National Alliance of HUD Tenants
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**TENANTS DELIVER RENT VOUCHER TO CLINTON,
URGE WITHDRAWAL OF VOUCHER PLAN DUE TO CONGRESSIONAL CUTS**

For Release: Saturday, February 25, 1995 11:30 a.m.
Contact: Michael Kane (NAHT) 202-232-8000x606
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Tenants from across the nation today delivered a giant Rent Voucher to President Clinton, the nation's most prominent resident of public and subsidized housing, at the White House. Clinton had been asked to join his fellow tenants who, like him, may become homeless when their project-based subsidy runs out after two years, if the Clinton housing voucher plan is adopted.

In December, President Clinton proposed to cut off funds attached to three million units of public and subsidized housing and to provide rent vouchers (not attached to the buildings) for fewer families instead. The National Alliance of HUD Tenants (NAHT) and many others fear that the Clinton voucher plan will destroy the nation's system of affordable housing and leave at least 500,000 families homeless, costing more to serve fewer people. NAHT sponsored tenant Save Our Homes Day rallies in 24 cities on February 11 to urge the withdrawal or defeat of the Clinton plan.

"The Clinton voucher plan does not guarantee that all tenants in public or subsidized housing will receive vouchers after subsidies to their homes are ended," said Cynthia Reed, NAHT Vice President from Chicago. "To make sure that President Clinton does not suffer the same fate, we are here to give him his own Voucher from thousands of concerned tenants across the nation."

NAHT protesters also sharply denounced Thursday's vote by the House Appropriations Subcommittee on Veterans affairs, HUD and Independent agencies, chaired by Congressman Jerry Lewis. "Although the Clinton Voucher Plan would displace tenants, many more will lose their homes if the Republican Congress cuts deeper below current levels," added NAHT Board member Carol Berman of Los Angeles. Citing 40,000 families who will lose their homes if Congress rescinds $465 million proposed by the Lewis Committee (or 13,000 if the Clinton Administration's own cutback of $150 million) from the Title VI Housing Preservation

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Program, Berman challenged Lewis contention that "not one person would lose their home as a result of Congressional action this week" (2/25/95 Washington Post).

"By opening the door to mass displacement, Clinton's Revinvention Blueprint and proposed cutbacks have invited even more displacement by the Republican's," stated NAHT Board member Joan Wheeler of Staten Island, New York. "This vicious action by the Lewis Committee destroys the assumptions on which the Reinvention Blueprint is based. Together, these cutbacks proposed by Congress and the Clinton Administration are the worst assault on affordable housing in American history. We repeat our demand that President Clinton withdraw his Voucher Plan and work with tenants to improve and save our homes."

"Clinton's Voucher Plan would undermine the financial stability of resident owned buildings", stated Debbie Papin, former NAHT Board member representing the Northgate Residents Association in Burlington, Vermont, the nation's first resident group to buy their building under the Housing Preservation program during the Kemp regime at HUD. "The Lewis Committee vote will even kill resident ownership plans recently approved by HUD. If enacted, these proposals would halt the national movement for resident ownership dead in its tracks,"

"Newt's gang wants to show they can be tough on poor people in order to give a big tax break to their rich friends," added NAHT Treasurer Art Wilson from Springfield, Massachusetts. Wilson was referring to reports that Speaker Gingrich had ordered the HUD cuts in order to fund a capital gains tax cut for rich people. "Well, there are more of us than there are of them. America would be a lot better off if we displaced a few Republicans in Congress rather than thousands of families from their homes."

Added Wilson, "If Congress wants to save money, they should cut the $75 billion annual subsidy to rich people from the mortgage interest deduction instead, or the space budget." Wilson contrasted the House Subcommittee vote to cut $7.2 billion from HUD but only $66 million from the NASA budget. "It's ridiculous that the Lewis Committee can find more money to house men in space than families right here in America."

Other speakers at the rally addressed fellow tenant Clinton across the street and led the crowd in songs, including "Take Them Out of Their Neighborhoods" (sung to Take Them Out to the Ball Game) and "Billy Had a Little Plan" (sung to Mary Had a Little Lamb). Besides the giant Rent Voucher, protesters delivered thousands of postcard-sized "vouchers" written by tenants from across the nation.

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NATIONAL ALLIANCE OF HUD TENANTS

353 Columbus Avenue. Boston, MA 02116. Tel: 617.267.9564 Fax: 617.267.4769

President Bill Clinton
The White House
1600 Pennsylvania Avenue
Washington, D.C.

February 21, 1995

BY HAND

Dear Bill,

As the nation's most prominent resident of publically-owned, federally subsidized housing, you are invited to join fellow tenants from across the nation as we bring you your Voucher on Saturday, February 25, 1995 at ll:30 a.m.

Like you, we are tenants who do not own our own homes. Our project-based subsidy may also run out in two years, if your plan is adopted to cut off funds for three million units of public and subsidized housing and to provide vouchers for fewer families instead.

Mr. President, your fellow tenants are coming to the White House with an important message: Rent Vouchers Don't Always Work! There's not enough affordable housing on the private market to use your voucher. Try it! You couldn't find a home as decent and close to work as where you are now. Neither can we.

Your rent voucher plan will destroy the nation's affordable housing system and leave at least 500,000 American families homeless. Preserving and improving affordable housing costs less than scattering families with costly market-rate vouchers. We can help the government save money and improve our developments if you will only let tenants be partners with HUD.

Your plan does not guarantee that all tenants in public or subsidized housing will receive vouchers after subsidies to their homes are ended. To make sure that you do not suffer the same fate, we are delivering a Housing Voucher to you at the White House this Saturday. We will also bring tens of thousands of vouchers addressed to you by tenants across the nation. We would be delighted if you could join us to receive your Voucher in person at Lafayette Park during your morning jog this Saturday.

If you are unable to meet us, we ask that you respond to each and every tenant who, like you, may be facing homelessness when their project-based subsidy runs out after two years. Together, maybe we can figure out a way to ditch this ill-advised plan before it is too late. Let's plan to SAVE OUR HOMES instead!

Sincerely,

NATIONAL ALLIANCE OF HUD TENANTS

Tenants United for Affordable Housing

National Alliance of HUD Tenants

Save Our Homes Day Songs

February 1995

1. Take Them Out of Their Neighborhoods

Take them out of their neighborhoods,
Take them out of their homes,
Give them some vouchers and say good luck,
We don't care if they ever come back!

So its root, root, root, for Bill and Newt,
And vouchers for the poor!

For its 1, 2, 3 years you're out
Of your own door!

2. Billy Had a Little Plan

Billy had a little plan,
little plan, little plan.
Billy had a little plan
to take away our homes.

His plan will put us on the street
on the street, on the street.
His plan will put us on the street
and leave us in the cold.

We thought he was a Democrat
Democrat, Democrat.
We thought he was a Democrat
Till he reinvented HUD

Billy is the voucher man,
voucher man, voucher man.
Billy is the voucher man
and so he'll need one, too!

RENT VOUCHER

for

SUBSIDIZED AND PUBLIC HOUSING

Name of Tenant: President Bill Clinton

Housing Project Name: The White House

Address: 1600 Pennsylvania Ave.

Washington, D.C. 20500

The Washington Post
FRIDAY, FEBRUARY 24, 1995

House Pa els Vo e o C
National Service, Housing

By Dan Morgan
Washington Post Staff Writer

Republicans in the House yesterday continued their assault on the spending programs of the former Democratic Congress by voting to eliminate $7.2 billion in low-income housing funds and the entire 1995 increase in funding for President Clinton's signature national service corps.

The actions of four House Appropriations subcommittees yesterday brought the total cuts approved this week to nearly $17 billion, or about 6 percent of what Congress authorized but had not yet spent for nonmilitary programs other than entitlements in the current budget.

The savings will offset the costs of emergency federal disaster relief to California and other states, and leave at least $10 billion to apply to tax cuts and deficit reduction in line with the House Republican "Contract With America."

But Rep. David R. Obey (D-Wis.), ranking member of the House Appropriations Committee, charged that the GOP was simply putting together "a large honey pot" to finance tax breaks that will go mainly to the rich.

White House Chief of Staff Leon E. Panetta sharply criticized the action. "These recisions are in the same spirit as the child nutrition cuts that the Republicans have already proposed. They are aimed directly at the most vulnerable in our society, especially our children," he said.

The cuts must still be approved by the full House Appropriations Committee, the House and the Senate, and could be vetoed by the president. But in the meantime, Republicans, in proposing the deepest spending reductions since the early Reagan administration, are making the point that not a single favorite Democratic program of the last 40 years is safe from the budget ax.

That was clear yesterday as an appropriations subcommittee pro- p deep reductions in long-sacro- :t ho g programs for the poor, while reducing funding for NASA by only $66 million.

The trimming of $7.2 billion in funds for public housing, rent subsidies, block grants, lead-paint removal and other programs appeared to catch administration officials by surprise.

"This is massive," Housing Secretary Henry Cisneros said. "For the first time since November 8, we see exactly what kind of damage the new leadership is willing to inflict on poor people."

Cisneros said one cut of $2.7 billion completely wiped out the 1995 allocation of the rental subsidy vouchers known as "Section 8." Of that amount, HUD had targeted 12,000 vouchers to homeless people, 3,000 to AIDs sufferers and 2,000 to move young disabled people out of elderly housing.

He also estimated that cutting $465 million to preserve existing housing for poor tenants made it possible that as many as 27,000 poor people could be evicted to make way for redevelopment.

"We have in front of us the stark reality of cuts that will hurt people and hurt people soon," Cisneros said. "For a [Republican] leadership that says it wants to build a partnership with communities, this is a serious blow to communities."

In many cases, Cisneros said, allocated money would now have to be taken back, an action sure to provoke lawsuits. One public housing cut of $549 million will effectively stop destruction of eyesore projects in New York, Detroit, Seattle, St. Louis, Memphis, Indianapolis, El Paso and San Antonio, he said.

Criticism of the cuts from housing activists was even stronger. "If they only take $66 million from NASA and $7.2 billion from HUD, that's totally racist and an insult to Afro-American poor people," said Jim McNeill, president of the National Alliance of HUD Tenants.

But Rep. Jerry Lewis (R-Calif.), who chairs the subcommittee with jurisdiction over HUD, the Veterans Affairs Department, NASA and the Environmental Protection Agency, defended the reductions. "HUD has been notoriously inefficient and bureaucratic," he said.

Lewis noted that his subcommittee had been willing to take on a powerful constituency that has been spared from budget cutting—veterans—by proposing $158 million in reductions in major construction projects for veterans.

Also targeted was the EPA. The subcommittee withdrew $1.3 billion appropriated last year for a safe drinking water fund from which communities could draw.

"With so many complaints coming from the Hill about unfunded mandates, we are miffed at why they would cut out the funding we are trying to give to a mandate," said an EPA spokesman.

Daniel Rosenberg, a drinking water specialist at U.S. PIRG, called the action "ridiculous . . . Congress's goal should be to strengthen the drinking water statute and fund it fully, but they are doing the opposite." But the cruelest cut for the Clinton administration may have been the deletion of all $210 million of new funding allowed last year for the president's national service corps, cutting it back to its 1994 level of $370 million. Lewis said that the reduction will still allow the administration to make good on commitments to volunteers but "puts us on a very clear path toward incremental phaseout of the program."

Democrats were also rebuffed yesterday when they tried to push through Clinton's request for $6.7 billion in relief for California floods and earthquake damage and other disaster aid. Lewis's panel cut the amount to $5.3 billion, on gro ; i the Federal E gency Management Agency has sufficient funds on hand to continue relief efforts into 1997.

Democrats are particularly angry that a portion of the housing reductions will be used to offset costs of disaster relief, since under budget law such emergency aid can be given without coming up with compensating savings.

"I don't support creating a whole host of other disasters for millions of other Americans," said Rep. Louis Stokes (D-Ohio).

Deep as the reductions have been, they have not satisfied some fiscal conservatives. Late Wednesday, for example, Rep. Ernest J. Istook Jr. (R-Okla.) pushed through an amendment in his subcommittee that produced an additional $1.3 billion in savings by terminating funding for 1995 and 1996 summer youth programs.

An Istook aide said that the General Accounting Office had informed his office that "there is no indication that this program is effective."

In a statement yesterday, Education Secretary Richard W. Riley said he was "deeply concerned" about cuts voted Wednesday in education programs, including the "Goals 2000" initiatives designed to create stronger academic standards.

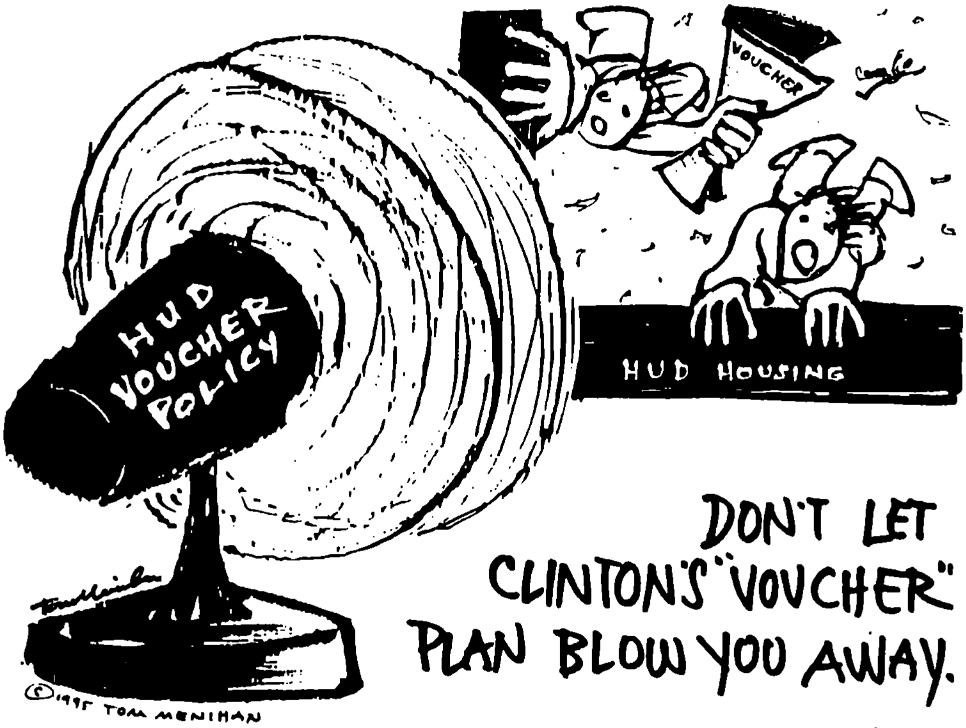
In other action yesterday, other House appropriations panels:

- Cut $351 million from transportation programs, including $7.8 million from the Northeast Corridor high-speed rail project.
- Trimmed $30.5 million appropriated last year for activities authorized by Clinton's crime legislation.
- Trimmed $30 million in grants to create government-industry partnerships in information highway technology, an initiative of Vice President Gore.

Staff writers Ann Devroy, Gary Lee and Guy Gugliotta contributed to this report.

The National Alliance of HUD Tenants announces:

NATIONAL SAVE OUR HOMES DAY
Saturday, February 11, 1994



Organize a rally or press conference in your area to oppose President Clinton's "HUD Reinvention" Plan--the worst assault on affordable housing in history!

**** Goals: 1.) get simultaneous press coverage in several cities to begin reversing the backlash against Section 8.
2.) Target key Republican Congressmen in your area.
See Following Page for Details ****

**A conference call to coordinate Save Our Homes Day events will be held on:
January 26 (Thursday) at 12:30 p.m. (Eastern Time).
Call 217-322-6922 to join the call.
Dial PIN number 9987#.**

National Alliance of HUD Tenants

** *ORGANIZING A PRESS CONFERENCE* **

IT'S NOT HARD TO DO!

If you decide to organize a rally or press conference in your area, NAHT will provide:

* ***a standard press release which you can adapt for your local community.***
* ***camera-ready art for your fliers.***
* ***camera-ready postcard "vouchers" for tenants to sign and send to President Clinton.***
* ***technical information and support.***

Step One: Choose a time and place for your press conference or rally.

Step Two: Arrange for about four people to speak. It's important that at least two of these speakers should be tenants. The enclosed "talking points" provide some information. We can help any speakers to prepar their comments. You might also want legal service attorneys, housing organizations, housing authority officials, community and religious leaders to speak at your event. Tenants can deliver the message about how vouchers won't work better than anyone else, though.

Step Three: Mail out, or hand-deliver, your press releases so the media has them by February 8th.

Step Four: Call the media to confirm that they got the press release and to ask if they are going to send a photographer and a reporter. TV stations may want to see the inside of apartments. Radio stations may interview you over the telephone, so be prepared.

Step Five: Give the answers you want based on the information in our press kit. If anyone asks a question which you are not prepared to answer, tell them to call the National Alliance of HUD Tenants (617-267-9564) or the statewide or citywide organization with which you are working.

The Washington Post

WEDNESDAY, FEBRUARY 8, 1995

HUD Proposal Could Raze More Projects

(p. 1)

By Guy Gugliotta
Washington Post Staff Writer

The Clinton administration, attempting to get rid of one of the nation's most enduring symbols of government failure, has proposed giving local housing officials the power to tear down some of the country's most decrepit public housing projects.

Under the budget plan announced Monday, local officials for the first time would have access to billions of dollars that until now have been cloaked in regulatory restrictions that made demolition all but impossible.

The Department of Housing and Urban Development Monday also listed 10 projects to be destroyed in the next two years, including 771 units of Baltimore's Lafayette Courts and the 134-unit Ellen Wilson Dwellings here.

The 5.3-acre Ellen Wilson complex in Southeast is now vacant and would be torn down in the summer of 1996 and replaced with 161 homes for low- and middle-income people. Lafayette Courts is scheduled for partial demolition at the end of this year.

"This is a good news announcement," D.C. Mayor Marion Barry said yesterday in hailing the proposed demolition. "We are still doing a lot of things in our city for our citizens."

Other projects to be destroyed include 500 units of the 2,200-unit Cabrini-Green complex in Chicago, a part of the Desire project in New Orleans, and Walsh Homes in Newark.

HUD Would Give Local Officials Power to Raze Projects

HUD, From A1

HUD and local housing authorities id planned the 10 demolitions for me time, but the HUD "Reinvention ueprint," presented as part of the idget, would give local housing offils broad authority to destroy any oject as long as local needs would ntinue to be served.

"I don't envision wholesale demoli-n, and I'm not looking for it," Joseph uldiner, HUD assistant secretary public and Indian housing, said yes-day. "This plan is a step forward in k-taking; we want people to look at ir stock and ask what stock is worth ing."

The United States for years regard- public housing as an interim solu-n for the disadvantaged. But the iliferation of huge, long-term "ware-ises of poverty" has prompted many cials to dream of replacing units l revisiting the wrecking ball solu-ı that claimed St. Louis's Pruitt-Ig- project, deemed unlivable in the 70s.

Under current law, the nation's 00 public housing authorities draw ding from 12 separate HUD pro-ms. The biggest chunk of money, 7 billion in 1995, was allocated for abilitation of existing units. Only 8 million was appropriated for de-ition and replacement. As a result ras all but impossible for local au-rities to amass sufficient money to tear down derelict projects and rebuild with new housing. Instead, officials often chose to rehabilitate projects, even at prohibitive expense, simply because the money was there.

HUD tried to loosen the regulatory logjam last year, but its housing bill died in the Senate in the final days of the last Congress. In this year's budget proposal, HUD went far beyond 1994. Under a category dubbed the "transformation of public housing," HUD proposed lumping nine public housing programs, including development and rehabilitation, into one $5.2 billion Public Housing Capital Fund for local officials to use as they see fit.

"Housing authorities for many years have been trying to demolish housing they thought was subject to vandalism, decay and gruesome crimes," Shuldiner said. "The holdup has always been that the law requires one-for-one replacement, and local authorities had to have a plan—but they needed development money first."

Under the plan, more money will be available. As long as authorities have a replacement plan, Shuldiner said, and as long as "at least the same number of people are served," local officials will be free to demolish projects.

They have several options: rebuilding with single-family homes, as at Ellen Wilson; building low-rises on the same site as a demolished project; giving some tenants rent "vouchers" to use as subsidies in private housing; rebuilding elsewhere; or moving tenants to a number of "scattered sites."

In New Orleans, Desire tenants probably will be relocated to thousands of vacant single-family homes around the city. In Newark, authorities intend to rebuild on the Walsh Homes site, and probably will try to use vouchers to resettle tenants elsewhere.

This increased flexibility, long advocated by local housing officials, has widespread support in Congress, but the block grant is only the first step in a much more ambitious plan. In five years, HUD proposes to completely deregulate public housing, end all project subsidies and switch entirely to a voucher system, which would force housing authorities to compete for tenants in the private market.

This end result has been criticized by some housing authorities that rely on federal money to keep their projects viable and by tenant advocacy groups that claim an all-voucher system is a ploy that will end up serving fewer people than the current system.

"This plan will flood an already exhausted [private] low-income market with thousands of new applicants that the market cannot serve," Joan Wheeler, a board member of the National Alliance of HUD Tenants and a resident of assisted housing in Staten Island, N.Y., said yesterday. "This plan will cause greater competition for the same amount of housing."

Shuldiner acknowledged that "residents don't trust us, and they don't trust the public housing authority. I don't blame them." He added. "Government has never been good at keeping its promises to poor people, and it's risky from their perspective.

"But I answer this: Living in [decrepit housing projects] isn't what we are about. We have to take the risk."

PUBLIC HOUSING DEMOLITION

Ten projects scheduled to be torn down before 1997:

City	Development
Washington	Ellen Wilson
Baltimore	Lafayette Courts
Chicago	Washington Park
Chicago	Cabrini-Green
Dallas	Lakewest
Denver	North Lincoln Park
Detroit	Parkside Homes
Houston	Allen Parkway Village
New Orleans	Desire
Newark	Walsh Homes

NOTE: Some developments listed are set for partial demolition.

SOURCE: Department of Housing and Urban Development

The Washington Post

FRIDAY, JANUARY 13, 1995

Critics See Unstated Motive for Restructuring HUD

By Guy Gugliotta
Washington Post Staff Writer

The Clinton administration's proposal to remake the Department of Housing and Urban Development has opened a debate over whether the plan goes too far, or not far enough.

Some anti-poverty advocates have branded HUD's intention to phase out subsidies for public and assisted housing as the death knell for the low-income housing movement and a thinly disguised HUD ploy to evade responsibility for decades of mismanagement.

The U.S. Conference of Mayors is worried its favorite program—Community Development Block Grants—may be subsumed in larger "performance grants" that will be less accessible to individual communities.

In Congress, Rep. Rick Lazio (R-N.Y.), chairman of a key subcommittee overseeing HUD, has "serious concerns" about an "illusory" transformation designed to placate HUD-haters in the new GOP Congress.

HUD officials acknowledge that the plan was put together quickly by Housing Secretary Henry Cisneros and his top aides late year, partly in response to the GOP's Nov. 8 election triumph, and also to fend off a White House proposal to eliminate the de- tment.

One high-ranking HUD official cautioned that the plan was still "a work in progress," with details and modifications to be worked out before it is submitted as part of the administration's Feb. 6 budget proposal.

But the principal elements are already in place. The plan rolls all of HUD's programs into three large "performance grants" in an effort to give state and local governments greater freedom in using federal funds.

All public and assisted housing would lose federal subsidies after three years, and the money would be given to tenants as portable "rent vouchers" that can be used in public or private housing. Public housing authorities would then compete on the private market and survive on the rents they collect.

"One thing that struck us as generally positive was the idea of program consolidation," said Roger Sperry, who participated in a critical study of HUD prepared by the nonpartisan National Academy of Public Administration last year. "There were far too many detailed programs for HUD to administer."

But the devil is in the details. The Conference of Mayors is "generally supportive" of the plan, Executive Director Tom Cochran said, but worried that cities will lose control of the Community Development Block Grant program, which gives money directly to communities for urban projects.

"The mayors have said to Secretary Cisneros that if he can somehow consolidate some of the programs at HUD, he should do that," Cochran said. "But the mayors are concerned that as they create new block grants, they won't involve the city or the community."

Lazio had similar concerns, noting that surrounding the "performance grants" with new regulations and requirements would simply exchange one bureaucratic tangle for another. "This is not a situation where you are offering block grants with no strings attached," Lazio said. "They are requiring more from state and local governments to qualify," he said.

HUD responded to Lazio's critique this week in a policy statement contending that the plan "outlines a reasonable framework" of regulations. "To allocate tens of billions of dollars 'without any attached strings' would be irresponsible," it said.

Controversy over performance grants likely will be hashed out when the plan moves to Congress, but lines have already been drawn in the debate over public and assisted housing, where advocates charge that the proposal could eliminate thousands of units of low-income housing, cripple local housing authorities and cause the government to spend more money serving fewer people.

"The proposal is breathtakingly irresp ble," said Michael Kane, director of the National Alliance of HUD Tenants. "To come up with this out of the blue is a disaster. It should be withdrawn."

Kane and others say that going to a voucher system for public housing would ca large numbers of people to abandon projects in search of low-income private housing, imposing unreasonable burdens on local housing officials who will have to maintain and service buildings relying on rents from fewer tenants.

For the urban eyesores, this policy might be good riddance, said Richard Y. Nelson Jr., executive director of the National Association of Housing and Redevelopment Officials. "But what about marginal developments which, if the authorities had a small amount of subsidy, could be modernized and well-managed?"

Furthermore, advocates say, vouchers cost more per family than subsidized housing, making it likely that fewer people would be served under the new HUD plan, and making it all but impossible to expand the system in the future.

"The HUD plan isn't something that solves the problems of our industry," said Robert Armstrong, Housing and Redevelopment Officials president. "It solves HUD's problems."

Boston Sunday Globe

SUNDAY, FEBRUARY 12, 1995

HUD tenants decry Clinton plan

By Michael Grunwald
GLOBE STAFF

About 100 Boston tenants yesterday warned that President Clinton's plan to replace public and subsidized housing with a voucher system would put 3 million American families at risk of homelessness.

At a local rally at Methunion Manor in the South End, tenants of some of the 100,000 public and assisted housing units in Massachusetts accused Clinton of scapegoating the poor to curry favor with a Republican Congress.

They denounced the Clinton administration's plan, submitted to Congress last week, as an expensive and heartless abandonment of the nation's low-cost housing stock.

"This is the worst assault on affordable housing in American history," said James McNeill, a resident of Roxse Homes in the South End and president of the Boston-based National Alliance of HUD Tenants. The alliance scheduled 28 Save Our Homes rallies yesterday in cities from Springfield to Dallas to Los Angeles.

Clinton's proposal, designed in response to Republican threats to abolish the much-maligned US Department of Housing and Urban Development, would end more than 50 years of subsidies to public housing authorities.

It would also phase out "project-based" rent subsidies that have reserved apartments for low-income tenants in privately owned projects since the War on Poverty.

Instead, HUD plans to issue vouchers to individual tenants, who would be able to use them wherever they wanted. But the agency has made no estimates how many vouchers will be issued, how much they will be worth or how long they will be valid.

The result has been panic among local tenants and advocates, who say that in a city with one of the highest concentrations of HUD housing, the plan could be much more drastic than welfare reform.

The Citizens Housing and Planning Association compiled a 15-page response warning of "massive displacement of low-income families, abandoned projects and further disinvestment in distressed urban neighborhoods." Mayor Menino declared a housing crisis, and Friday appointed a panel to study it.

In a statement yesterday, HUD assistant Secretary Nicholas P. Retsinas said the current system has provided the nation with "decent, safe and sanitary affordable housing that is a valuable asset to its communities."

But he said that with 640,000 subsidized units coming up for renewal in the next five years, the government can no longer afford the present system.

'The way things are going, we're all going to be homeless. Or in an orphanage, I guess.'

JOHN BOWDEN
Of Roxbury's Orchard Park development

The HUD inspector general has warned that without reform, project-based rent subsidies could require the kind of bailout needed for savings and loans. The basic problem has been that rents have risen while low-income wages and welfare payments have remained stagnant, forcing HUD to make up the gap.

"We have conducted an intensive dialogue ... to help find common solutions to these fiscal realities," Retsinas said. "We invite the industry – and these coalition members – to continue that dialogue, and to work with HUD to stabilize and preserve this important housing inventory."

Yesterday at Methunion Manor, a tenant-owned cooperative that has been a symbol of stable assisted housing, 100 tenants from all over Boston added their voices to that dialogue.

They came from Orient Heights in East Boston and Academy Homes in Roxbury, Geneva Apartments in Dorchester and Mishawum Park in Charlestown. Their message was simple: Vouchers are not the answer.

"It's insane," said Barbara Mellon, a tenant leader at the West Broadway Development in South Boston. "We help other countries, but we fight the poor in this country."

Barbara Randolph, 65, moved into Methunion when it opened in 1971. The cooperative – featured in "Common Ground," the Pulitzer Prize-winning book about busing in Boston – is subsidized through Section 8 subsidies, now on the chopping block.

"I'm worried," said Randolph, who works part-time at Copley Plaza. "Nobody seems to know what's going to happen."

Again and again, residents compared the plan to others under consideration in Washington: capital gains tax cuts, increased defense spending, foreign aid. John Bowden, 54, a resident of Roxbury's Orchard Park public housing development since it opened in 1942, held a sign:"Why always the poor?"

"The way things are going, we're all going to be homeless," Bowden said. "Or in an orphanage, I guess."

The blueprint would also reduce HUD micromanagement of public housing, consolidate HUD programs, promote mixed-income projects and restructure federally insured mortgages, reforms that have been welcomed by many housing advocates. It would cut funding for its so-called preservation program, which has been blasted for funneling excessive profits to private landlords.

But the voucher plan has been controversial. In a recent meeting with Globe editors and reporters, HUD officials admitted they had no idea what its cost or effects would be.

Local HUD union president Carolyn Federoff said her agency has overreacted to criticism of misguided programs like preservation, which has funneled more than $100 million in profits to the owners of 23 Massachusetts projects.

City News 2/05/95

Tenant coalitions urges rejection of vouchers

NEWARK—Across the state of New Jersey a coalition of tenant organizations and tenant advocates, which includes the HUD Tenants' Coalition of Newark, the New Jersey Tenants Preservation Project and the New Jersey Affordable Housing Network, spoke out in reaction to President Clinton's budget message. The response was part of National Save Our Homes Day called by the National Alliance of HUD Tenants (NAHT).

At similar events in over 25 cities in 13 states across the country, tenants of federally-assisted housing were joined by affordable housing advocates to denounce President Clinton's plan to dismantle the nations federal housing assistance programs.

"This isn't going to increase choice, it's going to destroy the stability of our communities. New Jersey's representatives in Washington must reject this plan," said Bill Good, a Newark tenant, and board member of the National Alliance of HUD Tenants.

The Clinton administration has proposed that existing subsidy programs for nearly 3 million units of project-based Section 8 and public housing should be phased out. Under the plan these subsidies would be replaced with rent vouchers for individual tenants who then could decide to stay or to move.

In New Jersey hundreds of thousands of low-income family members, senior citizens and people with disabilities living in nearly 100,000 apartments in 766 projects across the state will be affected by the President's proposal.

According to the coalition's position, paper rent vouchers are on average 20 percent more expensive per unit than Project Based Section 8 and Public Housing.

"This is a thinly veiled effort to make it easier to cut funding further in the future," said Frank Hutchins of the HUD Tenants Coalition of Newark. "Once tenants are scattered and subsidies are 'block granted' it will be harder for communities to defend themselves. The plan will destroy the stability of communities throughout New Jersey."

Because the administration is proposing to cut, rather than increase HUD funding, state tenant leaders insist that vouchers will mean displacement of at least 208 of Public Housing and Project-Based Section 8 tenants—over 500,000 people across the country.

Under the Clinton plan, current tenants of public and subsidized housing are not guaranteed a voucher. Instead the voucher system replacing Section 8 and public housing subsidies will be consolidated into a block grant to the states—at lower funding levels. States will decide which tenants currently receiving subsidies will get vouchers.

Contrary to public perception, which assumes that only large public housing projects in cities like Newark and Camden will be effected by the Clinton plan, nearly half of the effected properties are privately owned complexes found in every county in the state.

"This effects all of us. The President's plan is a formula for catastrophe. Some of the most stable affordable housing in the state may be lost forever if these ill-conceived reforms go through," explained Diane Sterner of the New Jersey Affordable Housing Net-

(Continued on page 6)

Reject Vouchers

(Continued from page 1)

work.

The administration's proposal is grounded in the belief that "market forces" will insure the quality of housing. In fact, the Harvard University Joint Center on Housing has determined that at least 25 percent of low-income housing on the private market is substandard, while government studies have shown that only 8 percent of project-based Section 8 and 6 percent of public housing is substandard.

"With vouchers we lose all protections. Clinton is trying to wash his hands of the governments responsibility to enforce its own rules when it comes to our homes and communities." Pat Nastasi of the Grandview Tenants' Association in Keansburg said.

"If they really want to save money in Washington they should look at the profits these owners are making at tax payers' expense. He (Clinton) has decided to stick it to communities and poor people instead," said Nancy Zack of the HUD Tenants Coalition of Newark. "November didn't give anybody a mandate to destroy communities."

Other events of related interest to affordable housing are the March against the Contract with America, which is part of a national day of taking action in 30 states. The march will begin at Washington Park on Tuesday, February 14 at 11 a.m. On Wednesday, February 15 a report from the December 3rd housing speak out, "Affordable Housing? A Broken Promise." will be held at Seton Hall School...

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So Long, Projects?

Clinton wants more housing vouchers for the poor

BY JIM McTAGUE • President Clinton, acting very much like a man who got some kind of message from the November elections, is pitching the most sweeping reform of the nation's public housing system since it was established in the Great Depression. In a blueprint released last month and set forth in the budget message he is sending to Capitol Hill this week, the President calls for slashing project-based rental subsidies to zero and instead giving the estimated 3.9 million persons now in public-housing projects vouchers that could be applied to rental payments anywhere in the country. The voucher program, which would be phased in over three to five years, would be managed by the states and paid for by federal block grants.

"Everyone has been taken aback," says Michael Kane, director of the National Alliance of HUD Tenants. "The plan came out of the blue. It's beyond Kemp and Reagan." Kane contends the scheme would cause the loss of hard-won projects to either the private sector or the wrecking ball. The ripple effect could also hurt investors who backed the projects in return for tax benefits in the 'Seventies and early 'Eighties. They could face big "recapture" tax bills if projects are sold or go broke. An estimated million persons purchased limited partnership units in such tax shelters.

In theory, the Clinton plan would empower current project tenants to move into better neighborhoods, where there are more job opportunities and better schools. At the same time, it would force local housing authorities and other project landlords either to compete with the private sector for tenants by sprucing up rundown properties or to go bankrupt.

The vouchers would reflect an area's fair market rent, so that while the low-income and poor tenants could not afford a penthouse, they could afford the same kind of housing available to your run-of-the-mill, unsubsidized Joe.

The proposal currently enjoys bipartisan support for a number of reasons. For one, Congress has promised to slim down the federal bureaucracy, and no bureaucracy is in greater need of liposuction than the Department of Housing and Urban Development, whose $31 billion budget is over 9% of all domestic discretionary spending. For another, in the q to slash federal outlays, handing a person a voucher looks a couple of thc d dollars cheaper than putting him up in a project. Republican Jack Kemp, HUD Secretary under George Bush, has been in the forefront of those touting vouchers as a free-market alternative to project housing.

Mayor Lee Namey of Wilkes-Barre, Pa.: A "saturation point" arrived, and he asked for—and got—a freeze on voucher requests.

But the political support for the Clinton plan could weaken as some realities emerge. There are, for example, troublemakers among the 4.7 million households currently receiving some form of HUD rental assistance. One HUD landlord figures that just one tenant prone to vandalism can cost $10,000 a year in damages and thousands for the legal expenses associated with his eviction. In the meantime, well-behaved tenants get up and leave.

Then there's the impact the millions of vouchers in circulation can have on suburbs and other communities unprepared for the drug abuse and violence that refugees from housing projects might bring. Cities might see apartment units once occupied by tax-paying citizens taken over by families who have difficulty making ends meet.

Such prospects aren't the result of idle or mean-spirited musing. We have seen the future because it is already here.

Housing vouchers date to 1968, when a government commission recommended giving housing aid directly to poor families. What followed were 10 years of experiments that were the forerunners of HUD's Section 8 voucher and certificate program, which began in earnest in the late 'Seventies and grew gradually as the construction of new public housing units diminished during the Reagan years. The department estimates that 6.5 million households have used vouchers or certificates so far. About 1.5 million households received vouchers this fiscal year alone; their median income was less than $8,000. Another 2.9 million households live in projects; their median income was less than $6,500.

Vouchers are portable and can be used toward any amount of rent. If the tenant pays less rent than the face amount of the voucher, he's allowed to pocket the difference. Certificates, on the other hand, prohibit the tenant from spending more than 30% of his income on rent. HUD pays the difference directly to the landlord.

HUD's most successful voucher-based experiment has been the Gautreaux program, centered in Chicago. Named for Dorothy Gautreaux, who sued HUD and the Chicago Housing Authority for placing her in what she said was a segregated project, the court-ordered program over the past 14 years has plucked poor African-Americans from notorious projects like the Robert Taylor Homes and Cabrini Green and relocated them to predominantly white suburbs. Typically, the voucher tenants find jobs in their new communities and their children finish high school at much higher rates than the offspring of those who are left behind.

But the Gautreaux program, which is being used to justify the Clinton proposal, is not the whole story. In other parts of the country, cities and towns with properties charging modest rents are being flooded with poor people bearing vouchers. Costs for police and other services are rising rapidly at the same time taxpayers are packing their bags.

Two loyal Democratic mayors, Lee Namey of Wilkes-Barre, Pa., and Patricia Ticer of Alexandria, Va., have encountered significant problems with the current program and are urging the President to shift from fast-forward to slow-speed ahead.

The soft-spoken Namey has openly defied HUD and Secretary Henry Cisneros over vouchers for more than a year by trying to cap the number being used in his northeastern Pennsylvania city of 47,000. Because Wilkes-Barre is the only area in Luzerne County with a large stock of affordable housing, it was overrun by the county's voucher-bearing poor. The newcomers put pressure on city services while contributing to the flight of wage-earners; the community depends on a 3% levy on gross earnings for most of its revenues.

"This was not done lightly or maliciously," says Namey, "but there's a saturation point." About a year and a half ago, Namey decided Wilkes-Barre had

Mayor Patricia Ticer of Alexandria, Va.: Because "58% of our housing consists of rental properties . . . we are very vulnerable."

reached that point. Statistics showed that 14% of the city's population depended on some kind of housing subsidy, be it project-based, voucher or certificate. Not only that, but 48% of all public assistance in Luzerne County was coming to Wilkes-Barre.

Vouchers currently are distributed by HUD to housing authorities that apply for them. There are two in Namey's immediate area, one run by the county and one in Wilkes-Barre. Namey has no direct control over either. But when he asked that the city authority place a freeze on further voucher requests, it acceded. Taxpayer reaction was positive and the local newspaper published an editorial praising the mayor.

Mayor Ticer's city, just a few miles from the Capitol, hasn't been overrun, but she's afraid that might happen under the Clinton proposal because Alexandria has one of the largest stocks of rental housing in the entire region. "Fifty-eight percent of our housing consists of rental properties," she reports. "That's very unusual. We are very vulnerable." Echoing Namey, she says the voucher program won't work as intended unless other communities pull their share of the weight.

With more than 1,100 voucher- and certificate-bearing residents in her community already, she's seen a preview of the problems that may be at hand. After moving into rental units in two working-class communities, the voucher tenants caused so many problems with police and their new neighbors that the city had to increase its inspections of rental units. But HUD rules make it difficult to get inside.

"In one particular neighborhood, we've had poor upkeep and nuisance complaints, and high criminal and drug activity," Ticer says. Nonetheless, HUD rules make it a long and arduous process to evict even the most troublesome tenants.

Another community, Riverdale, a village south of Chicago, has a story to tell scarier than Wilkes-Barre's and Alexandria's. A whole section of the community became a slum when voucher tenants concentrated in a single building. Because the residents have little disposable income, merchants nearby are threatened, raising the prospect of a boarded-up commercial area, according to Frank Koehler, who is in charge of the Section 8 housing program there. Riverdale has begun counselling the voucher users as to housing opportunities in other communities.

After its introduction in the late 'Seventies, the voucher program failed to take off as expected, primarily because all but the most tenant-hungry landlords avoided them. Once a landlord accepts a single Section 8 applicant, no other Section 8 applicant can be turned down at any of the landlord's properties. According to a survey by ABT Associates for the national Multi Housing Council, a trade association, the requirement keeps many landlords from trying the program at all. Another drawback of the voucher program for landlords is the difficulty of ejecting a troublemaker when a lease is up. All leases must be renewed automatically unless the landlord can prove good cause to a court. This delays the removal of disruptive residents and can lead to the flight of "good" tenants, according to the ABT report.

Washington from time to time has tried to cure some of the program's defects, but without much success. The Clinton Administration in 1993 introduced a new and improved voucher program in five cities to move inner-city residents to the suburbs as part of a 10-year experiment. The plan, purportedly modeled after the Gautreaux program, had actually been proposed during the Bush Administration by Kemp. But the backlash from suburbanites was so shrill that the Senate last year killed all but the first year's funding.

Marc PoKempner/Impact Visuals for Barron's

Delores Irvin, who manages Chicago's celebrated Gautreaux program: Her staff counsels voucher tenants on how to live in neighorhoods away from projects, where they have spent all their lives. No one, she believes, should be forced to live in a project.

Democratic Sen. Barbara Mikulski of Maryland, a vocal housing advocate, was among those who opposed continued funding. She complained that voucher recipients weren't required to get jobs nor were they provided with counseling. She also faulted officials in Baltimore and the community organization that was to operate the program there for bungling the effort.

Why has Gautreaux succeeded where other programs have failed? James Rosenbaum, an urban affairs expert at Northwestern University, notes, first, that all applicants are screened by a local housing group that administers the program, the Leadership Council for Metropolitan Open Communities, and that landlords are happy to take the group's hand-picked tenants. Second, Rosenbaum observes, the voucher bearers are not free to move anywhere, as they are in other programs. To avoid resegregating themselves, the tenants must move into a community that is at least 70% white. "Free-choice vouchers won't necessarily work," he says. "People will choose to live in communities they know and feel comfortable in. That leads to resegregation."

HUD appears to be taking some lessons from Gautreaux. Michael Stegman, assistant secretary for policy development and research, declares that changes will give landlords greater flexibility in screening voucher bearers. For example, the "take one and take all" rule will be dropped, and rules will be adopted making it easier for landlords to evict unruly tenants or terminate their leases. HUD will offer funds to cities to counsel voucher recipients about housing opportunities in outlying areas. But they will not tell them where to live.

Delores Irvin, who manages the Gautreaux project for the Metropolitan Council, doesn't believe anyone should be forced to live in a project. But the projects are not without supporters; and like the mayors, they question the wisdom of the Administration's giant step into vouchers.

Some projects are so well run that they boast waiting lists that number in the thousands. The projects' managers have usually succeeded in creating an economic and ethnic mix that results in a safe, comfortable environment. Disque Deane has such a mix at Starrett City, a 5,881-unit complex in Brooklyn with views of Jamaica Bay from the Belt Parkway. The project, which has middle-income Canarsie on one side and the mean streets of East New York on the other, is self-contained with its own shopping centers, police force and gas-powered power plant. There are schools, recreation centers and social services for the elderly all within the complex. It is financed by bonds backed by New York State Housing Finance Agency, but the cash flow to service the debt depends on federal subsidies paid to Starrett and on tax breaks from the city.

New York State wants out of its role and HUD wants to end its direct subsidies because they've grown so steep. So Deane has been working on a plan to turn the project into a cooperative. But a switch to vouchers would torpedo that plan and, he says, probably bankrupt his complex, whose $320 million mortgage is guaranteed by the state agency.

The reason, Deane explains, is that the complex would lose its most stable tenants, primarily middle-income families who live in units subsidized by HUD's 236 program. Like the poorer Section 8 tenants, residents in the 236 program need pay no more than 30% of their income for rent. Should their subsidies become portable, they'd flee the building to escape the growing population of Section 8 tenants, whom Deane describes as "the bottom of the social barrel." And who would replace the residents under the 236 program? More Section 8 people, most likely, and Deane fears his project would then become a nightmare like Chicago's Cabrini Green. If the apartments remained vacant, the project would lose cash flow and go bankrupt unless the partners were able to sell it.

Right now, selling a project can present as many headaches as bankruptcy for the original limited partners, because they were attracted by generous federal tax benefits. A sale or a bankruptcy would trigger "recapture" taxes.

Deane has proposed that Congress make it easier for owners to sell and get, say, a 6% return on investment if the sale is made in the form of a co-op. Other landlord advocates argue that, if Congress does adopt a Clinton-type voucher program, there should be a transition period to shield owners from financial disaster. Deane contends that there are hundreds of projects like his in New York State whose mortgages, totaling in the billions of dollars, are guaranteed by the Housing Finance Agency. They'd all be threatened. "The federal government could end up bankrupting New York State," he warns.

"We're not sounding the alarm bells yet," says a spokesman at the agency. Five HFA projects that receive federal rent subsidies have agreements with HUD that run for the term of the bonds. Only Starrett City has a contract with HUD coming up for expiration. But another spokesman at the agency concedes that "we are concerned."

Says HUD's Michael Stegman: "Obviously, we don't want to force well-run housing finance agency projects into foreclosure. We're looking into how to handle them."

For Stegman and his colleagues at HUD, it will be one of many problems that must be handled if an expanded voucher program will fly. ■

NATIONAL ALLIANCE OF HUD TENANTS

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To: Congressional Members and Staff

From: Michael Kane, Executive Director
National Alliance of HUD Tenants

Date: February 24, 1995

RE: Reforming the Title VI Preservation Program by Limiting Windfall Profits to the Industry

This memorandum is to provide additional information regarding NAHT's suggestion that at least $20 billion could be saved over 15 years from the Title VI Preservation Program without adverse impact on low and moderate income tenants and the capital repair needs of the 450,000 units in the Title VI eligible stock.

The National Alliance of HUD Tenants (NAHT) is a coalition of 76 tenant and associate member groups in HUD-subsidized, multi-family housing. Founded in 1992, NAHT is the first and only national voice of the families affected by Title VI. The NAHT Board, consisting of HUD tenant leaders elected at our Annual Meeting last March, presented these ideas to Secretary Cisneros in a face-to-face meeting on November 4.

In NAHT's view, a basic flaw in the Title II and VI programs is the notion that owners are legally entitled to realize unrestricted full market value from the refinancing or sale of "Expiring Use Restriction" (EUR) properties, with HUD paying for huge equity windfalls as the price for preserving the housing for low/moderate income people. HUD's Inspector General--and recently the Office of Management and Budget--have justifiably criticized the negative consequences of this aspect of the program.

Indeed, by allowing owners to raise rents to meet inflated appraisal levels under Title II/VI, as the IG has pointed out, HUD has actually been paying for the loss of moderate income units and the disruption of mixed income, diverse communities in at least some Title II "stay-in" deals. Although Title VI (amended with a form of Shallow Rent Subsidy last fall) corrects for some of the defects in Title II, more could be done to redress this problem.

Reform, not repeal. NAHT must emphasize, however, that the remedy must not be repeal, but reform of the Preservation Program. Repeal (and allowing owners to realize unrestricted market values through mortgage prepayment) might yield short-term savings to HUD, but would wreak havoc on hundreds of thousands of low income families who would be displaced from their homes. While granted that many owners would not in fact be able to raise post-prepayment rents as high as some inflated appraisals in Title II would suggest, rent increases would no doubt be too high for most low income residents, who have benefitted from Title II to date. The public--and HUD--would pay the price for increased homelessness, social problems, and permanent loss of scarce affordable housing stock which is not increasing apace with a rising population of lower income people.

Funds needed for minimal preservation objectives. Thus, NAHT urges Congress to preserve some funds for a Preservation Program and to work with NAHT and others to meet basic preservation objectives in the most cost effective manner. Bottom line, minimal preservation objectives for which **SOME** budget funds must be available include:

a) Preventing displacement of existing residents (both low and moderate income)
b) Permanent preservation of the existing mixed income profile of the buildings (which Title II/VI has not always done in practice)
c) Preserving mixed income, multi-racial diversity in Expiring Use developments
d) Providing for current and future capital repair needs and operating budgets
e) Promoting sales to residents, nonprofit owners or public agencies committed to these objectives on a permanent basis
f) Limiting windfall profits to the owners so that limited dollars maximally serve the above objectives

Promoting sales to residents and nonprofits. This important objective is not only good social policy, which some conservatives have supported in the past; it helps save HUD money at the "back end", when EUR mortgages expire, by limiting the need for yet another round of subsidy outlays to bribe the owners to preserve the housing (or indirect costs if tenants are displaced at mortgage termination). Resident, nonprofit, and/or public agency owners are less likely to speculate on housing stock and displace residents.

This is another reason why Title VI should be reformed, not repealed. The encouragement of sales to resident/nonprofit groups was one of the most attractive features of Title VI when it was passed in 1990. Several NAHT member groups have successfully bought their developments under Title II or VI; many other tenant groups are "in the pipeline" now, having donated years of volunteer time by low income tenants and raised the hopes of thousands of the poor that at last they might own a piece of America. It would be a cruel letdown to tell these tenants now that "Let them eat vouchers" is the best they can hope for from their government.

Instead, the Congress should consider reforming Title VI to encourage more sales. It is now evident that only about 25% of the eligible properties nationally are being offered for sale, as opposed to refinanced. Congress should consider reducing benefits (such as 241(f) mortgage insurance) to owners who "stay in" as opposed to sell to promote this objective. Given the long-term cost savings aspects of public sector sales, Congress should consider a subsidy premium (for example, allowing a higher "regulated market" value, as below) for sales, similar to the provision of the Boston Rent Equity ordinance which allows higher valuations for sales than for stay-ins.

Why vouchers won't work. Providing vouchers to very low income residents (especially only 4,500!) will not prevent displacement of all affected families; will result in the permanent loss of irreplaceable affordable housing stock; and will usually cost more per family than providing for project-based subsidy in an EUR building, since Section 8 contract rents are typically lower than Section 8 FMR's for certificate-holders in many markets. The only way this approach could "save money" is if there is a "hidden agenda" of cutting off eligible households over time (since the proposed voucher set-aside falls short of the actual need, some certificate holders may not be able to find housing, and many scattered recipients get "lost through the cracks" at renewal time or otherwise in the certificate program).

Moreover, if HUD and Congress adopted federal "cost control" legislation which provided for a regulated market value to the owners (rather than "unrestricted", or highest and best use, market value), Section 8 contract rents could be reduced substantially below FMR levels. This would not only yield substantial program savings, but limit "moderate income flight" by putting a lower "ceiling" on rents charged to moderate income tenants. This would both save money and better meet NAHT's "minimal preservation objectives" outlined above, which the program as currently designed does not do.

Preservation vs. windfall profits. If Congress had simply repealed the owners' pre-payment "right" in 1987, no funds would have been "needed" to incentivize owners to continue providing low/moderate income housing; the status quo ante would simply have been extended. Even in this case, however, **SOME** level of "preservation" funding would be required, to recapitalize repair needs (both current and future) in aging buildings, and to prevent displacement of existing very low/ low income families who pay disproportionate shares of income on rent. In this hypothetical case, the cost of "preservation" would not be the $37 billion estimated by the IG (over 15 years), but some fraction (say, 25-35%) of this amount.

The problem comes with the balance of program funds "needed" to pay unrestricted market values to owners. It is hard to imagine any policy justification for this giveaway. It is "corporate welfare" of the worst sort, paid out to what is in reality a tiny handful of extremely wealthy individuals and corporations who have already rich almost entirely due to government largess. Anecdotal research (apparently, HUD doesn't know) has identified only six individuals or corporations who own close to 50% of the EUR stock of 450,000 units.*

*They are: National Housing Partnership (60,000 units); Bruce Rozette (50,000 units); CRI (30,000? units); Alan Bird (29,000 units); Johnson and Shuman/Meridian Corporation (35,000? units); and Insignia Corporation/Farkas (20,000+ units). The top 20 individuals or corporations probably own over 2/3 of the affected stock.

The portion of "preservation" dollars not needed for actual repairs or tenant protection represents an "unearned increment" or speculative windfall with no social utility whatsover. At least other frequently criticized "welfare for the wealthy" scams, such as agribusiness subsidies, produce some new socially useful products, achieve other "spin-off" benefits (such as aiding marginal farm communities), or benefit a larger class of well-to-do "welfare" recipients. No such claims can be made for the owners of EUR housing. It is simply a transfer of wealth from tenants and taxpayers to a greedy few.

Allowing owners to prepay and realize unrestricted market values would be similarly unfair, and disastrous to existing tenants and communities. Owners would be rewarded with an unearned benefit whose "value" was ultimately created by the taxpayer, causing hardship to tenants and communities, and costing taxpayers again through new outlays for the attendant social problems.

Congress, not the owners, should decide what to do with the equity value which taxpayers have paid for. Unlike most "private sector" industries, the taxpayers have actually created most of the "equity" which the owners now want to take out. The subsidized housing industry required less than 10% actual equity investment from the original owner/sponsors. Over 90% of the "equity" was insured and subsidized (mortgage interest and operating subsidies) by the taxpayer from the outset. Subsidies, management fees, and regulated rate of return have been similarly guaranteed and largely paid by HUD over the years.

Moreover, owners typically made huge windfall profits at the point of construction through the sale of tax shelters--typically 250% gains on actual cash invested in the first few years! These tax losses of course represent an indirect subsidy paid by taxpayers. In the early 1980's, many investor/syndicators (who now appear to own the bulk of the inventory) made a second windfall on the "resyndication" of HUD housing encouraged by the Economic Recovery and Tax Act (ERTA) of 1981, which allowed accelerated depreciation of occupied HUD housing.

Ironically, tax shelter profits were premised on the hypothetical "depreciation" or loss in value of the buildings, which were in fact gaining in value during these years. So the owners claimed the buildings were losing money, and received government subsidies in the form of tax shelters for their "losses"; now, owners claim that, oops, their buildings didn't really lose value, they gained value, and they want the government to pay for this too. At the very least, Title VI should be reformed to deduct previously realized depreciation from current market values to prevent this "double-dipping" (as recently recommended by HUD's Boston Office).

Regulated vs. unrestricted market values. In principle, Congress could determine what a fair rate of return should be for the subsidized housing owners, and define this through Title VI reform legislation. The current standard of unrestricted market value in Title II/VI would unfairly reward the owners, displace low income tenants and fail to preserve the stock.

An alternative method would be to allow owners to realize gains on the actual equity they invested in the properties, or (easier to measure) the 10% equity required as a Builder/Sponsor Profit and Risk Allowance when the properties were built. Formulas adjusting this forward for inlation and perhaps adjusting for tax shelter losses and/or subsequent refinancings could be devised. NAHT's predecessor Assisted Housing Preservation Network suggested this approach in the legislative debates on Title VI in 1990; Congressman Joe Kennedy and several others raised this idea in Committee, but were unable to muster sufficient support.

At the time, Congressional experts concurred with our estimate that this alternative formula would yield between $9 to 16 billion in savings from an estimated program cost of $25-30 billion. Updating for the IG's estimate of $37 billion over 15 years, we believe this approach could yield $15-$20 billion in savings over a comparable time. The industry would still make a healthy (though lower) windfall profit through this "regulated market" value approach, sufficient to defend against court challenges re: "unjustified takings".

In principle, this approach is similar to that adopted by localities in establishing Fair Net Operating Income standards for rent control systems. A study by the Boston HUD Tenant Alliance of the impact of local rent control ordinances on Title II appraisals confirms that savings of this magnitude can easily be achieved; in fact, HUD has already saved several million dollars by the partial application of the Boston rent control ordinance in its appraisal reviews.

Regulating market values in this manner would have the additional benefit of eliminating the problem of "moderate income flight" which occurs when unrestricted market values are used in Title II/VI deals, since the rent established by HUD's appraisals acts as a ceiling for moderate income tenants. Lower "regulated market" rents would mean lower ceiling rents paid by these tenants, as confirmed by the Boston data and HUD's recent appraisal of Tower West in New York's Upper West Side.

If Congressional members or staff are interested in this approach to reform, NAHT and other groups would be happy to help devise formulas and standards to include in cost control legislation. Short of this, there are other ways to reform the Title VI appraisal and PCNA processes to achieve more modest improvements. However, it is essential to preserve some funding for Title VI so that a reform, not repeal, dialogue can proceed.

Objections to regulating market values. Industry objections, echoed in Congress, have been twofold:

a) original mortgage contracts included the "prepayment" provision. It would be illegal/immoral for the government to abrogate this "right". A deal's a deal.

b) Congress has no legal or constitional right to restrict building "values". Any restrictions would be an unconstitutional "taking". Owners are entitled to the full equity value of the buildings.

NAHT believes these arguments are refutable. (Attached is a law review article with the legal rationale.) Congress, under the Constitution, can indeed abrogate or amend contracts, especially when there is an overriding public purpose. Weighing the equities here creates a lopsided ledger in favor of contract limitation to protect tenants and preserve affordable housing at the least cost to the taxpayer. On the other side is a request by a 20 or so people for a multi-billion handout. Congress and the public should be able to sort this one out.

Regarding Congressional right to limit/regulate market rents, the courts have long upheld the right of localities to establish rent controls. Whether or not one supports these measures, the fact that courts have allowed limitations on unrestricted market profits in order to achieve overriding public purposes (preventing displacement, preserving housing) cannot be disputed.

If local jurisdictions can control rents, why can't Congress? Moreover, here we are speaking only of HUD-subsidized housing, where all tenants are by definition low/moderate income "means tested" households, in contrast to private market rent controls, which have been criticized by landlords for "subsidizing" middle class tenants in some cases. In addition, it was Congress (not the owners) which has built up most of the "equity" in HUD housing through generous subsidies over the years. Why shouldn't Congress be able to redefine and recapture the taxpayers' "equity" investment, in order to achieve important public purposes and save money?

It will be objected that the industry will go to court to overturn any effort by Congress to restrict market values. No doubt they will. We believe that the government will prevail on this question. What is there to lose? In the worst case scenario, the courts overturn restrictions on value, and we're back to where we are today.

It will also be objected that regulated values will never "fly" in Congress. Perhaps that was so a few months ago. But budget pressures have created a radically new situation. In a climate where some have recommended defunding or repeal of Title VI or even HUD itself, the Administration has proposed a radical "voucherization" plan which NAHT believes would destroy the nation's system of affordable housing and leave over 500,000 families homeless, and some in Congress have proposed even deeper cuts, a sensible proposal to "preserve preservation" through cost control legislation should no longer be deemed "beyond the pale" of Beltway discussion.

Congressional leadership can change the terms of debate by proposing cost-control legislation. NAHT believes that budget-conscious members of Congress have the power to change the terms of the windfall profits debate. Congressional leaders could declare that the unexpectedly high cost of preservation to date, and the imbalance between windfall profits vs. repairs/tenant protections, has created a growing budget crisis which deserves drastic measures--but not at the expense of the affordable housing stock or current residents. The waste is in "corporate welfare" to a tiny few.

By proposing reduction (not elimination) of profits to the industry, Congress could boldly propose $20 billion in savings, while maintaining the moral high ground of what preservation is supposed to be about. With regulated market values, the industry would have to settle for half a loaf; it certainly will not be "losing" money, and will in fact still do pretty well compared to the status quo ante. Many in the industry may welcome this alternative to outright repeal of the program, to the extent that a risky future fraught with tenant fights and unknown market conditions may diminish their ability to realize "unrestricted" values through prepayment.

At a very minimum, Congress could recommend repeal of the current language in Title VI which preempts state/local laws controlling rents in Title VI eligible buildings. This would cost the government nothing, but could save billions as NAHT campaigns for local laws such as those now on the books in Boston, New York, New Jersey, and California. Even if the federal government does not have the chutzpah to impose federal cost controls, at least don't hamper local and state governments which might want to.

ACORN

February 13, 1995

MEMORANDUM TO: Assistant Secretary Stegman
Department of Housing and Urban Development

FROM: Jerry Jones, Legislative Director
ACORN

SUBJECT: Voucher Proposal for Public and Indian Housing

As we discussed last week, ACORN remains unpersuaded by the Administration's assurances that all public housing residents will receive a voucher under HUD's existing budget levels. If this is really the case, such vouchers would not nearly approximate fair market rents. I have summarized our analysis of housing costs for 18 major public housing authorities.

Summary of Findings

This memorandum presents a cost comparison analysis between conventional public housing units and rental vouchers. The Clinton Administration has proposed shifting the existing public housing budget into a voucher system, thus abolishing all direct subsidies to public housing developments. Residents of these developments would be required to use their new vouchers to obtain housing, either in their present developments or in the private housing market.

ACORN examined the total HUD expenditures for 18 public housing agencies (PHAs) over the Fiscal Year 1993 period. For these PHAs, approximately $1.9 billion in federal subsidies were awarded to 317,057 public housing units. These subsidies represent nearly one in three public housing dollars spent by HUD during Fiscal Year 1993.

The 18 PHAs include areas in which the ACORN Tenant Union is organizing democratic resident chapters, and have been selected for this study on that basis. The ACORN Tenant Union is a grassroots membership organization fighting for tenant rights and greater accountability in public housing.

In summary, ACORN found that the per unit costs for each PHA were substantially less than Section 8 rental voucher costs for comparably sized apartments. The most significant cost differentials include the D.C. Department of Public and Assisted Housing, Minneapolis Public Housing Authority, Metro Dade County Housing Authority, and the Housing Authority of East Baton Rouge, where Section 8 costs for the same number of units would be more than double that of conventional public housing.

[redacted] housing and Section 8 costs of Fiscal Year 1993, the most recent year available for a complete analysis of all public housing expenditures.

The difference in cost between public housing and rental vouchers for these PHAs would exceed $857 million, an additional 29 percent beyond actual public housing expenditures.

Based on these findings, the Clinton Administration's proposal to eliminate public housing and replace those subsidies with rental vouchers would require an increased appropriation of $3.0 billion each year, if those vouchers are to be sufficient in value for private market use. Under existing budget levels, there is not enough money to implement the voucher transition.

Comparative Costs

The Clinton Administration's HUD Reinvention Blueprint, dated December 19, 1994, proposes to abolish 14 public housing programs. These programs include Modernization, Development, Public and Indian Housing Amendments, Major Reconstruction, Severely Distressed Housing, Vacancy Reduction, Tenant Opportunity Program, Family Investment Centers, Youth Apprenticeship, Operating Subsidies, Drug Elimination, Family Self Sufficiency, Early Childhood Development, and Public Housing Service Coordinators.

In the place of these programs, tenants of public housing would receive rental vouchers, which they could theoretically use to move out of public housing:

> All formerly project-based public housing operating subsidies would now be completely portable certificates. Public housing residents would have the choice of staying or moving, using

> their portable certificates to help pay for housing on the private market. Public housing authorities would compete for subsidized and unsubsidized low-income families in a competitive marketplace.
>
> (HUD Reinvention Blueprint, p.13)

The central flaw in the Administration's proposal is the assumption that rental vouchers and conventional public housing are comparably priced subsidies. They are not. Common sense explains this difference in cost, since market-rate, private apartments under Section 8 would predictably cost more than publicly owned properties with no debt service. Public housing overhead expenses are largely determined by social service needs of residents and the physical maintenance of aging developments. Because public housing admissions are based on low-income eligibility controls and long waiting lists, its costs are not directly influenced by private apartment rates and remain lower by comparison. Conversely, the overhead expenses for Section 8 housing are governed by market dynamics, since the actual voucher subsidy is based on a percentage of the average rental costs for each area.

Since vouchers cost more than public housing, unit for unit, the Administration has not explained how it intends to accomplish the proposed transition from public housing to vouchers without increased appropriations. Ironically, HUD has developed its more costly voucher proposal in response to the expectation of *fewer* subsidies in future years. Instead, the costs of the Administration's Reinventing HUD proposal would far outstrip the larger political possiblities in Congress now. Replacing the current public housing programs with a more expensive system will only exacerbate the effects of potential budget cuts, should Congress decide to reduce funding.

A tabulation of the total costs for public housing and Section 8 vouchers is found in the four table pages which follow. Public housing figures include the sum of all expenditures for the 14 public housing programs slated for elimination, divided by the number of units over a twelve month period. Voucher costs include the sum of monthly Fair Market Rent levels for a two-bedroom unit, plus administration expenses for the Section 8 program as established by HUD.

The table pages provide a detailed tabulation of these various program expenditures. For summary purposes, here are the per unit costs:

Public Housing Agency	*Public Housing Unit Costs*	*Rental Voucher Unit Costs*
Little Rock	$280.96	$505.29
Oakland	500.35	900.22
Washington, DC	422.36	924.03
Miami/Dade	307.24	777.96
Atlanta	461.73	627.56
New Orleans	382.38	487.98
Chicago	680.58	748.74
Baton Rouge	197.06	545.33
Baltimore	452.28	641.63
Boston	856.36	875.34
Minneapolis	280.70	681.66
St. Paul	414.09	681.66
St. Louis	526.09	544.25
Kansas City, KS	306.46	529.10
New York City	473.91	736.84
Dallas	395.08	617.82
Houston	427.48	528.02
Milwaukee	363.68	555.07

Rental vouchers are more costly in every case. Please refer to the tables which follow for a program by program tabulation.

PHA	Dwelling Units	UMAs	Modernization	Op. Subsidies	Development
Little Rock	1,644	19,728	2,201,355	2,734,597	0
Oakland	3,300	39,600	10,838,135	8,315,662	0
Washington, DC	11,433	137,196	26,151,852	27,532,224	0
Dade County	11,155	133,860	15,973,576	25,153,805	0
Atlanta	14,213	171,606	28,941,181	36,641,681	2,572,500
New Orleans	13,402	160,824	28,202,166	32,673,497	0
Chicago	39,680	476,160	135,432,295	152,760,422	21,170,550
Baton Rouge	1,331	15,972	1,508,314	1,409,129	0
Baltimore	18,088	217,056	42,413,460	52,255,313	0
Boston	12,454	149,448	34,893,885	40,663,073	0
Minneapolis	6,730	80,760	14,830,807	5,484,059	999,400
St. Paul	4,265	50,955	8,818,532	6,258,072	3,965,700
St. Louis	6,297	75,564	22,897,449	13,559,483	0
Kansas City, KS	2,170	26,040	3,901,535	3,121,893	0
New York City	155,772	1,869,264	418,874,505	416,564,558	26,357,125
Dallas	6,758	81,096	14,792,345	14,250,481	1,512,900
Houston	3,617	43,404	8,162,844	6,289,674	0
Milwaukee	4,748	56,976	8,853,055	6,898,238	0

Dwelling Units = Number of units which received operating subsidies in FY93.

UMA = Unit Months Available, the number of monthly subsidy components for all dwelling units during the FY93 period. (Roughly equivalent to 12 times the number of dwelling units).

Modernization = Comprehensive Grant Program formula allocations, as provided by HUD to ACORN under a February 28, 1994 Freedom of Information Act request. A complete analysis of modernization grant allocations and outlays for these PHAs during FY89 - 94 appears in the Appendix.

Operating Subsidies = Formula allocations for the operation of low-income housing developments, as provided to ACORN by the HUD Office of Assisted Housing. Raw data appear in the Appendix.

Development = Awards made to PHAs for construction or replacement of public housing. Official awards notice appears in the Appendix.

PHA (con't)	PIH Amendmts.	MROP	HOPE 6	Vacancy Red.	TOP
Little Rock	0	0	0	236,596	40,000
Oakland	0	0	0	0	0
Washington, DC	0	2,416,865	1,439,941	405,666	0
Dade County	0	0	0	0	0
Atlanta	782,627	4,339,189	4,358,040	492,000	40,000
New Orleans	0	0	0	620,500	0
Chicago	6,440,679	0	0	2,192,190	120,000
Baton Rouge	0	0	0	0	0
Baltimore	0	3,502,368	0	0	0
Boston	0	0	49,992,350	490,560	0
Minneapolis	304,046	0	0	0	50,070
St. Paul	1,206,478	0	0	0	0
St. Louis	0	2,011,728	0	269,370	0
Kansas City, KS	0	0	0	513,449	40,000
New York City	8,018,582	0	500,000	0	40,000
Dallas	460,267	0	0	0	0
Houston	0	0	3,296,349	0	0
Milwaukee	0	0	4,018,700	0	0

Public and Indian Housing Amendments = Additional subsidies provided to PHAs to amend HUD commitments for development units delayed in the pipeline, or to account for inflation adjustments subsequent to the HUD commitment. Estimates for FY93 PIH Amendment funding for individual PHAs are based on the proportion of FY93 Development funding awarded to each respective PHA.

MROP = Major reconstruction of obsolete projects. Official awards notice appears in the Appendix for FY93-94. Figures used in the above calculation reflect the FY93 portion of these funding awards for each PHA.

HOPE 6 = Grant subsidies for severely distressed public housing, as provided to ACORN by the HUD Office of Construction, Rehabilitation and Maintenance. The complete list of grants appears in the Appendix.

Vacancy Reduction = Grant subsidies to combat high vacancy rates in public housing. Official awards notice appears in the Appendix for FY93-94. Figures used in the above calculation reflect the FY93 portion of these funding awards for each PHA.

TOP = Tenant Opportunity Program, a grant which is awarded to resident organizations in public housing. FY93 awards appear in the Appendix, as provided to ACORN by the HUD Office of Resident Initiatives.

PHA (con't)	FIC	Youth App.	DEP	Service Coord.	Early Childhd.
Little Rock	0	0	330,200	0	0
Oakland	0	0	660,098	0	0
Washington, DC	0	0	0	0	0
Dade County	0	0	0	0	0
Atlanta	0	0	1,067,651	0	0
New Orleans	0	0	0	0	0
Chicago	0	0	5,950,650	0	0
Baton Rouge	0	0	230,000	0	0
Baltimore	0	0	0	0	0
Boston	0	0	1,941,750	0	0
Minneapolis	0	0	1,001,290	0	0
St. Paul	0	0	851,000	0	0
St. Louis	0	0	1,015,350	0	0
Kansas City, KS	0	0	403,400	0	0
New York City	0	0	15,500,836	0	0
Dallas	0	0	1,023,300	0	0
Houston	0	0	805,400	0	0
Milwaukee	0	0	950,800	0	0

FIC = Family Investment Centers, for which HUD staff have confirmed that no awards were made in FY93. Federal law under section 102(a)(4)(C) of the HUD Reform Act of 1989 requires public notification of awards for this program. Federal Register indices have no record of FY93 awards, further confirming that no grants were made.

Youth Apprenticeship = Public housing programing for youth, for which HUD staff have confirmed that no awards were made in FY93. Federal law under section 102(a)(4)(C) of the HUD Reform Act of 1989 requires public notification of awards for this program. Federal Register indices have no record of FY93 awards, further confirming that no grants were made.

DEP = Drug Elimination Grant Program in response to drug-related crime in public housing. Official awards notice appears in the Appendix.

Service Coordinators = Subsidy funding primarily designed to assist special needs populations in public housing, for which HUD staff have confirmed that no awards were made in FY93. Federal law under section 102(a)(4)(C) of the HUD Reform Act of 1989 requires public notification of awards for this program. Federal Register indices have no record of FY93 awards, further confirming that no grants were made.

Early Childhood Development = Child care demonstration grants, as provided to ACORN by the HUD Office of Resident Initiatives. The complete list of grants appears in the Appendix.

PHA (con't)	TOTAL	UMA TOTAL	FY93 FMR	Admin. Costs	TOTAL Sec. 8
Little Rock	5,542,748	280.96	467	38.29	505.29
Oakland	19,813,895	500.35	832	68.22	900.22
Washington, DC	57,946,548	422.36	854	70.03	924.03
Dade County	41,127,381	307.24	719	58.96	777.96
Atlanta	79,234,869	461.73	580	47.56	627.56
New Orleans	61,496,163	382.38	451	36.98	487.98
Chicago	324,066,786	680.58	692	56.74	748.74
Baton Rouge	3,147,443	197.06	504	41.33	545.33
Baltimore	98,171,141	452.28	593	48.63	641.63
Boston	127,981,618	856.36	809	66.34	875.34
Minneapolis	22,669,672	280.70	630	51.66	681.66
St. Paul	21,099,782	414.09	630	51.66	681.66
St. Louis	39,753,380	526.09	503	41.25	544.25
Kansas City, KS	7,980,277	306.46	489	40.10	529.10
New York City	885,855,606	473.91	681	55.84	736.84
Dallas	32,039,293	395.08	571	46.82	617.82
Houston	18,554,267	427.48	488	40.02	528.02
Milwaukee	20,720,793	363.68	513	42.07	555.07

COMPARE

Total = Total federal subsidies under the 14 public housing programs scheduled for elimination under the HUD Reinvention Blueprint of December 19, 1994.

Total UMA = Total federal subsidies per unit on a monthly basis.

FMR = Fair Market Rent for a 2-bedroom for each PHA jurisdiction, reflecting the cost of Section 8 rental subsidies.

Administrative Costs = Section 8 administration funds awarded to PHAs in return for local management of the rental assistance program. These administrative expenses are based on HUD guidelines of 8.2 percent of Fair Market Rent. HUD guidelines appear in the Appendix.

Total Section 8 = Section 8 rental costs and administrative costs for each two-bedroom voucher.

Other Federal Budget Considerations

Aside from being more expensive, rental vouchers will also have a devastating impact on HUD's other low-income housing programs over time. This side-effect is due to Congressional spending guidelines which were passed into law in 1993.

As we discussed last week, Title XIV of the 1993 tax bill creates an absolute freeze on the federal government's discretionary spending. These spending caps not only limit the amount of money that Congress may approve for federal agencies each year (which is why HUD's budget has remained fairly constant over the past three years despite inflation), but also limit the amount that HUD can actually spend in any given year.

Spending outlays vary tremendously for different HUD programs. Construction programs like Modernization and Severely Distressed Housing spend funds over a five or six year period, while rental subsidies spend almost all of their funds during the same fiscal year. Because rental subsidies spend funds more quickly than public housing construction programs, and because HUD's outlay levels will continue to be restricted under the 1993 Act, the budgetary effect of a multi-billion dollar switch from conventional public housing to vouchers will be enormous.

With outlays frozen at current levels, HUD does not have the luxury of shifting core components of its budget to faster spending programs. Other parts of HUD's budget, such as community development grants and housing production assistance, will face severe reductions to compensate for this radical change in rental assistance. While it may seem a bureaucratic issue in accounting, the practical consequences of replacing a slow-spending public housing program with fast-spending rental vouchers will be massive cuts in other sectors of HUD's budget. Outlay demands created by the voucher program will crowd out other spending requirements.

Vouchers are Poor Public Policy

In addition to the fact that HUD cannot afford the voucher proposal without substantial increases in appropriation and outlays, the Reinvention Blueprint for public housing also makes bad policy choices. The most outstanding faults with the voucher proposal are discussed below.

1. *Massive demolition will result.*

HUD wants to give every public housing tenant a voucher, which they could either apply towards their existing unit or use elsewhere like Section 8. In order to compete with the private market for these vouchers, PHAs would be deregulated. PHAs would certainly demolish or sell off thousands of units, for at least three reasons:

a) PHAs would be forced to tear down or sell off those buildings which could not be maintained on the rental receipts of voucher income, since there would no longer be a Modernization program for repairs.

b) PHAs would sell buildings located on prime real estate, such as North Beach overlooking the San Francisco Bay and Edgemere Homes on the Jamaica Bay coast in New York. There are many existing public housing developments which would be more profitable for luxury housing redevelopment or commercial use instead of low-rent housing.

c) PHAs would have an incentive to tear down unpopular developments which local officials view as political liabilities, rather than commit the police and social services necessary to make them livable.

2. *Temporary vouchers are not permanent housing.*

Rental subsidies are only good for the duration of their terms. Usually, Section 8 is provided in 5 year terms. However, the Administration is considering shorter terms under the new voucher proposal. Unless Congress renews the vouchers, they expire. And the commitment of the new Congress to affordable housing programs is suspect at best.

If Congress decides to cut present public housing programs, PHAs will be forced to develop budgets with fewer resources. Maintenance will be deferred, staff workers will be laid off, and garbage removal schedules would lengthen. The cumulative effects of such cuts would contribute to the overall decline of public housing developments, making such budget cuts irresponsible and punitive. Residents as a group would ultimately suffer the consequences. However, individual tenant leases are not endangered directly by cuts in public housing programs. Budget cuts to voucher programs have a more personal impact: such cuts terminate lease contracts, with the direct consequence of placing families on the streets. Given the ruthless attitudes of new Congressional leaders toward low-income persons, shifting four million households of public housing into such a voucher system would endanger countless families with homelessness.

3. *Vouchers do not guarantee housing.*

Only one in five families who are legally, legitimately eligible for Section 8 actually receive a voucher, because there are relatively few resources in that program. Of those fortunate enough to receive a voucher, over half return their voucher unused, because there simply are not any apartments they can find or afford. Among large families and minority families, over 75 percent return their vouchers unused.

These statistics reflect the enormous shortfall of lower rent apartments in the private market, even with the benefit of federal aid for voucher recipients. Once public housing is replaced by a voucher program, the stock of voucher eligible units in the private market will tighten even more. Residents are not able to use market-rate vouchers for private apartments in most cases, and the HUD proposal does not guarantee market-rate assistance.

4. *Vouchers don't create new affordable stock.*

The basic reason why low-income families must rely on federal subsidies is because there is not enough privately affordable housing stock available. The permanent solution to reducing the demand for public housing is the creation of additional low-rent private apartments. Measures such as the Community Reinvestment Act have been instrumental in leveraging private capital for this purpose.

In contrast, vouchers do not create permanent affordable housing. No developer or nonprofit housing organization can go to a bank and obtain financing for a project that relies on rental vouchers, because portable rental subsidies are not predictable project income. Congress does not have to renew vouchers (as discussed above), and residents may choose to use their vouchers elsewhere. Vouchers are only useful for housing recipient families in existing units and do not contribute to the creation of new stock. They represent a stop-gap response to a much larger problem.

5. *Vital support programs will be lost.*

Of the fourteen public housing programs to be abolished under the HUD Reinvention Blueprint, almost half have specific purposes which do not fund the physical operation of public housing developments. (Should these non-housing programs be taken out of the cost comparision analysis in the attached tables, the ratio between public housing units and rental vouchers would be more accurate and even more disparate). Drug Elimination Grants combat drug-related crime in public housing through increased security; the Tenant Opportunity Program supports resident initiatives and economic development; Early Childhood Development funds Head Start programs, and so on. Congress has created these programs to respond to specific deficiencies in PHA operating budgets. Many of these programs serve specialized needs which will not be met by PHAs on their own. Their loss will expedite the further decline of public housing communities.

6. Deregulation of PHAs will be a disaster.

As part of the Administration's voucher proposal, public housing agencies will be completely deregulated from federal performance standards and measures. In particular, rules for tenant rights and lease grievance protections will be abolished.

This type of deregulation will reduce accountability in a system which has failed to meet the modest requirements already in place. While micro-management of PHAs from Washington is not a goal supported by ACORN, the legal assurance that PHAs will abide by uniform rules of conduct must continue. PHAs are the public stewards of billions of dollars in federally financed real estate, and must be held accountable to national standards through regulation.

Summary

The Clinton Administration's proposed voucher system for public housing is unworkable in numerous respects. There is not enough money under present budget levels to provide residents with a real voucher, and HUD's budget constraints are more likely to worsen rather than increase in the years ahead. Vouchers cannot provide a credible exit opportunity to residents, because they will not match the fair market price of private apartments.

Residents will not only be trapped in their existing public housing units with these vouchers, but their developments will also be defunded of operating and support subsidies which are currently in place. The Administration's voucher proposal will only exacerbate the challenges which residents now face.

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SAVE OUR HOMES DAY

Talking Points on Project-Based Section 8 & Public Housing

JUST SAY NO TO VOUCHERS

*** The plan to replace Public Housing and Project-Based Section 8 with Vouchers will destroy affordable housing.** President Clinton wants to phase out all public housing and project-based Section 8 subsidy programs. He wants to replace this housing with rent vouchers for individual tenants, who could decide to stay or move. Ending the public housing operating subsidies and Section 8 contracts means much of the nearly 3 million units of this housing will deteriorate, as some tenants move out. Tenants who can't find available housing elsewhere--large families, minorities or the elderly--will be left behind in deteriorating buildings, while operating subsidies to owners are cut. Still other units in high market areas will be lost as owners "gentrify" buildings. Either way, the President's proposal will destroy our homes and our communities.

* ***Vouchers will mean homelessness.*** Vouchers are 20% more expensive per unit than public housing and project-based Section 8. The President is proposing to cut, not increase HUD funding, so vouchers mean that at least 20% of tenants of project-based Section 8 and public housing will be displaced. As many as 500,000 families could be made homeless by Clinton's voucher plan. Even more will be displaced if Clinton and/or Congress cut funds below current levels.

* ***Block grants slash housing funding and aid fewer tenants.*** The Clinton plan does not guarantee vouchers to all current public and subsidized housing tenants. Instead, Clinton proposes to consolidate public housing and Section 8 subsidies into a block grant to the states--at much lower funding levels. It would be up to the states to decide which public and subsidized housing tenants would be able to get vouchers. After the housing subsidies are "block-granted" and tenants scattered, it will be easier for Congress to cut funds even more and harder for tenants and communities to resist.

* ***Vouchers don't mean decent, affordable housing.*** Unlike public housing and project-based Section 8, vouchers don't necessarily guarantee affordable rents for tenants. When a low-income tenant has a fixed-rent voucher, a landlord wants to charge as much as he or she can get. But in public housing and project-based Section 8, rents are guaranteed to be affordable to low-income tenants. In many markets, tenants with vouchers are unable to find decent housing due to lack of available units, discrimination, moving costs, access to transportation, or high rental costs.

* ***Public Housing and Project-Based Section 8 provide low-income housing for a diverse range of Americans. We cannot afford to lose this housing.*** There are more than 1.4 million units of public housing and over 1.5 million units of project-based Section 8 in the country. People in urban, rural, and suburban communities live in this housing. Hundreds of thousands of these units are set aside for senior citizens, people with disabilities and formerly homeless people. Once lost, these units will be extremely hard to replace.

* ***Public Housing and Project-Based Section 8 provides better-quality housing than the private real estate market.*** 25% of low-income housing on the private market is substandard (Harvard University Joing Center on Housing), while only 7% of project-based Section 8 (HUD Policy Development and Research Division) and 6% of public housing (National Commission on Distressed Public Housing) is substandard. While some public and project-based Section 8 housing needs major improvements, vouchers eliminate the best protection tenants have for decent housing--a contract with HUD they can use to enforce housing quality standards. With vouchers, tenants lose this contract and its protections.

* ***Vouchers don't really save money.*** Real cost-savings for the federal government can come from refinancing the project-based Section 8 buildings, which is one piece of the President's housing proposal we can support. In addition, there are tremendous savings available through cutting widfall profits given to owners ~~under some HUD multifamily housing programs~~.