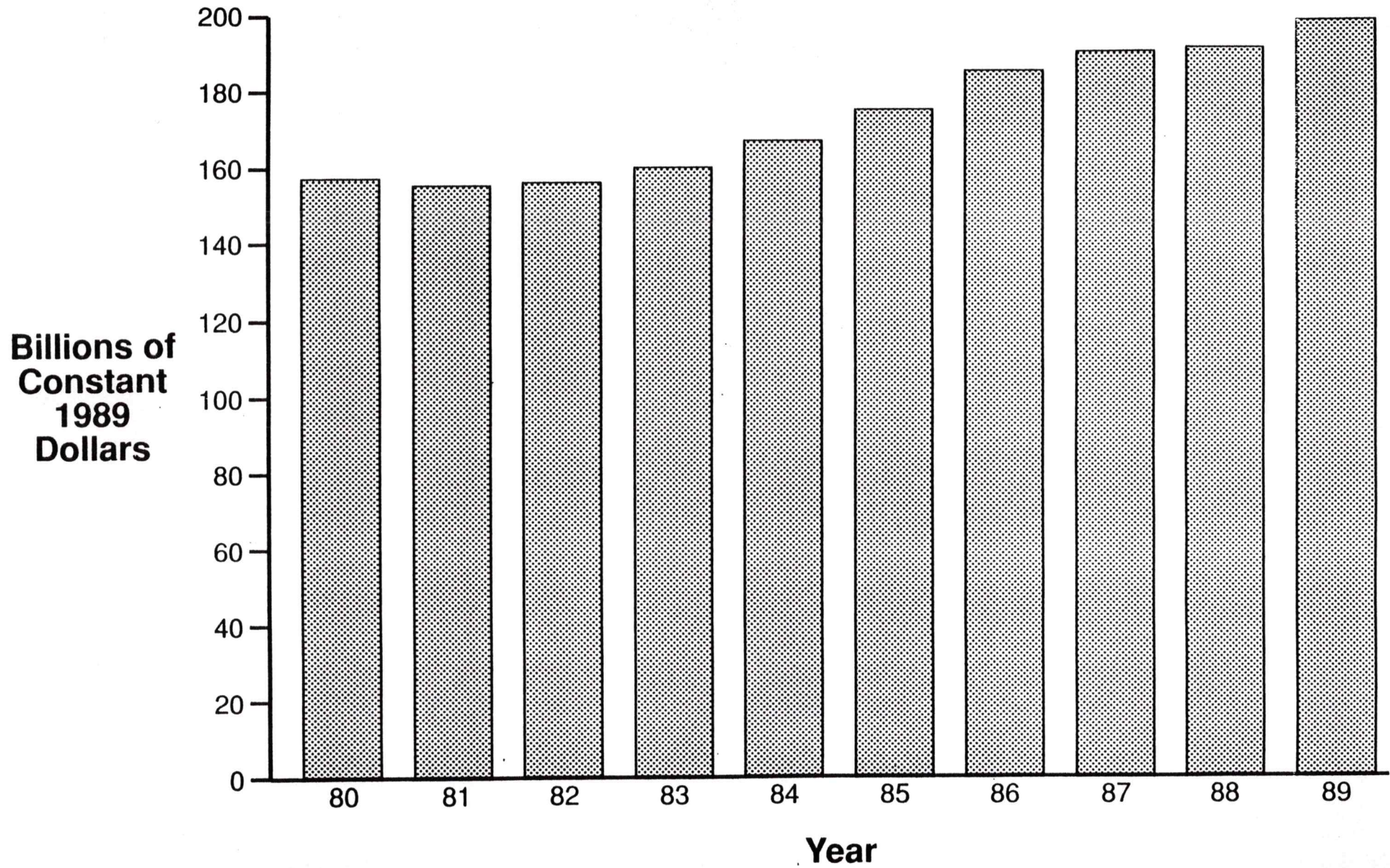
1965	\$ 34
1966	74
1967	119
1968	173
1969	235
1970	306
1971	392
1972	492
1973	597
1974	704
1975	828
1976	965
1977	1,108
1978	1,258
1979	1,406
1980	1,558
1981	1,713
1982	1,857
1983	2,009
1984	2,161
1985	2,319
1986	2,480
1987	2,647
1988	2,810
1989	2,997

Cumulative expenditures 1980 - 1989:

\$1,591 trillion

SOURCE: Social Security Administration, Office of Research and Statistics

City Spending



Source: City Government Finances
Bureau of the Census

Backup Table

CITY SPENDING

In millions of constant (1989) dollars

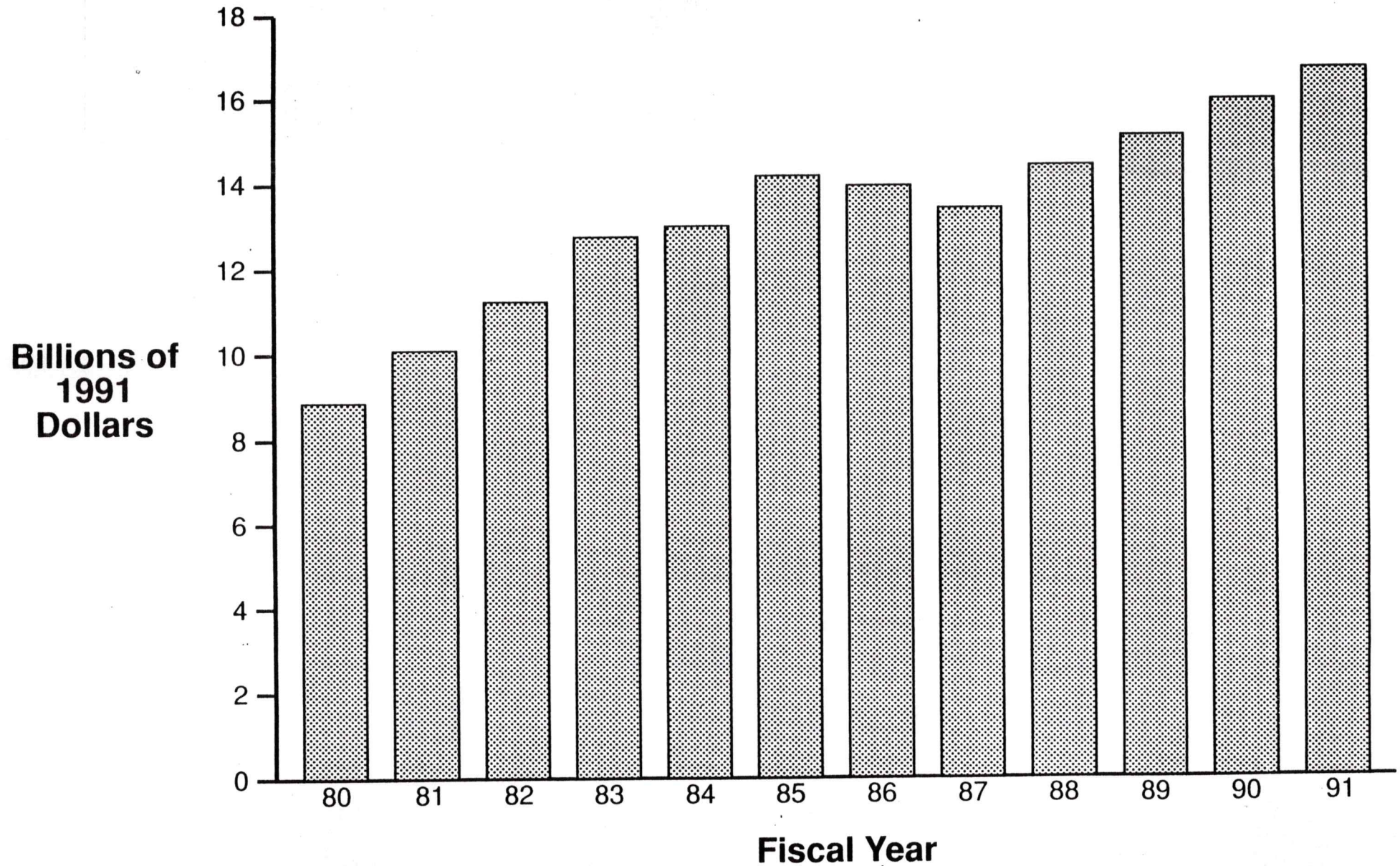
YEAR	Total Municipal Expenditures
1980	\$ 157,403
1981	155,570
1982	156,239
1983	160,194
1984	167,084
1985	175,376
1986	185,603
1987	190,665
1988	191,569
1989	198,790

Percent change, 1980-1989:

26.3 %

Source: City Government Finances, Bureau of the Census

Outlays for Low-Income Housing Assistance



Source: HUD Budget Documents

Backup Table:

HUD OUTLAYS FOR LOW-INCOME HOUSING ASSISTANCE

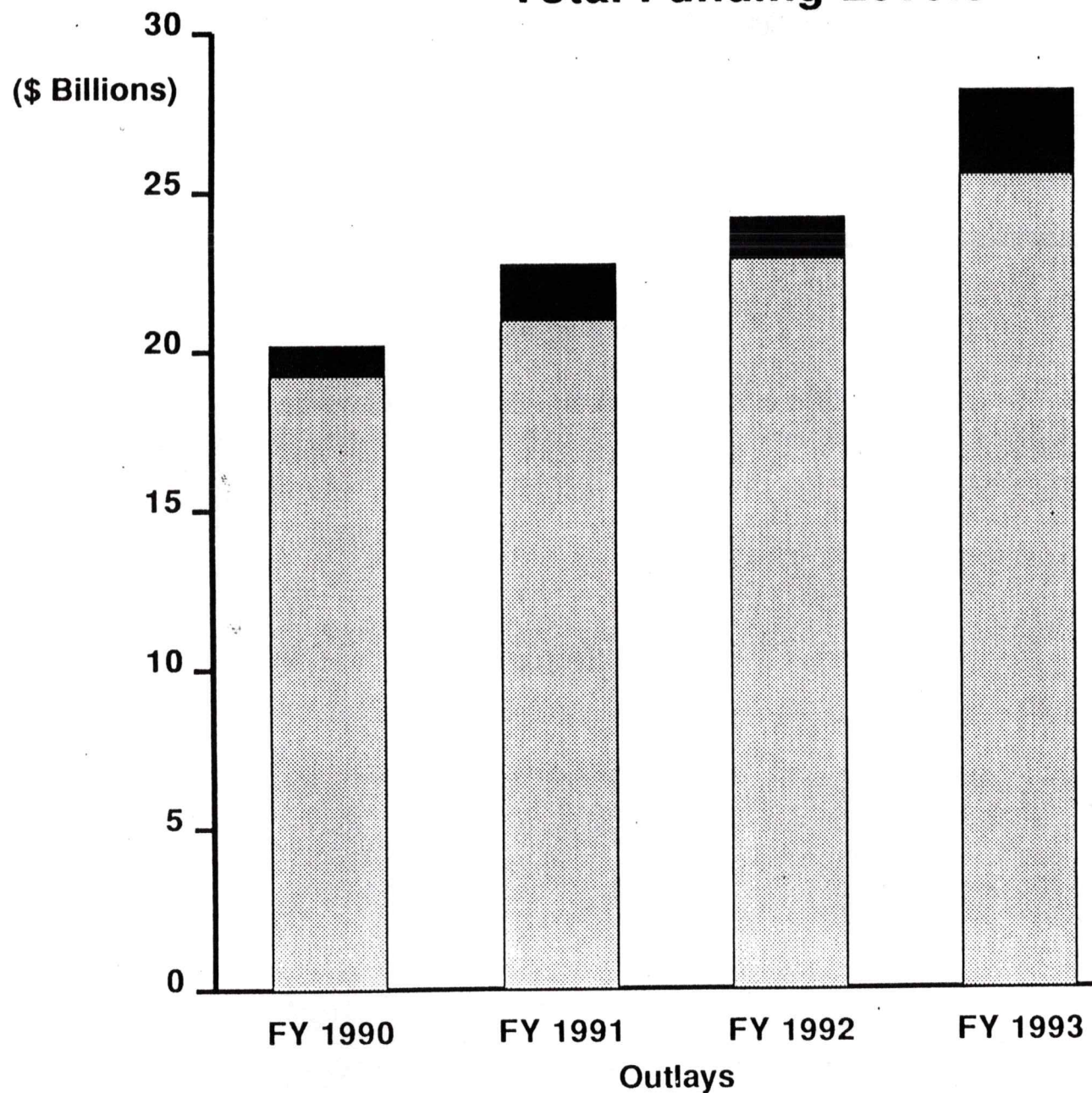
In billions of constant (1991) dollars

FISCAL YEAR		

1980	8,859	
1981	10,092	
1982	11,238	
1983	12,756	
1984	12,989	Percent change, 1980-90:
1985	14,176	79.9%
1986	13,946	
1987	13,397	
1988	14,427	
1989	15,107	
1990	15,940	
1991	16,675	

SOURCE: HUD Budget Documents

Department of Housing and Urban Development Total Funding Levels



■ **Mandatory Programs**
■ **Discretionary**

Percent change without
mandatory programs:

FY 1990 to FY 1991 + 9% (\$1.8B)
FY 1991 to FY 1992 + 9% (\$1.9B)
FY 1992 to FY 1993 +11% (\$2.6B)
FY 1990 to FY 1993 +33% (\$6.3B)

January 29, 1992

BACKUP TABLE:

Total Funding Levels
Outlays

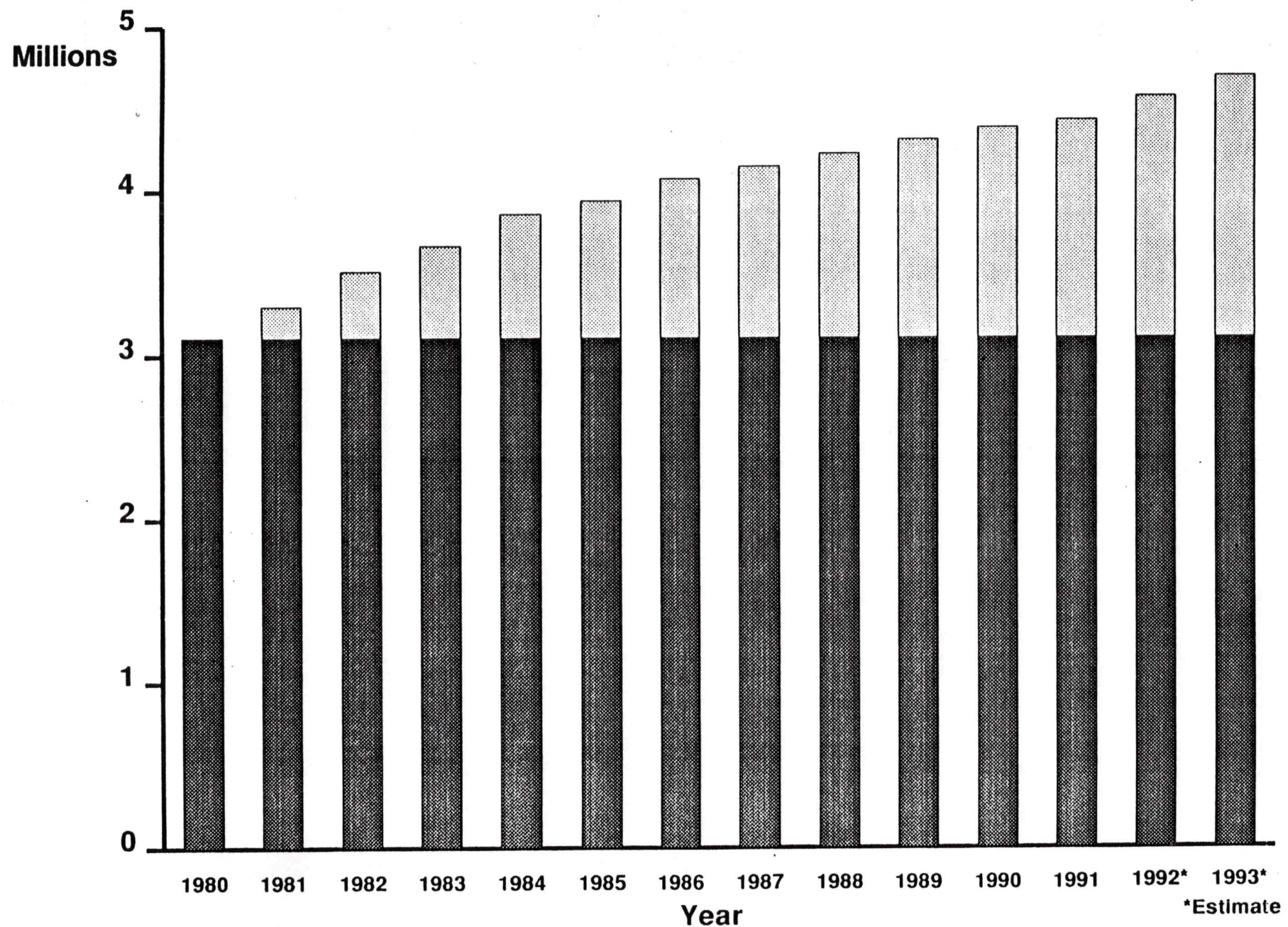
(\$ in billions)

	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>	<u>FY 93</u>
Mandatory Programs (FHA Funds, Manuf. Hsg., Interstate Land Sales, PIH and Section 202 Loan Funds, Gifts and Bequests)	1.0	1.8	1.3	2.7
Discretionary Programs	<u>19.2</u>	<u>21.0</u>	<u>22.9</u>	<u>25.5</u>
Total	20.2	22.8	24.2	28.1

Note: Totals may not add due to rounding.

Credit reform is the main reason for the fluctuations in outlays for mandatory programs.

The Number of Additional Families Assisted Under HUD Programs Since 1980



January 29, 1992

Backup Table:

The Number of Additional Families Assisted
Under HUD Programs Since 1980*

	<u>Families Assisted in 1980</u>	<u>Additional Families Assisted Since 1980</u>	<u>Total</u>
1980	3,107,070	0	3,107,070
1981	3,107,070	190,381	3,297,451
1982	3,107,070	400,826	3,507,896
1983	3,107,070	556,258	3,663,328
1984	3,107,070	752,606	3,859,676
1985	3,107,070	836,168	3,943,238
1986	3,107,070	969,71	4,076,783
1987	3,107,070	1,044,182	4,151,252
1988	3,107,070	1,120,260	4,227,330
1989	3,107,070	1,208,247	4,315,317
1990	3,107,070	1,279,295	4,386,365
1991	3,107,070	1,325,007	4,432,077
1992 (Est.)	3,107,070	1,470,546	4,577,616
1993 (Est.)	3,107,070	1,596,555	4,703,625

* 1992 and 1993 estimates do not include additional families served under the HOME Investment Partnerships program.

TALKING POINTS

CUMULATIVE WELFARE EXPENDITURES

- o This chart represents total "social safety net" program spending by Federal, State and local governments.
- o It excludes Social Security and Medicare.
- o It includes assistance targeted to low income families, such as public assistance (AFDC), Food Stamps, Supplemental Security Income (SSI), Medicaid vendor stamps, refugee assistance, surplus food for the needy, housing assistance programs, and other programs such as vocational rehabilitation, institutional care, child nutrition, child welfare, and CSA/Action.
- o From 1965 to 1980, all levels of government spent \$1.6 trillion constant 1991 dollars on "social safety net" programs.
- o In just 9 years, from 1980 to 1989, this figure nearly doubled to \$3 trillion constant 1991 dollars.

TALKING POINTS

CITY SPENDING

- o This chart represents total city spending at Federal, State and local levels.
- o In constant dollars, total city spending has increased 26.3 percent from 1980 to 1989.
- o These figures include direct Federal aid to cities, but does not include Federal aid to individuals -- such as housing assistance, which has increased dramatically. (See low income housing assistance chart.)

TALKING POINTS

OUTLAYS FOR LOW INCOME HOUSING ASSISTANCE

- o This chart measures HUD low income housing assistance including:
 - section 8 new construction, sub rehab, moderate rehab, and tenant-based assistance programs;
 - public housing new construction and operating costs; and
 - earlier HUD programs such as the Section 235 and 236 programs.
- o Since 1980, HUD low income housing assistance outlays have increased from \$8.9 billion to \$16.7 billion. This is nearly double the amount in 1980 -- an 88 percent increase.

TALKING POINTS

TOTAL FUNDING LEVELS -- HUD OUTLAYS

- o This chart measures total HUD outlays from 1990 to 1993.
- o Since 1990, HUD total discretionary outlays are projected to increase 33 percent.
- o These figures include housing assistance, community development and all other HUD funds.

TALKING POINTS

THE NUMBER OF ADDITIONAL FAMILIES ASSISTED UNDER HUD PROGRAMS SINCE 1980

- o This chart represents the number of households HUD is serving every year in its low income housing inventory.
- o The number of households served has increased from 3.1 million in 1980 to 4.3 million in 1989. This is an increase of nearly 40 percent.
- o The President's budget requests funding to increase the total number of households served to 4.7 million by 1993. An increase of 51 percent since 1980.
- o The increase in the number of households served is the main reason for the increase in HUD low income housing assistance.

STATEMENT OF SECRETARY JACK KEMP
COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
UNITED STATES SENATE
MAY 14, 1992

Mr. Chairman and Members of the Committee, there is a Chinese proverb that goes something like this: There's a lot of wisdom in the world, but unfortunately it's all divided up among people.

Mr. Chairman, I don't have all the answers, but I am here today to share with you and the committee, on behalf of the Bush Administration, my limited amount of wisdom on this issue which is so troubling to all of us. I am here to offer the Administration's prescription to begin addressing the problems of poverty, hopelessness, lack of opportunity, and despair which plague too many inner cities from South-Central Los Angeles to the South Bronx.

In my view, what we heard in Los Angeles beginning on April 30 was a "cry for help." That isn't to say, Mr. Chairman, that I condone violence, and no one condemns violence more than I do. President Bush took swift and appropriate action to help restore the rule of law. All of us are relieved that peace has been restored and that the President has ordered a Department of Justice investigation of a potential miscarriage of justice in the beating of Rodney King.

Yet the problems of Los Angeles in many ways are endemic to cities all across America. The Los Angeles Times pointed out that

the 30.5 percent poverty rate of South-Central Los Angeles was twice that of the city of Los Angeles, almost three times the national rate, and higher than it was in 1965. Los Angeles has one of the lowest homeownership rates in the United States -- 48 percent -- and the homeownership rate among families at or near the poverty level in Los Angeles is barely half of that. Black and Hispanic business ownership rates are far too low.

The unemployment rate in South-Central L.A. in 1990 was 15.2 percent, double the average for Los Angeles county. About a quarter of the teenagers aged 16 to 19 were high school dropouts, and of these, about 65 percent were unemployed or not in the labor force. And according to the Los Angeles Times, more than half of all people in South-Central L.A. were unemployed or had dropped out of the labor force.

Mr. Chairman, when people lack jobs, opportunity and ownership of property, they have little or no stake in their communities and no respect for other peoples' property as well. When people have nothing to lose but the shirt off their backs, it undermines respect for the law, encourages disregard for other peoples' property, and in my view there are not enough federal troops in America to bring stability where people have no stake in their communities.

Mr. Chairman, Dickens said of revolutionary France, it was the best of times and the worst of times. But in Los Angeles it was the other way around. It was the worst of times; it was simultaneously the best of times. We saw random and wanton vandalism, but we also saw incredible heroism. We saw hatred,

but we also saw incredible acts of love. We saw anarchy and lawlessness, but we also saw the overwhelming spirit of a community coming together -- Black, white, Hispanic, Asian.

We saw despair and hopelessness while hearing simultaneously that Dr. King's Dream to "keep hope alive" was on the lips of not only African-Americans but Hispanic, Korean, and Asian Americans as well. President Bush heard about the American Dream in every language. And despite the tragedy, we saw the potential for a very different future -- a future of boundless opportunity and expanded hope where all people could realize and recapture the American Dream of upward mobility, a good education for their children, a job, a home, and equality of opportunity.

When President Bush visited L.A., he said, "Our aim must not simply be to recreate what we had, but to build something better. There can be no return to the status quo."

Mr. Chairman, we don't need a right wing status quo; we don't need a left wing status quo. We need a radical redirection of our nation's anti-poverty and welfare policies to encourage property ownership, entrepreneurship, and opportunity for all our people.

The whole nation looks to us for leadership. There are those on the far Right who would abandon the poor to their own devices. They expect low-income people to pull themselves up by their bootstraps. But Mr. Chairman, how can they do that when they don't have the boots or the straps? And the Left has its elitists too -- people who have given up on the poor and believe

poverty is a permanent, intractable condition. They would just anesthetize families against the pain of poverty. They do not believe that poor people respond to the incentives and rewards of the marketplace. I'm here to say they're both wrong!

It has been almost three decades since this country first declared "unconditional war" on poverty. In that time, poverty has become entrenched as never before. Despite the idealism, the soaring rhetoric and the noblest of intentions -- and the expenditure of more than \$3 trillion by all levels of government -- the poverty, crime, drug abuse, violence and despair this war was meant to address are, by most measures, worse today than before.

We all agree that there must be a "safety net" for the poor. And we have had some successes in alleviating the worst aspects of poverty. But Mr. Chairman, government has been so preoccupied with preserving the safety net that it has failed to construct a ladder of opportunity for the poor. It has been so preoccupied with redistributing wealth that it has forgotten how wealth is created.

Our welfare system provides millions of Americans with just enough cash to keep their heads barely above water. It not only discourages saving, there's actually a law against saving. It stops them from owning their own homes and acquiring assets, and worst of all, encourages family breakup. In 1959, 28 percent of poor families were headed by women. By 1990, 62 percent were headed by single mothers. Nearly all welfare programs subsidize

that type of family, and thereby actually promote a rising poverty rate.

We have erected barriers to productive human activity by shattering the link between effort and reward.

The flaws in our current system have been noted by experts on the left and the right. Professor Michael Sherraden of Washington University in St. Louis has called for a new approach centering on savings and assets, saying that: "Income only maintains consumption, but assets change the way people think and interact with the world."

But nothing speaks louder than the voices of the people who themselves are poor. One woman from the Nickerson Gardens housing project in Watts was quoted by the Washington Post as saying: "The trouble with welfare is that it punishes you for trying." Another said: "Welfare is a crutch. You're never able to say, 'I did this on my own.'"

We must discard the failed top-down paternalistic model for fighting poverty that has stressed dependency over independence; subsistence over self-sufficiency; empowering bureaucracies over empowering people. It is time to judge our anti-poverty programs by one standard: "Do they help poor people rebuild their lives and liberate themselves from poverty?" It's time to measure our compassion not by how many people need government assistance, but by how many people are permanently escaping poverty.

I appear before you today because the hour is late, and nothing less than an immediate, full-scale assault on the

barriers to economic growth and equality of opportunity for low-income Americans can be accepted. Impoverished and embattled communities are a problem not only for the people who live there, but for all of us. We as a society have nothing less than a moral obligation to tap the potential of every person, and to replace joblessness, drugs, crime and hopelessness with new opportunities for jobs, education, homeownership and upward mobility.

As President Bush said in Los Angeles last week, "We are one family, one people, and one Nation under God." We all have a stake in each other's welfare.

When we allow inner-city neighborhoods to be "redlined," when we allow them to be cut off from the flow of capital and credit in the mainstream economy, we create and perpetuate poverty. We must "greenline" neighborhoods for opportunity, capital, credit, investment and entrepreneurship.

The President's Urban Policy Report of December 1991 states: "It is this Administration's position that the fight against poverty must focus on incentives that can empower the poor with greater opportunity to share in the Nation's prosperity. A renewed war on poverty requires not only the removal of barriers to personal accomplishment, entrepreneurship, growth and jobs, but also an activist policy to provide the tools for the poor to better realize their capacity to participate in the economic mainstream."

Many of the Administration's proposals have been awaiting action by Congress for several years. These are not the only good ideas, but they represent a good starting point.

First, Enterprise Zones. When people lack jobs, opportunity and ownership of property, they have little or no stake in their communities. President Bush is proposing a sweeping and ambitious new Enterprise Zone proposal to flood America's inner cities with capital for low-income and minority entrepreneurs.

As Jesse Jackson has said, capitalism without capital is just an "ism." In my opinion, Enterprise Zones will inject jobs and capital into the inner cities. And we must do the same thing for rural pockets of poverty. Enterprise Zones will greenline America's economically distressed urban and rural areas. I pledge to work with you to see it enacted without delay.

Earl Graves, publisher of Black Enterprise magazine said that the biggest obstacle for minority entrepreneurs is getting access to venture capital -- the seed corn for all new businesses. He said that, "If African Americans are ever to secure a full measure of freedom and independence in this country . . . they must not only be employees; they must become employers. They must not only collect paychecks; they must issue paychecks . . . They must not only have the dollars to stay in hotels; they must have [access to] the mega dollars to own hotels."

John Jacob's "State of Black America" shows there were only about 425,000 Black entrepreneurs in 1989, about two percent of

the total of 14.7 million small businesses. Today, Blacks represent more than 12 percent of the U.S. population, yet own only one-half of one percent of the nation's \$29 trillion of capital stock. And although the number of Hispanic-owned businesses has grown sharply in recent years, Hispanic entrepreneurship is still far too low.

In Los Angeles County, for example, three-fourths of all businesses are owned by whites. Blacks, who represent 10 percent of the county's population, own fewer than five percent of all businesses. Hispanics, who make up a fourth of the population, own just one-tenth of the businesses. Mr. Chairman, one of the first steps to rebuilding our distressed inner cities is to help create ownership, entrepreneurship and jobs. People don't permanently escape poverty by cashing a government welfare check. They don't spend their way out of poverty. They work, save, acquire property, own a home, get an education, start a business.

The Administration's Enterprise Zone proposal will provide unprecedented opportunities for business and job creation in our cities. The Administration first introduced its proposal three years ago. Three years have passed, and it has not been enacted. We cannot rewrite history -- but we can adopt Enterprise Zones legislation now, and we can deepen and broaden our incentives.

The principal incentive of the Administration's Enterprise Zone proposal is to eliminate the capital gains tax in distressed areas. We must expand the capital gains exclusion to cover ALL Enterprise Zone investments.

Minority entrepreneurs have most of their capital gains in front of them. Cutting the capital gains tax will most help minority firms by freeing up capital from status quo business and assets and expanding access to capital for new, risky firms and enterprises which are the best vehicle for minority advancement and wealth accumulation. President Bush is confident that eliminating the capital gains tax in depressed areas can help "percolate" a whole generation of small business entrepreneurs and community leaders and set in motion a process of self-improvement and job-generation.

We must assure that all distressed areas meeting objectively defined criteria can qualify as Enterprise Zones. The Administration will work with Congress to designate appropriate criteria. Any area with pervasive poverty and distress, high unemployment, or high numbers of people on welfare should be eligible. The Enterprise Zone selection process should not be a zero-sum game pitting mayor against mayor, city against city, neighborhood against neighborhood.

Next -- as Congressman Charlie Rangel has proposed and the Administration endorses -- we should allow expensing of equity investment in Enterprise Zone businesses. In return for the up-front tax deduction, investors would provide inner city and rural entrepreneurs with the kind of seed capital they need to start up community-based businesses.

The Administration also supports a refundable income tax credit for the wages of individuals working in a zone. The

credit would put more income in the pockets of working families, and because the credit would be refundable, it would stop punishing families who want to move from the welfare rolls to the work force. This new credit would combine with recent, significant expansions to the Earned Income Tax Credit to support families working to become independent of welfare.

Mr. Chairman, the Enterprise Zone proposal that was vetoed by the President last Spring as part of a larger tax package was wholly unacceptable. That bill would have created only 35 enterprise zones, 25 of which would have been rural. The suffering, job loss and poverty in our inner cities demand that the primary focus of any Enterprise Zone bill be on urban areas.

Let me also make it clear that the Administration absolutely cannot support the concept of a "zone czar" who picks winners and losers of Federal tax benefits. The zone czar, as envisioned in the bill passed earlier this year, would select individual companies to receive a stream of tax benefits that Enterprise Zones provide. This concept is completely incompatible with the Administration proposal. Individuals who are willing to take the risks and invest their own money should determine who receives the benefits.

Government officials cannot make the best decisions about risk taking, creating new businesses, and directing capital -- entrepreneurs can. With all due respect, Mr. Chairman, this was a reason for the downfall of the UDAG program, where the Federal

government was placed in the position of selecting winners and losers. UDAG grants were poorly targeted and effectively subsidized the large corporations that represented the smallest risk to taxpayer funds, instead of helping the poor directly.

The zone czar approach, like UDAG, misunderstands the nature of job creation and entrepreneurship in America's inner cities. Virtually every study on business in America, including studies by MIT's David Birch, the National Federation of Independent Business and the Small Business Administration convincingly demonstrate that small businesses create most of the net new jobs -- and virtually all of the new jobs in inner cities and for minorities. These same studies demonstrate that these firms tend to be fragile and many fail within the first four years. In short, they are exactly the same type of firms that would be bypassed by government officials as too risky and unstable. As Professor Birch's landmark study concluded: "The very spirit that gives them (small business) their volatility and job creating powers is the same spirit that makes them unpromising partners for the development administrator."

If there is a danger that Enterprise Zones will not create new jobs but merely transfer businesses and jobs to Enterprise Zones from elsewhere, it would result from implementation of the zone czar concept. The natural response of a risk averse bureaucracy will be to bypass struggling entrepreneurs entirely in favor of the politically connected, large firms with demonstrated successes -- already existing firms.

Any Enterprise Zone bill that the President signs into law must include the major provisions I mentioned earlier. In many ways, it mirrors the Enterprise Zone legislation that has been introduced in this body by Senators Kasten and Lieberman and cosponsored by members of this committee, including the Chairman.

Mr. Chairman, I urge Congress to do what the Administration has proposed, what Los Angeles Mayor Tom Bradley has recommended, and what the National Conference of Black Mayors has endorsed, and that is pass an effective Enterprise Zone proposal without delay.

Second, "Weed and Seed". President Bush and Attorney General Barr announced last Friday that the Administration will be providing \$19 million to implement a Weed and Seed program in Los Angeles. I urge Congress to adopt the Administration's Weed and Seed initiative so that it can be fully effective nationwide. Weed and Seed will provide \$500 million in new and earmarked Federal funding for a neighborhood-focused, two-part strategy to control violent crime by "weeding" gang leaders, violent criminals and drug dealers from neighborhoods, and "seeding" those neighborhoods with public and private services and the tax incentives of enterprise zones.

The Administration's initiative will take advantage of the economic revitalization and job generation incentives of enterprise zones and will offer a more comprehensive set of social services.

Third, radical new directions in housing policy. Mr.

Chairman, this Department and the Bush Administration have intended from the outset not to be constrained by the traditional means of fighting poverty that have become grossly inefficient and that have placed low-income families on a treadmill of endless poverty and dependence. Indeed, after three years of experience with HUD programs and traveling around the country seeing what works and what doesn't, I have come to the conclusion that the Department's purpose of eliminating poverty is not being achieved. Too often, HUD's policies have served to perpetuate a system of top-down government paternalism that has entrapped the poor for more than a generation.

We clearly recognize the need to provide basic shelter assistance to the millions of families who live in substandard housing, are faced with homelessness, or who have excessive rent burdens. We have recommended large increases each year in the number of low-income families receiving housing assistance through Section 8 vouchers.

At the same time, we resist recommending funding for programs like public housing new development that are ineffective or inefficient, more costly than alternatives, and offer less choice to residents. Rather, we have also proposed programs and budgets to redirect housing policy back toward the poor and low-income families who are the intended beneficiaries of HUD programs, and to provide those families with choice in finding the housing that best serves their needs.

The centerpiece of the Administration's new direction in housing policy is HOPE. I appreciate the support of this committee in authorizing the Administration's HOPE programs as part of the National Affordable Housing Act. The goal of HOPE is to give low-income families a stake in their communities. It will provide access to assets, private property and opportunity and help low-income people to recapture the American Dream of homeownership by managing their own communities and ultimately owning their own homes.

Mr. Chairman, we are now less than a week away from the 130th anniversary of the most successful private property-based anti-poverty program in American history, which was launched more than a century before the Great Society. It was Abraham Lincoln's Homestead Act of 1862. Homeownership is the classic path to the American Dream and a fundamental building block of prosperity in America. It is no different for the poor than for the middle class.

It should come as no surprise that in some of the poorest neighborhoods in Los Angeles, where residents are managing their own communities and homesteading toward ownership, there was no property damage. Residents were out patrolling their own streets. When people have a stake in their neighborhoods, they will not only defend their own property, but their neighborhoods as well.

The Administration is proposing a reauthorization of HOPE Grants at a level of about \$1 billion in 1993. I strongly urge

this committee to support that request. At this level, we could help more than 100,000 families realize the dream of homeownership or begin them on a path that will ultimately lead to ownership. Frankly, the \$351 million appropriate for HOPE in Fiscal 1992 -- just 40 percent of the Administration's request -- was an insult to thousands of families who aspire to the Dream.

Mr. Chairman, the Administration is also requesting \$265.9 million for a unified Shelter Plus Care program for the homeless. This will allow homeless providers greater flexibility in designing tenant-based, sponsor-based and project based rental assistance programs with community-based mental health facilities, drug abuse treatment, job training and day care for homeless persons with disabilities, which is the key to returning those individuals to the social and economic mainstream.

The new legislative proposals of the Administration, embodied in the Opportunity and Empowerment Act of 1992, build on the themes of choice and empowerment Congress has already enacted:

- o Homeownership Vouchers will expand homeownership to a potential universe of 1.2 million voucher and certificate recipients, plus any incremental assisted recipients in the future. Currently, housing vouchers can be used only to help low-income people pay rent. If the Administration proposal is adopted, they will have a choice to use them to pay rent -- or the mortgage payment on a home;

- o The Moving to Opportunity demonstration expands on the Administration's empowerment strategy for fighting poverty and promoting fair housing. It is intended to help low-income families realize the opportunity to move away from areas with high concentrations of poverty to areas of lower poverty rates, where better employment, education and housing opportunities exist;
- o Perestroika for Troubled Public Housing will allow residents of troubled public housing authorities to choose non-profit or private managers for their housing; to remove their entire public housing community from government ownership and seek new non-profit owners for the development; or give residents or entities representing public housing residents a priority opportunity to restore vacant buildings as viable public housing;
- o RESTORE will deal with the emerging and serious problems of FHA-insured and assisted multifamily housing by increasing resident choice, management incentives and owner accountability; and finally
- o Safe Havens for the Homeless will provide a non-threatening small-group home environment for the mentally-ill homeless who are either unwilling or unable to participate in full support-service programs.

Mr. Chairman, the social and economic barriers that exist to choice, opportunity and empowerment are tragic. And

unfortunately, those barriers are frequently compounded by the regulatory barriers to affordable housing that are imposed by local governments. Millions of Americans -- the middle class, the elderly, and particularly those with lower incomes -- are being priced out of buying or renting the kind of housing they could otherwise afford were it not for a web of government regulation.

The bipartisan Advisory Commission on Regulatory Barriers to Affordable Housing issued a report last July which identified 31 separate actions that could be taken at the Federal, state and local levels to reduce regulatory impediments to affordable housing.

The Administration last week submitted legislation to implement a number of key Commission recommendations. I particularly want to urge this committee's support for proposals that will provide a set-aside of CDBG funds to States to fund planning grants for barrier removal and to require HUD's approval of State and local barrier removal plans as part of their Comprehensive Housing Affordability Strategy (CHAS). We agree that localities should have the maximum flexibility under HOME and other programs to develop housing that best addresses local needs. However, local regulations imposing exclusionary, discriminatory and unnecessary regulations cannot be allowed to coexist with the national priority of meeting the housing needs of very low-income families. The Department needs the appropriate tools to encourage localities to develop housing

plans that are consistent with Federally established housing policies.

Mr. Chairman, I believe that all the Government and Government-sponsored housing agencies should turn their efforts to making sure that families in South Central Los Angeles and other inner city neighborhoods have access to mortgage credit so they can buy homes. The Federal Reserve's HMDA data has shown us that inner cities, neighborhoods and minority households do not get fair treatment in the mortgage market. I have therefore asked the heads of all the agencies -- FHA, GNMA, Fannie Mae, Freddie Mac and the Federal Housing Finance Board -- to meet with me on Monday to discuss what can be done.

Fourth, help welfare recipients move to economic independence. The startling fact in America today is that the highest marginal tax rates are being paid not by the rich, but by welfare mothers and unemployed fathers who want to take a job. In most cities, a welfare mother with two children would have to earn \$18,000 to \$20,000 in a private sector job to earn the equivalent of the average tax-free welfare payment, which includes in-kind payments for food stamps, housing and Medicaid.

But the loss of income is just one barrier to economic independence. The current welfare system imposes almost insurmountable barriers to the accumulation of assets by welfare families. According to the Wall Street Journal, when a woman in Milwaukee, Grace Capetillo, accumulated a small savings account as a nest egg to help send her daughter to college, she was

legally guilty of "welfare fraud" and faced a \$15,000 fine. Tell me how it's possible to run a welfare system which tells people that if you work and invest your time and your talent and your energy, you're going to be worse off? There is no link between effort and reward. Savings and assets should not be penalized but encouraged.

The President has called on Congress to allow States to raise the AFDC assets limit to \$10,000 for families already on the rolls. Currently, when countable assets exceed \$1,000, families are no longer eligible for AFDC.

The Administration is also proposing to establish, through a demonstration, escrow savings accounts for long-term AFDC recipients working their way off the rolls. This proposal is similar to HUD's Family Self-Sufficiency program, in which public and assisted housing residents have money set aside in escrow accounts which they receive when they leave the housing.

Also, last year the Administration sent to Congress a legislative proposal called the Community Opportunity Act. This would provide the flexibility needed for communities to build ladders of opportunity from the mass of entitlement programs that now seek to help those in need.

Fifth, Job Training 2000 and Youth Apprenticeship. The President and Secretary Lynn Martin have sent the Congress two legislative proposals that will help the current and future workforce, especially youth and the economically disadvantaged, improve their job skills and increase their employment

opportunities. The Job Training 2000 Act, sent to Congress last month, would transform the current maze of Federal vocational education and job training programs into a streamlined vocational training system that is responsive to the needs of individuals, business and the local economy. It would create a network of local skill centers to provide one-stop shopping for individuals to obtain training and job referrals; establish a certification system for training programs to improve quality and ensure accountability for outcomes; and provide a voucher system for Federal vocational training that would offer participants the opportunity to choose their training providers.

The "Youth Apprenticeship Act of 1992," transmitted to Congress yesterday, would establish a national framework for implementing comprehensive youth apprenticeship programs and promote the successful transition from school to work.

Finally, education reform. One of the most important choices parents will make is the choice of the schools their children will attend. The President and Secretary Lamar Alexander's AMERICA 2000 initiative is the centerpiece of the Administration's effort to improve American education.

The President's program, including legislation forwarded to Congress in April 1991, focuses on results, not process, like the alternatives both Houses of Congress are considering. Major elements of the President's program would:

- o Encourage States and localities to develop and expand school choice programs, particularly for low and middle

income families, by authorizing demonstrations of how to make choice programs work in a variety of settings.

- o Fund the first wave of tens of thousands of "new American schools" to offer our children the quality education the current system is not providing.
- o Reward schools that prove they have raised the educational achievement of students.
- o Encourage development of voluntary national standards in a variety of core subjects, and help support the development of voluntary national assessment tools to assure that our children are reaching those standards.
- o Grant States the flexibility they want so that they can run Federal programs more effectively to produce higher educational achievement.

Mr. Chairman, most of the proposals I have outlined today are not new. They do not represent a newly found interest on the part of the Administration in the problems of urban America, and I regret that many of these proposals have failed to pass Congress despite the Administration's continued urging.

What these proposals do represent is an alternative to the redistributionist programs that have been the hallmark of our social welfare programs since the Watts riots of the mid-1960s. As I have told this committee before, we must not judge our success in fighting poverty by the number of people we are able to assist, but by the number that we have moved out of poverty -- those who have access to housing and homeownership, jobs and

opportunity. In short, Mr. Chairman, it is not necessarily how much money we spend, but how we spend it. Government does not create wealth, but individual workers, savers and entrepreneurs do. Empowered people, not government, are the architects of their own creation.

It is ironic the recent resurgence of urban violence has led many of my conservative friends to say that the riots prove we have spent too much to fight poverty over the last generation, and prompted many of my liberal friends to say that we have not spent enough. Mr. Chairman, I can only state the obvious, which is that, however much we have spent, there is much we have not spent correctly. We must do better if we are going to put hope and opportunity back in our inner city economy. Instead of empowering bureaucracies, we must empower people.

I commend the Administration's proposals to your attention, and I pledge the support of every member of the Administration in a bipartisan effort that will begin the process of national healing. Mr. Chairman, this is not a question of Left or Right. It's a question of forward or backward. We cannot stand still.

##

FY 1993 BUDGET

Expanding the Opportunities for Empowerment: New Choices for Residents



- **Perestroika for Troubled Public Housing**
- **RESTORE for Troubled Assisted Housing**
- **Homeownership Vouchers**
- **Moving to Opportunity for Fair Housing**
- **Safe Havens for the Homeless**

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OVERVIEW

Choice is the principle which underlies the Administration's 1993 legislative reforms for the Department of Housing and Urban Development. Choice is really another dimension of freedom. A person who makes choices is able to assert leadership, assume personal responsibility for decisions, and contribute to the family, nation and economy. Only choice can provide genuine dignity and self-esteem.

Yet the housing and welfare systems have often not been based on choice. Their centralized command and control mechanisms sometimes provide third-rate service to the poor and favor day-to-day survival assistance rather than opportunities for self sufficiency and independence. On occasions, unscrupulous third parties also profiteer from assistance designated for the poor. These monopolistic controls weaken economic progress and thwart individual enterprise, and ironically give democratic capitalism a bad name even though centralized mechanisms are the very opposite of free markets.

The absence of choice traps many low-income Americans into indecent and unsafe housing with little hope for changing the status quo. Some of the worst housing is government-run and assisted housing. Despite a half century of public investment measured in the hundreds of billions of dollars, the housing communities that needy people should look to for security and peace of mind have sometimes become dark places of despair and hopelessness.

Reform, restructuring, radical change ... the Administration's housing program "Expanding the Opportunities for Empowerment: New Choices for Residents" calls for restructuring the housing system for low-income Americans in a number of fundamental dimensions:

- * where troubled public housing suffers from high vacancy rates, huge overhead, and large modernization backlogs, the Administration's "Perestroika" initiative will empower residents with the opportunity to hire and fire their managers and the right to transfer their development to new non-profit owners;
- * where public housing is substantially vacant and distressed, "Perestroika" will unleash the power of community-based housing groups and resident entities to help replace vacant housing with decent shelter to serve the poor and homeless;

- * where million of dollars in housing funds have bailed out failed developers -- often repeatedly and with little benefit to residents -- the RESTORE program will foreclose on ineffective owners while assisting owners who in good faith want to improve housing conditions by increasing resident equity and advancing resident management;
- * where housing assistance for the poor has been restricted to month-to-month rental apartments, the Homeownership Voucher option will permit residents to realize the American dream by turning their vouchers and certificates into equity for homeownership;
- * where low-income people are living in racially concentrated slum areas far from government services and jobs, our Moving to Opportunity reforms will give residents the opportunity to move to diverse neighborhoods with better housing, good education, and decent jobs;
- * where homeless Americans afflicted with mental illnesses are suffering exposure to street violence and hazardous conditions, the combination of Safe Havens with Shelter Plus Care will provide a comprehensive homeless strategy to attack the problem by tying supportive services to decent housing.

These reforms are not novel. They extend the principles of the Administration's 1990 HOPE program in new directions, deploying the tools of empowerment, choice, competition, and private property throughout all of HUD's programs. From troubled public housing to the McKinney Act programs for the homeless, to the voucher and certificate programs, to the emerging problems of distressed multifamily assisted properties and foreclosure, the 1993 legislative package for HUD offers reforms to turn troubling housing problems into opportunities to empower and uplift the poor.

The following package explains in detail the 1993 legislative reforms and the serious housing problems these initiatives are designed to attack.

PERESTROIKA FOR TROUBLED PUBLIC HOUSING

Perestroika is a radical restructuring of a system of public housing that has permitted 100,000 units of housing to lie vacant in a time of increasing shelter needs and allowed the quality of housing to deteriorate despite huge backlogs in the use of appropriated modernization funds.

The principle underlying Perestroika is choice. Because public housing has too often failed its own residents, Perestroika seeks to give the residents of housing run by troubled public housing authorities the right to choose either alternative management or ownership. Offering residents a greater range of options for the control, modernization and operation of their distressed public housing communities will increase management incentives, improve efficiency, and promote resident empowerment.

Perestroika is limited to the most distressed Public Housing Authorities (PHAs) (on the troubled list for more than three years) where market-based competition is most critically needed. There are currently 23 large, troubled PHAs, which are less than 1% of the total of 3,115 PHAs nationwide, but they represent 20% of all public housing units nationwide and 34% of the all the units in large PHAs. Almost 14% of the units in these troubled PHAs today stand vacant.

Summary

"Choice in Management" guarantees residents the "right to choose" the management of their development from among non-profit, public and private groups; "Choice in Ownership" guarantees residents the "right to transfer" ownership of their development to other public bodies, Resident Management Corporations (RMCs), and non-profit groups; and "Take the Boards Off" guarantees RMCs, non-profits, and States/cities a "right to take over" vacant public housing projects.

In 1993, \$100 million is requested for modernization setasides for Choice in Management and Choice in Ownership, and \$192 million is requested for Take the Boards Off. Up to 5% of the funds in each of the programs can be used for technical assistance.

o Choice in Management

- Management may be transferred for any development in a PHA that has been designated by HUD as "troubled" for at least three consecutive years, and owns and operates more than 250 units of public housing.
- Applicants for alternative management must be duly elected resident councils of the public housing development or part of the development that is proposed for transfer. Transfer of management requires a positive vote of at least 51% of the affected residents.
- Residents may select as a manager any non-profit or for-profit entity that can demonstrate capacity to operate rental housing. Residents will retain the right to "hire or fire" the management company, based on its performance.
- HUD will sign a contract with the new manager that establishes the manager's right and obligations in return for receiving operating subsidies and the annual modernization funding that would have gone to the PHA for this development under the Comp Grant program. The operating subsidies and ongoing modernization funding will go directly to the manager.
- HUD will also sign a contract with the new manager for modernization funds to be awarded from the setaside, if applicable.
- The same income targeting, eligibility and rent requirements will apply as under the current public housing system.
- New managers will be eligible to apply for special public housing funding programs, such as Public Housing Drug Elimination grants.
- Residents under alternative management will retain their rights to homeownership under HOPE 1.

o Choice in Ownership

- Ownership may be transferred from any development in a PHA that has been designated by HUD as "troubled" for at least three consecutive years, and owns and operates more than 250 units of public housing.
- Applicants for alternative ownership must be duly elected resident councils of the public housing development or part of the development that is proposed for transfer. A transfer requires a positive vote of at least 67 percent of the affected residents.
- Residents may select as an owner any non-profit, RMC or public agency that can demonstrate capacity to own and operate rental housing. HUD may approve a self-sufficiency program for owners with the demonstrated capacity to administer one.
- HUD will sign a contract with the new owner. The PHA's regular operating subsidy and comprehensive grant will be adjusted accordingly.
- HUD will also sign a contract with the new owner for modernization funds to be awarded from the setaside, if applicable.
- Generally, the same income targeting, eligibility and rent requirements will apply as under the current public housing system.
- New owners will be eligible to apply for special public housing funding programs, such as Public Housing Drug Elimination grants.
- Residents under alternative management will retain their rights to homeownership under HOPE 1.

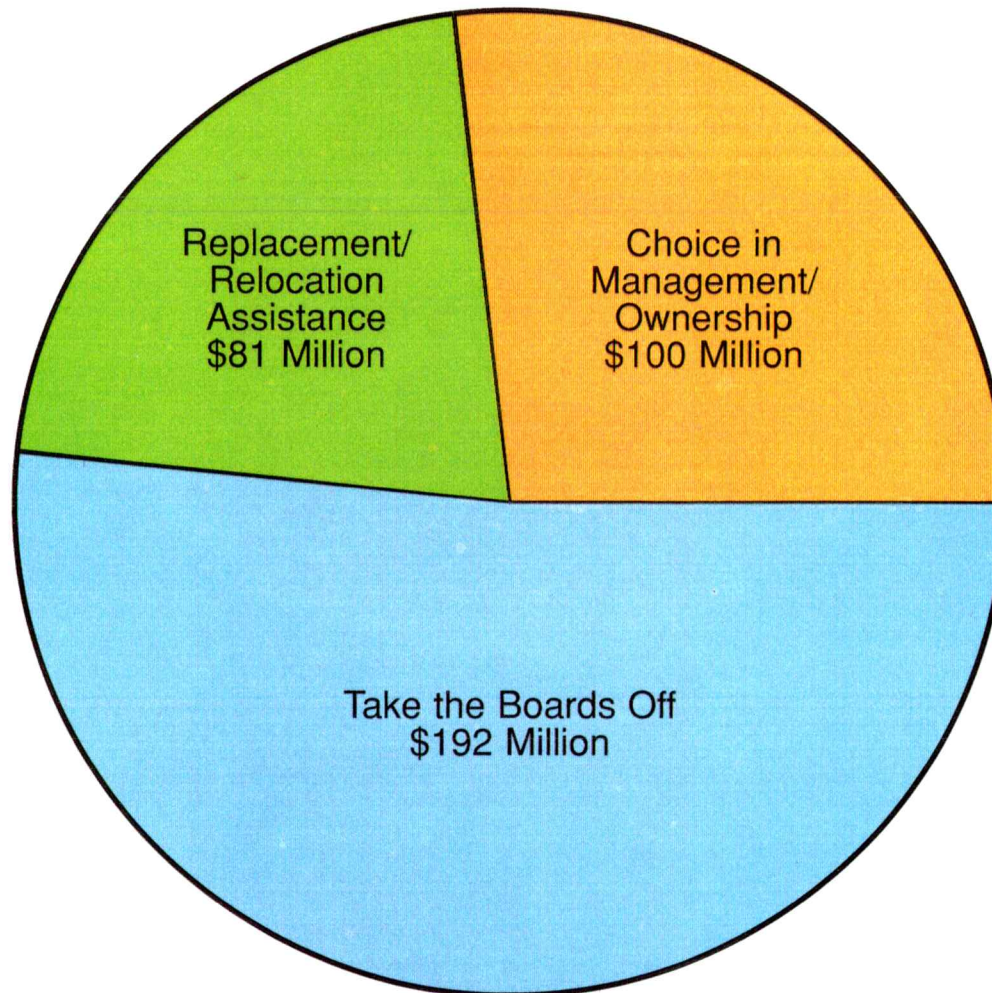
o Take the Boards Off (TBO)

- TBO will transfer substantially vacant public housing developments or portions of developments owned by troubled PHAs to: (1) entities on behalf of public housing residents to return the buildings to use as viable public housing; or (2) cities and states on behalf of nonprofit housing organizations to provide affordable rental or homeownership opportunities for lower-income families and individuals.
- The setaside of \$192 million of modernization funds in 1993 will be awarded competitively. Up to 5% of the amount can be used for technical assistance, and 3,840 vouchers will be authorized as replacement housing.
- The two categories of eligible purchasers are: (1) Priority purchasers who are private non-profits, including RMCs and resident councils, representing former residents of the development or current residents of any public housing; and (2) units of local government or States, who may apply to purchase on behalf of a nonprofit organization that will actually purchase the building, or they may buy it themselves.
- If the building is purchased by an entity on behalf of public housing residents, the purchaser will be required to follow current rent and income rules and receive ongoing operating and modernization subsidies, as in "Choice in Ownership." If the building is purchased by a nonpriority purchaser to remain as rental housing, it will have to serve families with incomes at or below 60% of median, as well as existing residents. Special low-income targeting rules also apply to buildings that will be converted to homeownership. Nonpriority purchasers will have to provide \$1 of matching funds for every \$3 of Take the Boards Off funding.
- The modernization setaside funds could be used for all the activities currently eligible under the Comprehensive Grant program, subject to the same cost caps.
- If the building is to be used as affordable housing and not assisted housing (i.e. is purchased by a nonpriority purchaser), the PHA will receive vouchers equivalent to the total number of units sold.

- No displacement will be permitted. Protections will apply to existing residents from the date the application is submitted. Transitional subsidies will be provided to nonpriority purchasers over a three-year period, after which time the PHA must provide vouchers to these residents to ensure continued affordability.

Department of Housing and Urban Development Perestroika for Troubled Public Housing

FY 1993 Budget Authority*



\$373 Million

* Additional funding is available for distressed public housing developments through the operating subsidies and modernization programs.

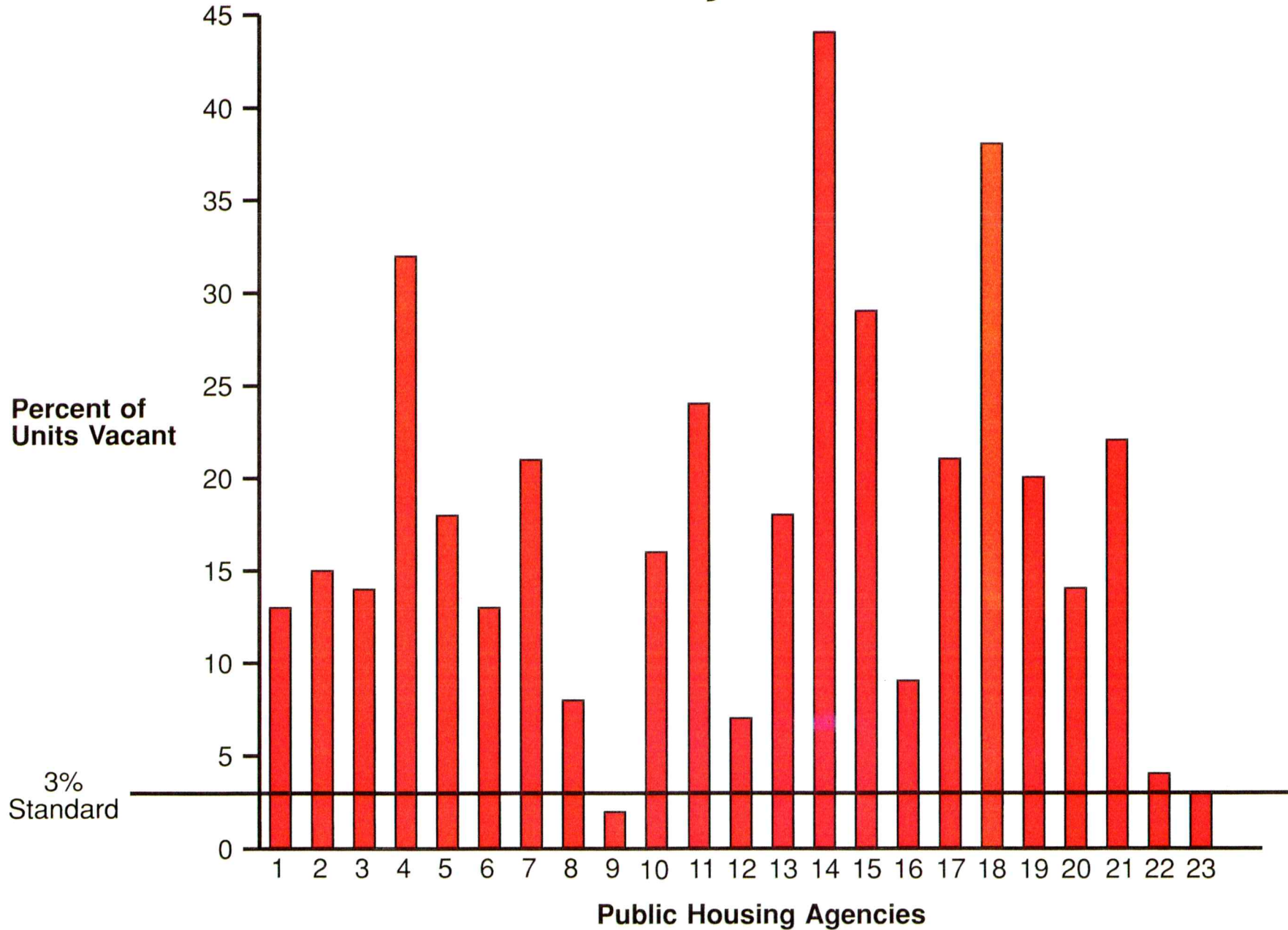
January 29, 1992

BACKUP TABLE:
Perestroika for Troubled Public Housing
Budget Authority
(\$ in millions)

	<u>FY 1993</u>
Take the Boards Off	192.0 a/
Choice in Management/Ownership	100.0 a/
Replacement/Relocation Assistance	<u>81.1</u> b/ 373.1 c/

- a/ Funded through Public Housing Modernization program.
- b/ Setaside of 2500 vouchers under the Section 8 program.
- c/ Does not include other resources available to troubled public housing agencies through the Public Housing Operating Subsidies and Modernization programs.

Troubled Public Housing Vacancy Rates *



* 1989-1991 average.

Backup Table:
 Troubled Public Housing
 Vacancy Rates

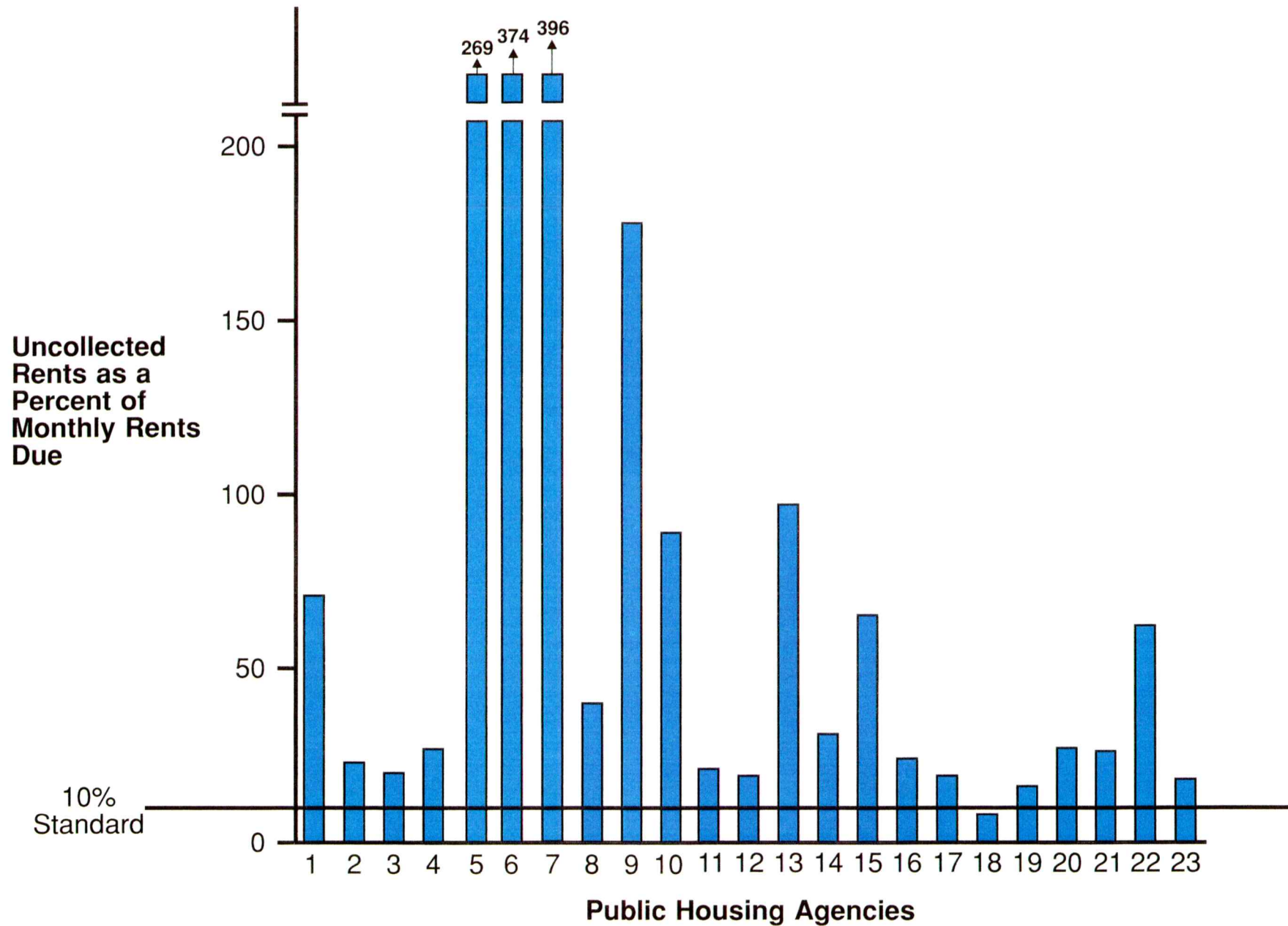
<u>PHA</u>	<u>Number of Units a/</u>	<u>Number of Vacant Units b/</u>	<u>Percent of Units c/</u>
1. Boston	12,591	1,633	13
2. New Haven	3,522	539	15
3. Camden	2,237	303	14
4. Newark	10,989	3,450	32
5. Philadelphia	22,404	4,013	18
6. Chester	1,707	224	13
7. Washington, DC	11,796	2,478	21
8. Atlanta	14,722	1,168	8
9. Puerto Rico	57,824	1,128	2
10. Virgin Islands	3,969	574	16
11. Jacksonville	3,282	714	24
12. Birmingham	6,834	472	7
13. Chicago	39,684	7,167	18
14. Detroit	8,913	4,061	44
15. Cuyahoga (Cleveland)	11,586	3,414	29
16. Indianapolis	2,720	241	9
17. Lucas Co (Toledo)	3,145	672	21
18. East St. Louis	2,492	964	38
19. Springfield	1,455	284	20
20. New Orleans	13,430	1,922	14
21. Kansas City, MO	2,058	453	22
22. San Francisco	6,554	230	4
23. Los Angeles City	<u>9,113</u>	<u>241</u>	<u>3</u>
Total	253,027	36,154	14% (wt. Avg.)
Total, without Puerto Rico and Virgin Islands	191,234	34,452	17% (wt. Avg.)

a/ 1991 estimate; includes employee-occupied and nondwelling units.

b/ Based on 1989-1991 average of vacant units of those available for occupancy.

c/ Based on 1989-1991 average of vacancy rates for units available for occupancy.

Troubled Public Housing Uncollected Rents *



* 1989-1991 average.

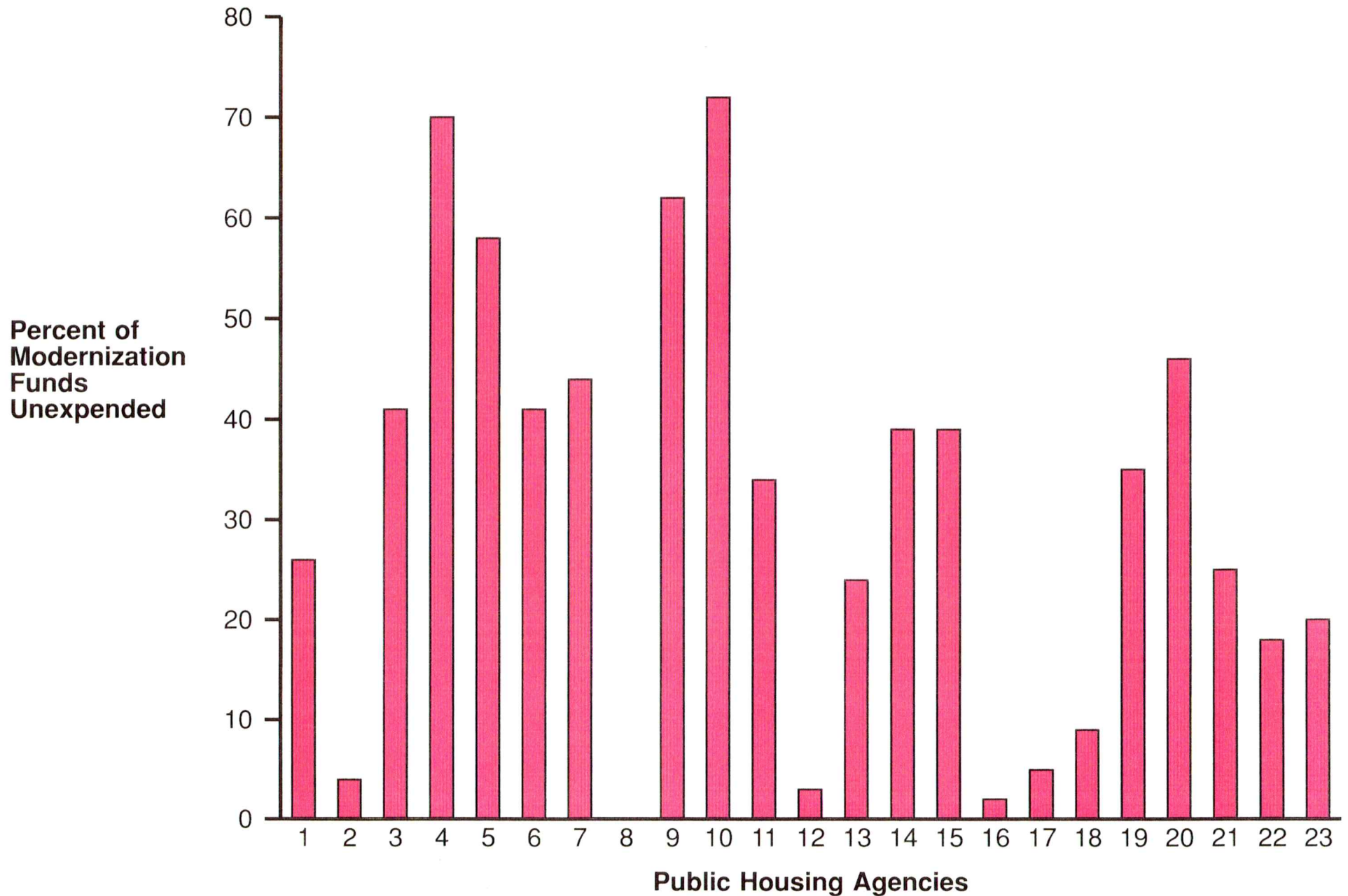
January 29, 1992

Backup Table:
Troubled Public Housing
Uncollected Rents

<u>PHA</u>	<u>Number of Units</u>	<u>Percent Uncollected Rents*</u>
1. Boston	12,591	71
2. New Haven	3,522	23
3. Camden	2,237	20
4. Newark	10,989	27
5. Philadelphia	22,404	269
6. Chester	1,707	374
7. Washington, DC	11,796	396
8. Atlanta	14,722	40
9. Puerto Rico	57,824	178
10. Virgin Islands	3,969	89
11. Jacksonville	3,282	21
12. Birmingham	6,834	19
13. Chicago	39,684	97
14. Detroit	8,913	31
15. Cuyahoga (Cleveland)	11,586	65
16. Indianapolis	2,720	24
17. Lucas Co (Toledo)	3,145	19
18. East St. Louis	2,492	8
19. Springfield	1,455	16
20. New Orleans	13,430	27
21. Kansas City, MO	2,058	26
22. San Francisco	6,554	62
23. Los Angeles City	9,113	18
Total	253,027	

*Uncollected rents as a percent of total monthly rents due.

Troubled Public Housing Unexpended Modernization Funds*



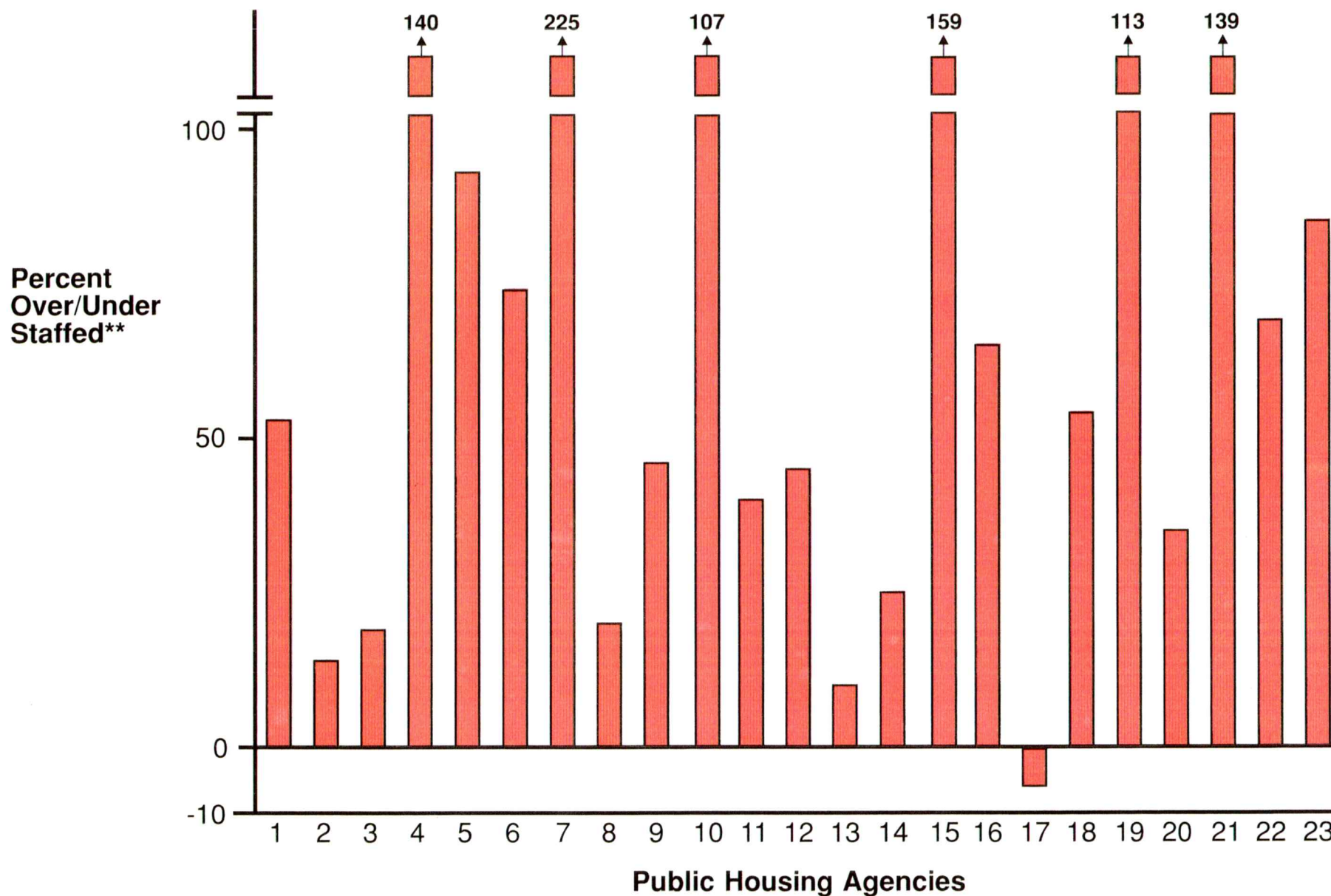
* Funds awarded between 1986-1988; program requires PHAs to expend modernization funds within three years.

Backup Table:
Troubled Public Housing
Modernization Funds Unexpended

January 29, 1992

PHA NAME	TOTALS					
	\$	\$	%	\$	\$	%
	1986-88 APPRVD	1986-88 UNEXPEND	1986-88 UNEXPEND	1986-91 APPRVD	1986-91 UNEXPEND	1986-91 UNEXPEND
1 Boston	\$62,308,347	\$16,061,645	26%	\$114,308,714	\$58,259,049	51%
2 New Haven	17,275,292	615,577	4%	\$40,335,292	17,877,380	44%
3 Camden	20,678,142	8,421,756	41%	\$56,881,307	38,698,916	68%
4 Newark	26,247,956	18,282,637	70%	\$70,402,971	55,931,979	79%
5 Philadelphia	92,701,394	53,917,664	58%	\$250,036,493	198,986,156	80%
6 Chester Co	8,833,543	3,645,757	41%	\$14,631,911	9,214,448	63%
7 Washington, DC	32,856,028	14,509,764	44%	\$103,149,902	84,511,039	82%
8 Atlanta	28,489,190	14,358	0%	\$106,449,970	68,042,995	64%
9 Puerto Rico	202,375,250	126,471,370	62%	\$451,013,023	375,109,143	83%
10 Virgin Islands	51,683,760	37,434,270	72%	\$87,824,302	72,210,432	82%
11 Jacksonville	13,425,545	4,590,546	34%	\$27,739,282	17,598,952	63%
12 Birmingham	5,139,925	150,500	3%	\$51,928,827	45,201,054	87%
13 Chicago	64,941,525	15,824,765	24%	\$311,785,391	237,434,944	76%
14 Detroit	23,710,784	9,205,652	39%	\$51,645,284	36,810,504	71%
15 Cuyahoga (Cleveland)	37,441,060	14,754,785	39%	\$106,844,821	76,960,014	72%
16 Indianapolis	4,823,974	72,907	2%	\$29,443,787	23,746,262	81%
17 Lucas Co (Toledo)	16,677,000	892,124	5%	\$49,288,123	26,963,308	55%
18 East St. Louis	30,107,840	2,625,246	9%	\$70,761,144	38,726,745	55%
19 Springfield	11,226,929	3,953,860	35%	\$12,593,869	5,207,326	41%
20 New Orleans	21,416,288	9,799,924	46%	\$74,125,018	61,476,005	83%
21 Kansas City, MO	5,495,050	1,355,520	25%	\$23,451,148	18,029,888	77%
22 San Francisco	12,215,800	2,194,032	18%	\$62,780,769	45,047,117	72%
23 Los Angeles City	16,810,973	3,311,011	20%	\$75,290,209	57,927,868	77%
	-----	-----	----	-----	-----	-----
Total for TPHA's	\$806,881,595	\$348,105,670	43%	\$2,242,711,557	\$1,669,971,524	74%

Troubled Public Housing Administrative Personnel*



* 1989-1991 average.

** Based on management guidelines modified to apply to occupied units plus an allowance for vacant units.

January 29, 1992

Backup Table:
 Troubled Public Housing
 Administrative Personnel*

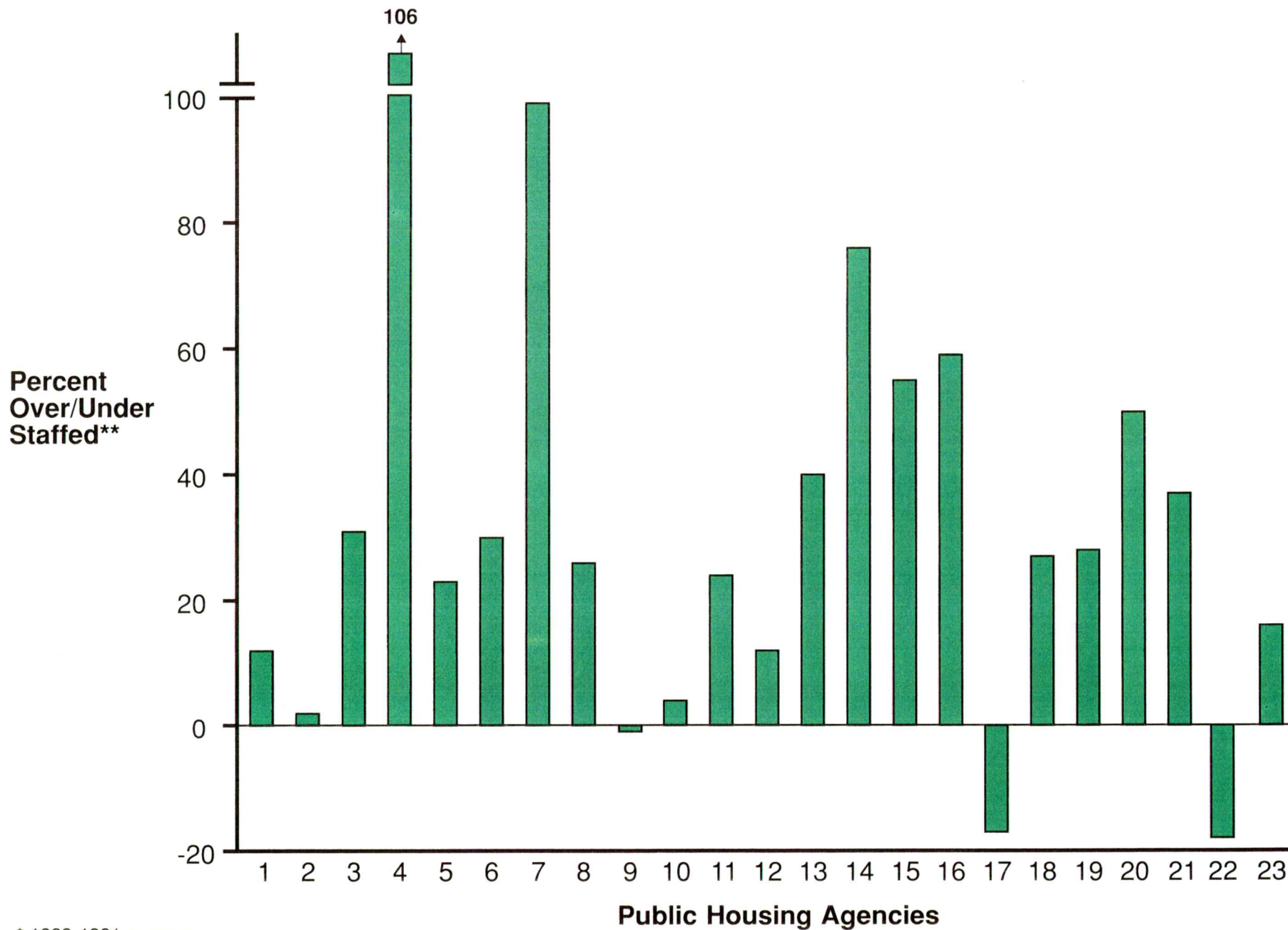
<u>PHA</u>	<u>Number of Units</u>	<u>Average Number of Employees</u>	<u>(a) Expected Number of Employees</u>	<u>(b) Percent Over/under Staffed</u>
1. Boston	12,591	267	174	53%
2. New Haven	3,522	55	48	14%
3. Camden	2,237	37	31	19%
4. Newark	10,989	295	123	140%
5. Philadelphia	22,404	562	291	93%
6. Chester	1,707	41	24	74%
7. Washington, DC	11,796	483	149	225%
8. Atlanta	14,722	259	215	20%
9. Puerto Rico	57,824	1,274	872	46%
10. Virgin Islands	3,969	118	57	107%
11. Jacksonville	3,282	58	41	40%
12. Birmingham	6,834	147	101	45%
13. Chicago	39,684	571	519	10%
14. Detroit	8,913	100	80	25%
15. Cuyahoga (Cleveland)	11,586	340	131	159%
16. Indianapolis	2,720	65	39	65%
17. Lucas Co (Toledo)	3,145	38	40	-6%
18. East St. Louis	2,492	38	25	54%
19. Springfield	1,455	40	19	113%
20. New Orleans	13,430	248	184	35%
21. Kansas City, MO	2,058	61	26	139%
22. San Francisco	6,554	167	99	69%
23. Los Angeles City	<u>9,113</u>	261	141	85%
Total	253,027			

*1989-1991 average.

(a) Expected Number of Administrative Employees = [Number of units - (Vacant units - (3% * Number of units))/65.

(b) Administrative Employees Percent Over/Under Staffed = [Average Number of Admin. Employees/Expected Number of Admin. Employees] - 1.

Troubled Public Housing Maintenance Personnel*



* 1989-1991 average.

** Based on management guidelines modified to apply to occupied units plus an allowance for vacant units.

January 29, 1992

Backup Table:
Troubled Public Housing
Maintenance Personnel*

<u>PHA</u>		<u>Number of Units</u>	<u>Average Number of Employees</u>	<u>(a) Expected Number of Employees</u>	<u>(b) Percent Over/ Under</u>
1.	Boston	12,591	317	283	12%
2.	New Haven	3,522	76	78	-2%
3.	Camden	2,237	66	50	31%
4.	Newark	10,989	411	200	106%
5.	Philadelphia	22,404	581	473	23%
6.	Chester	1,707	50	38	30%
7.	Washington, DC	11,796	481	242	99%
8.	Atlanta	14,722	442	350	26%
9.	Puerto Rico	57,824	1,398	1,417	-1%
10.	Virgin Islands	3,969	133	93	44%
11.	Jacksonville	3,282	83	67	24%
12.	Birmingham	6,834	185	165	12%
13.	Chicago	39,684	1,184	844	40%
14.	Detroit	8,913	228	129	76%
15.	Cuyahoga (Cleveland)	11,586	330	213	55%
16.	Indianapolis	2,720	102	64	59%
17.	Lucas Co (Toledo)	3,145	54	65	-17%
18.	East St. Louis	2,492	51	40	27%
19.	Springfield	1,455	39	30	28%
20.	New Orleans	13,430	449	299	50%
21.	Kansas City, MO	2,058	57	42	37%
22.	San Francisco	6,554	132	161	-18%
23.	Los Angeles City	<u>9,113</u>	265	229	16%
Total		253,027			

*1989-1991 average

- (a) Expected number of Maint. Employees = [Number of units- (Vacant units - (3% * number of Units))/40.
- (b) Maint. Employees Percent Over/Under = [Average Number of Maint. Employees/Expected Number of Maint. Employees] - 1.

RESTORE FOR TROUBLED MULTIFAMILY HOUSING

RESTORE is an Administration initiative designed to improve the housing conditions, financial health and affordability of FHA-insured, assisted housing, especially an estimated 1,800 distressed multifamily properties that have serious physical or financial problems. Like Perestroika for public housing, RESTORE maximizes resident involvement in managing and owning troubled properties.

The RESTORE program has four principal objectives:

- o Reducing unsafe and unhealthy project conditions for as many households as possible and improve incentives for owners to provide good housing;
- o Maximizing resident involvement in project management, and allowing residents to benefit directly from potential profits when properties are sold;
- o Expanding housing choices for low-income families in assisted housing, including opportunities for homeownership and resident management; and
- o Reducing unnecessary claims and losses to the FHA insurance fund;

For the first time, HUD will discriminate systematically between "worthy" and "unworthy" owners, and redirect its assistance away from projects and toward low income residents. Projects will no longer be automatically propped up -- not having to compete for residents -- whether or not they are well managed and maintained. Residents can expect to see more benefit from and control over the money the Federal government invests in low-income housing. Moreover, RESTORE encourages formation of resident organizations and secures owner agreement to increase resident involvement in management as a condition of receiving RESTORE funds.

Comprehensive Servicing

The Department's comprehensive servicing policy underpins the RESTORE program, because it is designed to encourage owners and managing agents of HUD insured and assisted housing to recognize the partnership that exists between them, residents, resident organizations, and the Department. Through project oversight, HUD will identify projects that are experiencing distressed conditions and will require owners and managers to develop plans of action to correct deficiencies. Where projects are poorly managed and corrective actions are not taken, HUD will seek alternative ownership, including resident ownership, or foreclosure. However, where projects are well managed and good faith efforts are made to correct deficiencies, this good management will be recognized by providing a broad-based program of assistance under RESTORE.

The RESTORE Program: RESTORE Rental Assistance and RESTORE Loans

The RESTORE program will provide financial assistance necessary to address the problems of distressed projects, including rental assistance and loans for repairs, operating deficits and capital improvements. Because assistance funds would be accessible through a comprehensive program, resources could be used more responsively to the various needs in managing a multifamily portfolio. The FY 1993 budget proposal calls for a funding level of \$312 million for RESTORE rental assistance and RESTORE loans for 1993. The funds would be provided under a competitive program and a Property Disposition program.

- o RESTORE rental assistance will be provided in the form of vouchers. The centerpiece of the program is a quasi-resident-based form of assistance, the "project stabilization voucher." Such vouchers, administered by the local PHA, can be provided to current resident who would otherwise have very high rent burdens, or to families on the PHA waiting list who would agree to move into the project's vacant units, for a minimum of two years. After two years, the voucher becomes completely portable, thus preserving the resident's freedom of choice and providing an incentive for the project manager to improve and sustain the quality of the housing.

Units already under Section 8 loan management will continue to receive those project-based subsidies. However, because RESTORE stresses improved management, contracts for units already receiving project-based Section 8 rental assistance would not be automatically renewable; renewal would depend

on the quality of manager/owner performance in providing housing that meets all applicable housing quality standards.

- o **Property Disposition Assistance** provides flexibility in disposing of subsidized projects on the basis of local housing market conditions. In soft markets, this flexibility would allow the use of resident-based subsidies instead of 15-year project-based subsidies. In addition, the Department is requesting changes to use the property disposition process to provide low-income homeownership opportunities.

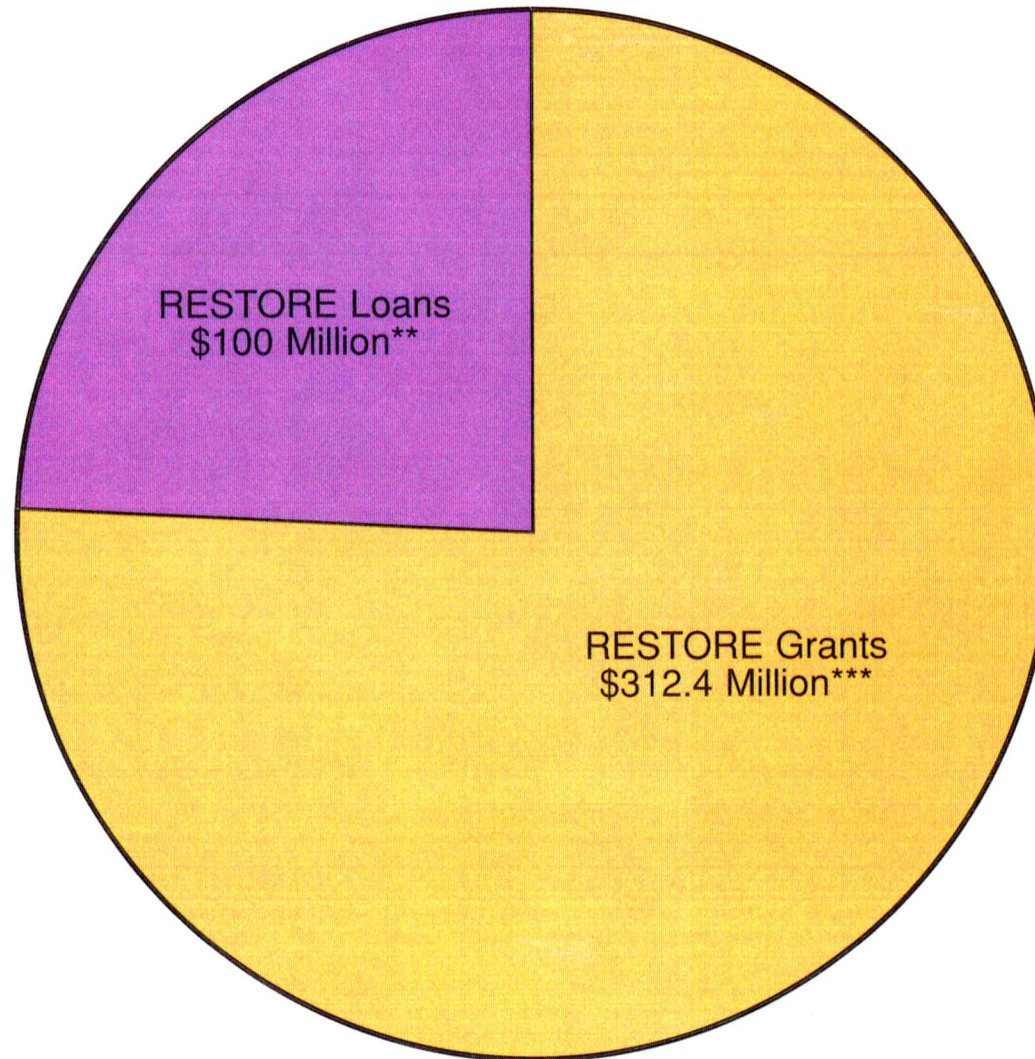
In tight markets, RESTORE would give HUD authority to provide project stabilization vouchers in conjunction with property disposition, and it would provide, where necessary, capital improvement loans under the condition of continued low- and moderate-income affordability.

- o **RESTORE loans** address the physical condition of projects. Projects may receive low interest capital improvement loans as long as residents can afford the additional debt service and the project can be supported without additional project-based assistance. Otherwise, the funds will be in the form of a low-interest loan repayable at the time of sale. At any time the project is sold or the mortgage terminated, the net proceeds after the payment of all debt and related expenses will be divided between the owner and the families living in the project at that time.

RESTORE breaks new ground in providing increased resident participation and creating new owner obligations to residents. Recipients of any RESTORE funds must develop and implement management plans that give residents maximum opportunity to become more involved in project management, including formation of resident management corporations. Recipients of new rental assistance will not be tied down by permanent, project-based assistance, regardless of their dissatisfaction with the quality of their housing. If management is not providing decent housing, the resident will be able to take their subsidies and move to other affordable housing in the area.

RESTORE for Troubled Multifamily Housing

FY 1993 Program Level*



\$412.4 Million

* President's Budget for FY 1993
** Direct Loans
*** Budget Authority

January 29, 1992

BACKUP TABLE:

RESTORE for Troubled Multifamily Housing

(\$ in millions)

FY 1993

RESTORE Grants
(Includes both Project Support
and Property Disposition
activities)

312.4

RESTORE Loans
(Project Repair activities)

100.0*

Total

412.4

* Represents direct loans; this amount of loan activity requires \$50 million in budget authority to cover credit subsidy costs.

HOMEOWNERSHIP VOUCHERS

A priority of the Administration is to expand homeownership and affordable housing opportunities. The Homeownership Voucher furthers these objectives by allowing voucher recipients who would be first-time homebuyers to become homeowners. Housing vouchers and certificates can currently be used to support homeownership in cooperatives. This proposal would broaden the use of both vouchers and certificates to include all other forms of homeownership.

Summary

- o The Homeownership Voucher (HVO) would enable families wishing to become homeowners to use the voucher subsidy for homeownership costs, including mortgage repayment, utilities, and maintenance and repair. The homeownership option is available to certificate families as well.
- o Eligibility for voucher assistance would continue under the same criteria as current law. The option for homeownership could be exercised by either new or existing voucher recipients who would be first-time homebuyers.
- o The Administration believes that housing assistance should be an avenue to economic independence and self-sufficiency. The HVO program furthers this priority by requiring that all participating families (except those who are already working and have already achieved a certain income level) be enrolled in a mandatory Family Self-Sufficiency program, modeled in virtually all respects after the current Family Self-Sufficiency (FSS) voucher program. In addition, all participants in the HVO program would be required to attend homeownership counseling.
- o Participating families would be required to attain certain self-sufficiency milestones, including earning income with at least six months' continuous employment before qualifying for the HVO. As in the current FSS program, families would contract with the local PHA, setting forth milestones to self-sufficiency within five years. All Family Self-Sufficiency program participants would be eligible for an escrow account, and up to 50% of the previous escrow account could be used for a downpayment.

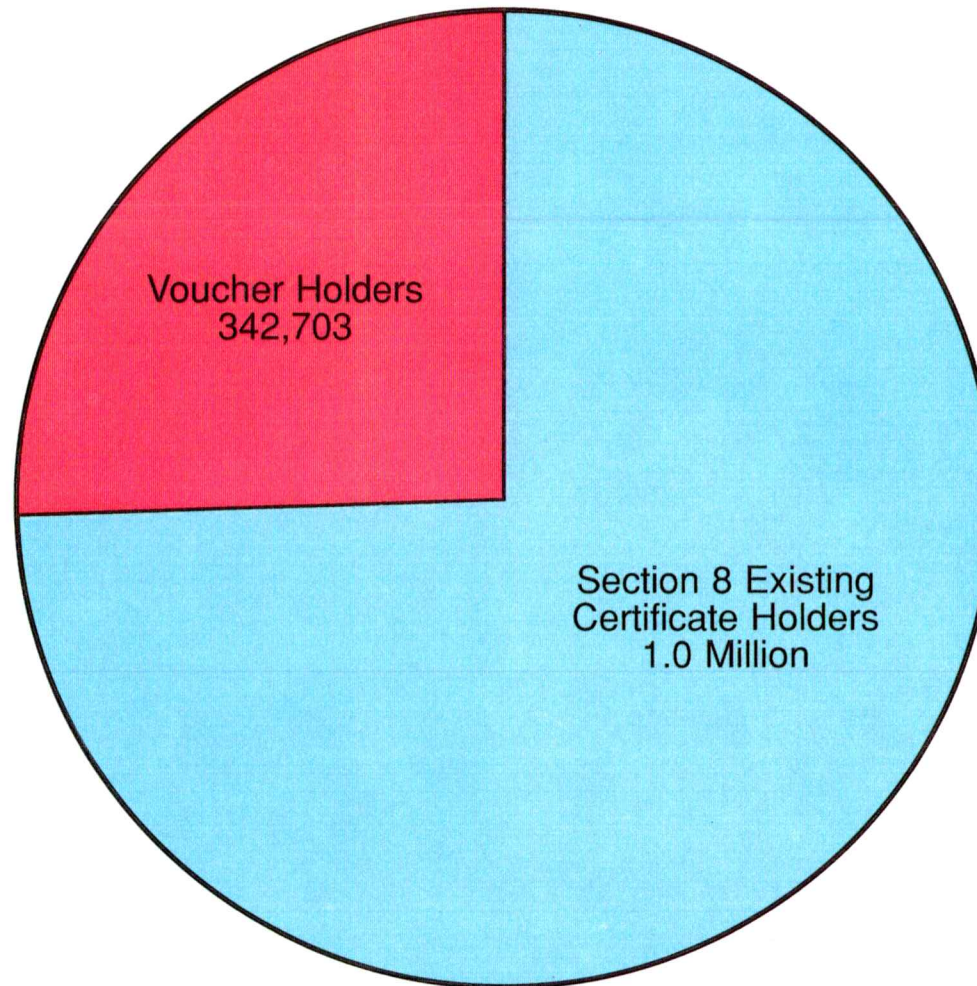
- o The cash voucher subsidy would be calculated in the same way whether the family used the subsidy to help pay rental costs or homeownership costs. Income for homeowners and renters would be calculated in the same way, taking into account only cash income.
- o HVO families would be required to obtain their own mortgage financing. A portion of the voucher payment would be allocated to the lender for the payment of mortgage principal and interest. Voucher recipients exercising the homeownership option would be eligible for FHA-insured financing under the rules of the Section 221(d)(2) program.
- o The HVO could be exercised on homes sold under the FHA Property Disposition program or other programs for disposing of government-owned or -held property. In addition, up to 20% of the downpayment could come from State, local or non-profit programs for downpayment assistance.
- o Upon the sale of the home, the voucher recipient would, in general, be able to retain most of the increase in owner equity. However, an amount that reflects the income value of the growth in equity would be recaptured.

Justification

- o Homeownership Vouchers would greatly expand housing choices available for poor families. An estimated 11% of the owner-occupied housing stock nationwide is affordable using voucher assistance (assuming 30 % of income is spent for home costs of PITI and utilities). An estimated 10% of center city housing stock, 8% of suburban stock and 16% non-metro stock would be affordable. The suburbs account for such a large portion of total standard quality owner-occupant housing that 42% of the affordable stock is in the suburbs. More than half the voucher-affordable homes are single family detached.
- o This change to the voucher/certificate program would make homeownership an option for the 1.2 million households who hold vouchers and certificates. HVOs might be especially attractive for large families whose needs may not be met by the rental stock, and also in rural communities where rental stock may not always be available.

- o An additional 82,699 new vouchers in HUD (a 74% increase over the amount appropriated by Congress for 1992) are proposed in the 1993 budget, and they could be available for homeownership.
- o Homeownership vouchers increase the total ability of the family to pay for housing, they and increase the stability of the family's income. The increase in the total income and the stability of the income, plus the program's emphasis on self-sufficiency, make voucher recipients more attractive candidates for mortgage loans.
- o HVOs allow poor families to benefit from the appreciation of their homes. Current law requires appreciation to accrue to the landlord.

Homeownership Vouchers Potential Homeowners Under the Section 8 Program*



1.3 Million Households

* Based on the President's budget request for the Fiscal Year ending September 30, 1993.

January 29, 1992

BACKUP TABLE:

Homeownership Vouchers

Potential Homeowners Under the Section 8 Program*

	<u>FY 1993*</u>
Section 8 Voucher Holders	342,703
Section 8 Existing Certificate Holders	<u>1,005,573</u>
Total Households	1,348,276

*Based on the President's budget request for the Fiscal Year ending September 30, 1993.

MOVING TO OPPORTUNITY FOR FAIR HOUSING

"Moving to Opportunity" expands the Administration's empowerment strategy for fighting poverty and promoting fair housing. Like the Voucher and Certificate programs that are at the heart of the Administration's assisted housing program, Moving to Opportunity would provide choices among housing units and neighborhoods, and assistance would be portable across jurisdictional lines. Unlike the regular Voucher and Certificate programs, however, which link housing and self-sufficiency services in specific jurisdictions, the basic thrust of Moving to Opportunity is to help low-income families realize the opportunity to move away from areas with high concentrations of poverty.

Summary

- o This proposal would provide a set-aside of 1,500 vouchers and \$1.5 million in housing counseling funds for a demonstration modeled on the Gautreaux Demonstration in Chicago. Non-profit organizations operating on a metropolitan-wide basis in large metropolitan areas would provide housing search assistance and counseling to families who expressed an interest in moving out of areas with high concentrations of poverty and into areas with low levels of poverty.
- o The non-profit would screen families applying for this program for credit histories and housekeeping skills, provide transportation and other search assistance, and help persuade a landlord in a low poverty area to rent to the family under the voucher program. The PHA for the jurisdiction in which the family had selected the unit would take over administration of the housing assistance contract with the owner. The non-profit would continue to provide adjustment assistance to the family.
- o The voucher "start-up" administrative fee would be split between the non-profit and the PHA, and then the PHA would earn the ongoing fee. HUD would provide the non-profit an additional amount per family, to be matched by local funds, from a set-aside of the appropriation for housing counseling.

- o Participants in Moving to Opportunity would be identified from current voucher/certificate waiting lists on the basis of residence in a census tract with a high poverty concentration. Participation in the program is completely voluntary.
- o The program might be combined with employment and training services under certain circumstances, but the basic focus of the program is housing-related.

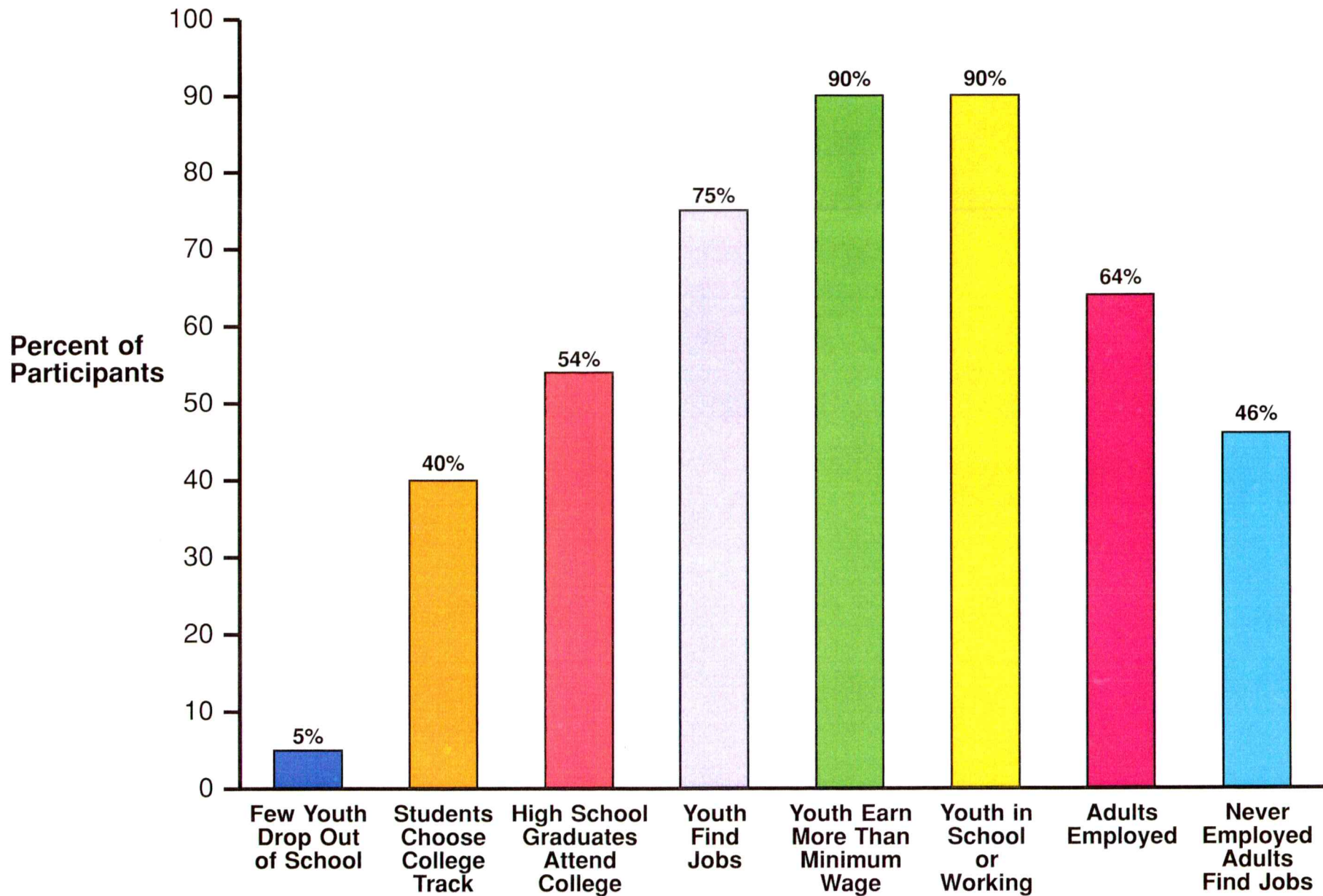
Justification

- o A study of the effects of the 15-year Gautreaux Demonstration suggests that when very-low income families move to areas without high concentrations of persons living in poverty, the families become more economically independent through employment and the children of the families do better in school and have more and wider opportunities for post-secondary education.
- o Research findings on the Gautreaux Demonstration appear to demonstrate for the first time that living outside of an area of poverty by itself has positive effects for high-risk families. Comparing Gautreaux families who moved within Chicago and those who moved the suburbs, the study found that:
 - Heads of household who moved the suburbs were more likely to become employed than those who moved within the city. The difference was particularly pronounced for those women who never before had a job;
 - Children in families who moved to the suburbs were found to be much less likely to drop out of high school. Their grades were just as high; they were more likely to be in college tracks, were much more likely to go to colleges; were more likely to be in four-year colleges; were much more likely to have jobs; were paid at a much higher hourly wage; and were much less likely to be neither in school nor working.

All of this was accomplished without much counseling after the move and without any employment or educational counseling.

- o While the positive gains in employment of welfare mothers are somewhat encouraging, the effects on intergenerational poverty and dependency suggested by the study are extremely impressive.
- o Although the Gautreaux Demonstration was a court-ordered remedy for a finding of racial discrimination, including the identification of the census tracts from which and to which families could move, very much the same effect would be achieved by a program in which families interested in moving out of concentrated poverty were helped to move to suburban or other low-poverty locations.

Moving to Opportunity for Fair Housing The Benefits of Choice*



* Based on evaluation of the Gautreaux Demonstration, Center for Urban Affairs and Policy Research, Northwestern University.

January 29, 1992

Backup Table:

Moving to Opportunity for Fair Housing
The Benefits of Choice*

(By Percent of Subgroup)

	<u>Stay In City</u>	<u>Move to Opportunity</u>
School Drop Out Rate	20%	5%
Students Choose College Track	24%	40%
High School Graduates Attend College	21%	54%
Youth Find Jobs	41%	75%
Youth Earn More than Minimum Wage	57%	90%
Youth in School or Working	74%	90%
Adults Employed	51%	64%
Never Employed Adults Find Jobs	30%	46%

*Based on evaluation of the Gautreaux Demonstration by Professor James E. Rosenbaum, Black Pioneers--Do Their Moves to Suburbs Increase Economic Opportunity for Mothers and Children?, Center for Urban Affairs and Policy Research, Northwestern University.

SAFE HAVENS FOR THE HOMELESS

The Administration is proposing an appropriation of \$50 million to initiate a new program to provide very low-cost housing for mentally ill homeless persons who are currently unwilling or unable to participate in a transitional housing program. The objective of the program is to increase the prospects for residents to start to move toward self-sufficiency. It is hoped that after living in a stable environment of a Safe Haven, and coming to trust the persons operating the Safe Haven, residents will be more willing and able to take the next step and participate in supportive service programs, especially Shelter Plus Care, which will make self-sufficiency possible.

Summary

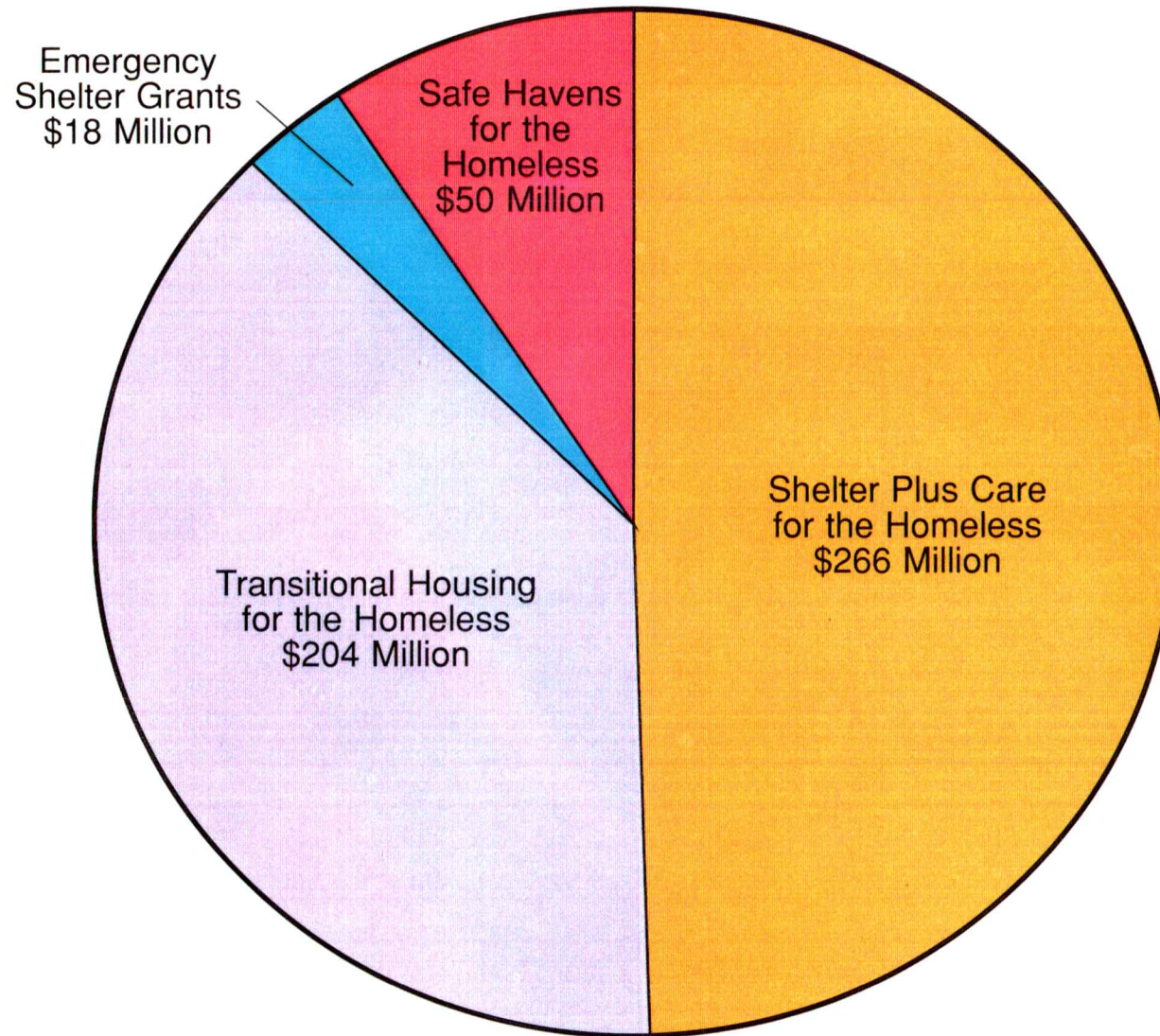
- o A Safe Haven would be the size of a small shelter, serving no more than 25 persons. It would provide decent, safe and sanitary, private or semi-private lodging for homeless persons who, because of severe mental illness, are unwilling or unable to make the commitment needed for successful treatment.
- o Unlike an emergency shelter, residents would not be required to leave after a given time period, such as 30 days, nor would they be required to vacate the premises during the day.
- o The program will provide financial assistance, on a competitive basis, to States, local governments, and non-profit organizations.
- o Eligible program activities would include operating costs and leasing. Buildings for Safe Havens could also be obtained through donations. The Secretary would establish in regulations a Federal cost cap per Safe Haven and that amount would have to be matched with an equal amount of State or local funds. Recipients would be required to have and to pay for the cost of one full-time mental health counselor for each Safe Haven.

Justification

- o A large portion of the homeless are in need of service-supported housing. The Administration requests \$266 million for Shelter Plus Care in FY 1993, more than a 140% increase over the amount appropriated by Congress in 1992.
- o Yet, many homeless who are mentally ill may be unwilling or unable to commit to existing treatment programs, including programs such as Shelter Plus Care. Mental health experts report that homeless persons with severe mental illness often refuse to admit their illness and are especially suspicious of the mental health system. Lack of a stable living environment often compounds the problem, and these persons move frequently among emergency shelters, jails, hospitals and the street.
- o There is a clear gap in the joint efforts of Congress and the Administration to end homelessness, which Safe Havens is intended to correct. On the one hand, emergency shelter programs provide short-duration shelter, often in barracks-style environments, and they are not designed to provide long-term services required by certain segments of the homeless population. On the other hand, programs such as Transitional Housing and Shelter Plus Care are specifically designed to provide comprehensive, long-term supportive services designed to help homeless persons achieve greater self-sufficiency. They do not accept persons unwilling or unable to make the commitment to accept the goals of the program.
- o Safe Havens fills this gap, by providing a stable living environment that is an alternative to the high cost and hopelessness of the current pattern of transiency between shelters, hospitals, jails and the streets.
- o These persons, once stabilized, could then be offered the opportunity to participate in the more service-intensive environment provided by programs such as Shelter Plus Care. The Safe Haven concept is recommended by the National Institutes of Mental Health.

Safe Havens for the Homeless and the President's Request for HUD Homeless Programs*

FY 1993 Budget Authority



*President's Budget for FY 1993.

\$537 Million

January 29, 1992

Backup Table:

Safe Havens for the Homeless
and the
President's Request for HUD Homeless Programs

(Budget Authority; \$ in millions)

	FY 1993 <u>President's Request</u>
Shelter Plus Care for the Homeless	265.9
Transitional Housing for the Homeless	203.9
Emergency Shelter Grants	17.5
Safe Havens for the Homeless	<u>50.0</u>
Total, HUD Homeless Programs	537.3