Center for Community Change

PUBLIC HOUSING:
the PREVAILING PERCEPTIONS vs. RELEVANT FACTS

by Othello W. Poulard

Our public housing system is widely portrayed as a liability even though residents and their supporters know that it's a vital national asset. Should policy-makers be permitted to eradicate it, as many want to, and replace it with the proposed voucher system? Or, must it be preserved because it is the best known system, but undergo management reform and property improvements?

Colonies of dilapidated highrise apartment buildings in the midst of -- and sometimes further fostering -- slum neighborhoods is the prevailing perception which many Americans have of the **property**. Intense concentration of low-income dis-enfranchised residents caught up in anti-social behavior is the usual image of the **occupants**.

Opponents of the unit-based system claim it wastes scarce public dollars that should be used to subsidize the more efficient proposed voucher model. Vouchers, they say, also allow residents to exercise choice in the type and location of their residence. Despite residents' preference of the unit system, opponents persist in casting it as an entrapment from which residents want to escape.

Are these familiar perceptions accurate? What best lines up with available empirical data -- the familiar perceptions or residents' preferences? Which system best fosters the future direction of public housing and the primary purpose which it was established to serve?

Profile of the Development Property

Private independent research provides hard data that refutes the perceptions that public housing property is largely in poor condition. HUD reports consistently coincide with the conclusions of independent studies (even though HUD's practice is to, conversely, use the same hard data to support the flawed perceptions.)

A study conducted by the Council of Large Public Housing Authorities (CLPHA), entitled Public Housing Today, points out that of the 1.34 million public housing apartments and

1000 Wisconsin Avenue, NW, Washington, D.C. 20007 202-342-0519 FAX: 202-342-1132

townhouses, two-thirds are only slightly over 30 years old. The study further states that the average number of units in a development is about 100. About 70% are two-story garden apartments or townhouses, not rows of vast towers which opponents strategically feature.

Eighty percent, as determined by HUD's Performance Housing Management Assessment Program (PHMAP), is sound; twenty percent is "troubled".

Obsolete property should be immediately demolished. Other "troubled" property should be immediately rehabilitated. (Elimination of statutes and regulations that impede warranted demolition and a proposed approach to replace them is discussed below.) Willingness of PHAs to expend the billions of dollars stuck, for years, in the pipelines also can help alleviate the "troubled" condition of many of the properties.

In the context of the tough realities of available affordable housing, the majority of the public housing property is far superior to the usual alternatives in the private sector. The privately-owned housing to which low-income individuals have access is far less decent, less safe, less sanitary and far less affordable.

<u>Size of Inventory</u>

Of the nation's 30 million rental units, **less than 5% -- or, 1.34 million units --** is federally subsidized public housing. By contrast, approximately 33 percent of rental units in Great Britain is public housing (called Council Housing).

Among the many other factors that help put in perspective the nation's limited support of public housing is the current annual allocation of only $7.2 billion for the combined components of our public housing system while, annually, just through mortgage interest rate deductions, the government assists higher income Americans at the level of $155 billion.

The nation's expenditure on public housing, in absolute and relative terms, is extremely modest.

<u>History</u>

It's essential to note that, just as **current** policy-makers slight the housing needs of low-income individuals, their predecessors, when **establishing** the public housing system also did. Established during the Great Depression, the public housing program was initiated primarily to help remedy the employment and economic needs for **middle-class** Americans. Construction of public housing developments provided employment for thousands. Further, middle-class Americans who were employed in factories that produced military hardware for World War II was the population for whom the government provided conveniently located housing relatively near the factories.

One manifestation of this initial priority concern for the middle-class was seen in the fact that occupants' income was ample to pay the entirety of the operating costs. For example, in 1950 residents' income was about two-thirds as high as the national median income.

As the country emerged from the Depression, the initial resident class moved out and, only then was a substantial number of low-income individuals permitted to move in. In subsequent decades, when a large number of low-income minorities migrated into urban areas, local decision-makers strategically steered them away from middle-income neighborhoods by constructing housing developments in select areas. In this context, for two decades, construction of public housing occurred almost exclusively in low-income neighborhoods.

The Critical Need for Public Housing

For more than a decade, the names of 1,000,000 low-income applicants have remained on the aggregate PHA waiting lists. (Researchers estimate that, perhaps twice that many have attempted to apply but were turned away because of PHA's inability to accommodate current applicants, many of whom have been waiting for many years).

The vast majority of low-income renters must reside in privately owned units. Because there are no rent control statutes (except, very, very rarely) private landlords can and do charge exorbitant rates. Research by CLPHA revealed that many low-income families pay 50-70% of their income to rent units that are unsafe, unsanitary and far inferior to public housing.

Citing the concomitants of increasing need and inadequate supply of available, affordable housing, residents of public housing and their allies are fighting to hold on to the current unit-based system, while most federal policy-makers cite the system as a liability.

HUD's Voucher Proposal

The primary public housing voucher proposal was drafted by HUD, and it is a core component of HUD's Reinvention Plan.

It provides that during a five-seven year transition period, (beginning FY '96), HUD, through three complex stages, would eradicate the current unit-subsidy system, and simply provide vouchers to eligible individuals. The vouchers could be used in public or privately-owned property. HUD would pay for the vouchers with a block grant to cities (or other local unit of government). The formula for determining the number of vouchers, the dollar value, and duration of each has yet to be established.

At the end of the transition period, HUD would no longer provide operating subsidy or development funds to a locality. Consequently, a locality would become virtually independent of HUD's oversight and regulations, and could, therefore, operate in the manner it prefers. (The approximate 100 "troubled" PHAs would remain under HUD until they improved and scored at least 80% on HUD's PMHAP.)

The liberated PHAs could readily demolish or sell units without obligation to replace them. Further, for the sake of obtaining desired rental income, the PHA would be relatively free to set rental rates. Still further, even when individuals were able and willing to pay higher rates, a PHA could screen out applicants because of its preference of family size, class, ethnicity, or other factors.

The two components of the foundation on which HUD's voucher proposal rests are the erroneous claims that: 1) vouchers cost less than operating subsidies and, 2) vouchers provide eligible individuals with their choice of unit and neighborhood.

In plain truth, HUD's voucher proposal is merely a "house of cards" that's constructed on a rhetorical land-fill.

As many recent studies caution, this sort of proposal by HUD, the PHA industry groups and others is calculated to further reduce the accountability in the public housing system which already breaches the modest regulations currently in place.

Comparative Costs -- Vouchers vs. Operating Subsidies

On April 14, 1995, the highly credible National Housing Law Project published an analysis of the cost of HUD's voucher proposal entitled, "HUD's Issue Brief on the Costs of Replacing Public Housing with Certificates: Stretching the Truth". The analysis discloses that the fundamental flaw in HUD's calculation is HUD's claim that the amount of the monthly subsidy for an occupied unit is $481, while the cost of a voucher for a comparable unit is $410. HUD arrives at the $481 subsidy by combining "the FY 1995 Appropriations for **operating subsidies, drug elimination grants, all modernization, including Comp(rehensive) Grants, CIAP (Comprehensive Improvement Assistance Program), HOPE VI and the Vacancy Reduction Program.** The calculation is as follows:

Operating subsidies ------	$191
Drug Elimination ---------	20
All Modernization --------	270
Total -----	$481"

In HUD's calculation, the biggest component cost is the $270 monthly cost for modernization. HUD is incorrect (really deceptive, because it knows better) in including $270 monthly modernization costs because **modernization costs should, instead, be amortized over the entire useful life of the improvements.**

As NHLP's analysis further points out, for two reasons, **calculation of monthly subsidy should also** exclude the modernization expense which are related to all of **the backlog which Congress failed to fund during the past years when the capital work was needed.** Exclude them because 1) they don't represent ongoing costs and, 2) because "even under HUD Reinvention Plan, those backlog cost would still be incurred during... [HUD's proposed transition period when HUD proposes to] bring the marginal properties up to marketable conditions." The NHLP analysis suggests that "a more accurate figure to use would be one which represents a **month's share of the modernization needs.**

The NHLP analysis cites a study on modernization needs which ABT Associates completed for HUD in 1987 in which modernization costs are calculated in this proposed manner. The study, which was endorsed by the Council of Large Public Housing Authorities, concluded that, "even considering inflation since 1987, the correct figure for accruing [modernization] needs would be $166 per month. At $166 per month, the total public housing expense for the month would be $377. Continuing to operate the public housing program at $377 per occupied unit per month would certainly be [less expensive] than the $440 per month for certificates."

The Association of Community Organizations for Reform Now (ACORN), also recently completed a cash comparison analysis of operating costs and vouchers. ACORN's analysis is included in a memorandum to HUD, entitled Voucher Proposal for Public and Indian Housing", dated February 13, 1995.

ACORN's analyses "the total HUD expenditure of $1.9 billion that subsidized 317,057 units in 18 PHA's. Cities included in the study were:

Little Rock	Oakland
Washington, DC	Dade County, FL
Atlanta	New Orleans
Chicago	East Baton Rouge
Baltimore	Boston
Minneapolis	St. Paul
Kansas City, KS	Dallas
Houston	Milwaukee
New York	St. Louis

In summary, ACORN found that the per-unit costs were substantially less than Section 8 rental vouchers for comparably sized units. In fact, the study concluded that the saving which operating subsidies provided was even greater than the amount identified in the NHLP analysis.

ACORN's analysis highlighted the following cities where the cost of vouchers is "more **than** double" the amount of operating vouchers:

Washington, DC	Minneapolis
Dade County, FL	East Baton Rouge

Would the use of Vouchers Increase Residents' Choice of Units and Neighborhoods?

The concept of residents' choice of the unit and neighborhood which best accommodates their needs is laudatory; however, documented experiences -- especially of the hostile public resistance manifested in the NIMBY (not in my back yard) syndrome -- along with likely budget cuts make a mockery of the probability that HUD's voucher proposal is a genuine offer or that it would be widely implemented.

Further, an obvious prime motivation of the local and national decision makers is to demolish public housing units located on prime land, and up-scale the future use of the cleared land. Newark, Dallas, New Orleans and Atlanta are among the many sites where this practice occurs.

HUD attempted to demonstrate the merit of its voucher proposal in an initiative which planned to relocate 6,200 public housing residents to better units and neighborhoods. The initiative as discussed in a "New York Times" article on March 10, 1995, "unleashed a firestorm of protest over race and class, even before any residents were moved in. The two-year demonstration was funded by HUD with $234 million, and was slated to operate in Boston, Chicago, Baltimore, New York. After one year of trying and failing, the demonstration was terminated.

The sort of individuals who lined up with the conservative federal agenda to eradicate public housing are the very ones who, like the "New York Times" article points out, are, also the very ones who are unleashing the forestorms of protest and insisting -- NIMBY.

Even in instances when residents do not encounter serious resistance from landlords or area residents, vouchers are regularly turned away simply because of the shortage of available affordable rental units in some jurisdictions. HUD reports show that 20% of vouchers are returned to local governments because of the shortage.

In summary, vouchers are mere pieces of paper which the federal and local governments could readily de-value and reduce in number. Therefore to eradicate the unit-system and enact a voucher system further threatens and demeans low-income individuals. Eradication of the system would also be a sure signal of increasing homelessness.

Demolition and One-for-One Replacement

Do the current clamor over the budget crisis, the debate over voucher proposals and related issues justify a repeal of federal requirements to replace public housing units that are demolished or sold?

Emphatically, no!

The 1988 amendment to the public housing law is unambiguous in its intent to maintain the supply of existing housing for low-income persons by strictly limiting the demolition and disposition of public housing units. In instances when the Amendments permit demolition, they require the replacement of each lost unit, and the relocation of displaced residents to decent, safe and affordable housing. (The 1990 amendment to the housing Act permits units to be replaced by vouchers when units are sold are demolished in developments that contain more than 200 units.)

The limited size of the inventory, the elimination of development funds and the high cost of privately-owned available affordable units combine to insist that residents preserve the existing inventory.

Residents acknowledge that PHAs are sometimes unavoidably frustrated by the co-existence of the demolition statute, and the federal "impact" statute which prevents PHAs from demolishing obsolete buildings and replacing the units on the cleared site or elsewhere in the impact area. **Residents concede that the impact statute should be modified to permit construction in appropriate instances.**

Residents' needs and the moral rightness of their position insist that the small size of the inventory should not be reduced.

The Center for Community Change's Public Housing Initiative prepared and distributed a special memorandum entitled "Residents' Proposal", dated May, 1995 which outlined residents' consensus view of how best public housing problems can be resolved. The text of that memorandum in summary is:

> **Preserve the existing unit-based system;**
> **Make necessary improvements in the units/development sites; and Reform management.**

The "Projects" or "Developments" or "Properties", as non-residents call public housing, is **"home"** to public housing residents. And for most residents, it's the best, more certain available option of a home. Eighty percent of their units are fairly sound. Further, rent payments do not exceed 30% of the income of residents, 40% of whom are elderly, and a near-equal number are female-headed households with small children. Many are disabled.

Residents insist that good management -- broadly defined -- is the primary element that's needed to make their unit-based system work.

For many months, the Center has intensely worked with resident leaders from all over the nation, helping them fashion a consensus vision and precise proposals to reform management of public housing. The Center, then, helped residents advocate their vision and proposals with key HUD officials, House and Senate members and staff, media and others. We've also helped establish and continue to assist a coalition of national public housing resident organizations.

Out of these activities, the following key principles to reform management have emerged:

- Maintain the Public Housing Authority (PHA) mechanism; however, eliminate its designation as the <u>presumptive</u> manager of public housing. (Many PHAs -- though certainly not all -- have evolved into mere cronies of their respective local unit of government which, ironically, schemes to rid its jurisdiction of much of its public housing. Public housing commissioners and staff are often disrespectful of residents' interests.)

- Establish an independent accrediting body for PHAs and other managers of public housing. The Public Housing Management Assessment Program (PHMAP) could be used by managers as a tool in assessing the adequacy of management services.

- Enact the 1994 Waters' Amendment which stipulates (as H.R. 3838 also does) that the local governing boards of public housing shall consist of a majority of residents who satisfactorily complete management training and are democratically elected by residents of their respective development.

- Maintain and support the concept of Resident Management Corporations, not always to function as the sole manager of a development, but also, in some situations, to act as co-managers or to provide appropriate services, foster accountability in management, etc.

- Foster mixed-income population -- though heavily weighted toward low-income individuals -- by such measures as:

  - Exclude in rent calculations 100% of household earned income (up to 200% of the poverty level) for two years.

  - Do not include in rent calculation the income of youth who are full-time students.

- Require court-appointed (not HUD-appointed) Receivers to provide interim management in instances when a PHA scores below 70 on the PHMAP, and fails to make required improvements within one year.

- Make flexible the "Impaction" statute which categorically forbids the construction -- or even the rehabilitation -- of public housing in racially and poverty impacted areas. Often the effect of this statute has been to prevent even agreed-upon improvements in some of the worst public housing developments.

- Consistently implement the Tenant Opportunity Program (TOP) Regulations (24 CFR Parts 905, 93, 964 and 990) issued in August, 1994. These rules were drafted primarily by a national public housing advisory group of residents and their advisors. The TOP Regulations succinctly state the rights of local resident organizations to systemically participate in the operations of their development, and they require PHAs to provide $15 per year per household to support resident organizations.

- Absolutely no rescission of appropriated funds nor cuts in the level of future funding should occur! The current level of funding for public housing is extremely modest. (Less than $7 billion per year is budgeted to subsidize 1.34 million units and 3.4

million low-income individuals! That's about $450 per unit per month... Is that not a real bargain?)

Virtually all of the public housing buildings and the land they occupy are paid for. So, after current necessary renovations and repairs are made, and **with proper management**, the unit-based public housing system (currently worth $90-100 billion), is a treasure that must be preserved!

8/4/95

A Five Year Plan for Funding and Program Reform

CLPHA proposes a five year plan for public housing that couples predictable, level funding with comprehensive deregulation, broader income mixing, elimination of obsolete developments, local flexibility to use project-based or tenant-based assistance and performance standards.

CLPHA

Council of Large Public Housing Authorities
601 Pennsylvania Avenue NW, Suite 825
Washington, DC 20004-2612
202.638.1300 Tel
202.638.2364 Fax

Performance Based Public Housing

> REFORM MEASURES SHOULD BE SHAPED BY THE FACT THAT 97 PERCENT OF ALL PHAS ARE RATED AS GOOD PERFORMERS AND ONLY 3 PERCENT ARE NON-PERFORMING AUTHORITIES

Over 3 million people live in public housing operated by public housing authorities (PHAs). Reform measures should be shaped by the fact that 97 percent of all PHAs are rated as good performers and only 3 percent are non-performing authorities. Public housing managers have been forced to operate the program while trapped in a maze of laws and regulations that are often contradictory and counterproductive. The future of public housing rests on critical reform measures that must be enacted this year. These reforms can strengthen and improve the performing PHAs' ability to make local decisions, remove obsolete and non-viable buildings from the housing stock, broaden the income mix of residents and remove disincentives for employment.

However, the debate concerning the future of public housing is also taking place in the context of dramatic federal budget constraints. Appropriations for public housing have increased from $1.4 billion in 1980 to $8 billion[1] in 1995 for three primary reasons: declining incomes of tenants due to Congressional and regulatory actions starting in 1981[2]; addressing an estimated $25 billion[3] in backlog of unmet modernization needs; and inflation. Welfare reform measures that are being considered, such as ending welfare as an entitlement and time limits on benefits, will also have a major effect on rental income because a high percentage of public housing residents receive AFDC or SSI. The resources available to operate, manage and modernize public housing will have a significant impact on the shape of the program, who it will serve and how effectively it will serve. Congress will be considering unprecedented budget cuts as reflected in the budget resolutions passed by the House and Senate. Any realistic plan for restructuring public housing must address this budget reality.

> A PREDICTABLE, LEVEL AMOUNT OF FUNDING SHOULD BE PROVIDED TO PHAS OVER THE NEXT FIVE YEARS AS THEY IMPLEMENT CHANGES SUCH AS INCREASING RENTAL INCOME AND ELIMINATING COSTLY, OBSOLETE DEVELOPMENTS

To accommodate reduced funding and the need to increase tenant incomes, a predictable, level amount of funding should be provided to PHAs over the next five years as they implement changes such as increasing rental income and eliminating costly, obsolete developments. The cost of operating the public housing program can decline over time if PHAs have the ability to demolish or dispose of high cost, obsolete buildings and reform rent structures and eligibility requirements to broaden the income mix. Having a predictable, fixed amount of funding will be critical to accomplishing a reduction in costs over time. Capping funding, as the House and Senate budget resolutions recognize, means cuts at least equivalent to inflation. The analogy to welfare reform is clear.

The benefits of major structural reform to public housing will take place over time because of the size and scale of the program and the fact that it is essentially a local program with unique conditions in each locality. This approach of a lower level of stable funding coupled with program reform builds a sensible foundation for long-term structural programmatic changes. Serious and thoughtful analysis is required to design and implement a restructured subsidy mechanism that will take into account ongoing budget limitations and changes in the tenant population and housing stock resulting from FY96 program reforms. However, program reforms must be initiated this year to respond to increasing budget constraints and address the most immediate challenges of public housing including obsolete buildings, rent reform and meaningful deregulation by HUD.

Performance Based Public Housing: Principles Governing Program Reform

Changes to the public housing program should be governed by the following principles:

- Funding for public housing should be maintained at a fixed level for the next five years and be sufficiently flexible for PHAs to choose project-based and tenant-based approaches, in order to address local market and other conditions.

- Public housing should serve a broad range of low income families to maintain viable, manageable communities but ensure that federal funds are primarily targeted to very low income families who have few or no options in the private sector housing market. If sufficient operating funds are not appropriated, PHAs should have the flexibility to serve low income households with higher incomes to maintain the viability of the housing stock.

- Broader income mixing is needed to overcome the historical isolation, both physical and economic, of families in public housing. PHAs should have the ability to function in a wide variety of roles in partnership with non-profit and private entities.

- PHAs should have local flexibility to set rent structures, as long as rents remain affordable to very low income families who have the greatest affordability problems in the private sector. PHAs should be able to set reasonable ceiling and minimum rents. Changes in rent structures for existing tenants should not be onerous and if needed, be phased in over time.

- The public housing stock must be improved by demolishing or disposing of obsolete, high-cost and long-term vacant buildings without one-for-one replacement requirements as determined by local needs; but viable stock should be preserved as an irreplaceable housing resource.

- PHAs must be accountable for their performance in managing and operating the public housing stock. There must be clear and enforceable performance standards focused on the quality of the housing and service to tenants. Meaningful sanctions and remedies must be imposed on those who do not perform to standards.

Performance Based Public Housing Fund

Option 1: Operating and Capital Funds

Beginning in FY96, public housing could be funded through two consolidated funds, the Operating Fund and the Capital Fund. Two consolidated funds are better able to address the different factors governing operating and capital needs. The factors used to determine operating needs are different and distinct from modernization and capital needs and should be reflected in two separate funds. In addition, the Operating Fund addresses on-going, regular costs of operations. The Capital Fund addresses modernization and other capital needs that will change over time as a function of the age and condition of the stock.

The Operating Fund consolidates operating subsidies and other programs such as service coordinators, family self-sufficiency, family investment centers and drug elimination grants[4]. Allocations would be based on the current Performance Funding System (PFS).

The Capital Fund consolidates modernization, development and major reconstruction funds and can be used for all capital purposes including demolition, replacement and new development as well as management improvements. PHAs would be permitted to use the Capital Fund for leveraged/mixed-income/public-private partnership developments (e.g. low income housing tax credit transactions) that are not necessarily owned by the PHA, as long as low income use is protected. The Capital Fund should be sufficiently fungible if operating funds available to the PHA are inadequate to cover management and operations costs because of capped funding levels. Allocations would be based on the current comprehensive grant formula but adjusted as high-cost buildings are eliminated. Current law forces many PHAs to modernize or leave vacant high-cost and other non-viable buildings. With greater freedom to demolish or dispose of these properties and program reforms to streamline the process, PHAs, particularly those with high-per-unit modernization allocations, can direct these capital funds to more rapidly improve viable properties and acquire or develop lower cost replacement units.

For PHAs that create innovative redevelopment strategies for distressed, yet viable, communities, a separate Redevelopment Fund should be available to provide sufficient capital to undertake large-scale comprehensive redevelopment of specific sites. This fund should address the most difficult public housing sites and be modeled on the innovations of the HOPE VI program. It should not be funded at the expense of the Capital Fund.

Option 2: Single Fund

There are many arguments for a single consolidated fund. However, a single fund makes it more difficult to link the number of low income households served with funding levels. A single fund can be accomplished in FY96 by calculating eligibility for operating and capital needs as described above and combining the two into one fund with fungibility of uses.

FY96 Appropriations and Beyond

The $90 billion public asset that public housing represents will be irreparably undermined if adequate funds are not available for basic operations and improvements. Residents feel the most immediate impact of inadequate funding, and inevitably the neighborhood and community feel the impact. Substantial savings can be realized over time but not at the price of disinvestment now. Adequate funding for the Operating Fund is critical to maintaining the stock. Major disinvestment now will undermine the ability to make long-term fundamental changes and continue to add to the backlog of modernization needs now estimated at $25 billion.

Public housing should receive no less than a total of $6.5 billion beginning in FY96 and over the next five years

The total appropriation for public housing in FY94 was $7.36 billion. In FY95, the total appropriation was almost $8 billion[5]. Public housing should receive no less than a total of $6.5 billion beginning in FY96 and over the next five years. This amounts to a $836 million cut from 1994 levels and $1.5 billion cut from 1995 levels. Furthermore, level funding with no increases for inflation would effectively further reduce current funding by an additional 15 percent over five years, assuming an annual inflation rate of 3 percent. The result is a reduction in total public housing funding of more than 25 percent or $11 billion over five years. This level of funding reflects current budget constraints while providing the minimum amount of resources required to sustain and improve the public housing stock. Funds should be available as follows:

Performance Based Public Housing Fund		$6 billion
• Operating Fund	$ 3 billion	
• Capital Fund	$ 3 billion	
Redevelopment Fund		$ 500 million
Total		$6.5 billion

Program Reform

Restructuring of the program and long-term savings can be achieved over time only if significant program reform is initiated in FY96. As owners and operators of low income rental housing, PHAs should be able to make decisions locally on most aspects of their operations. They need the tools to broaden income mixing, change the demographics of public housing, generate more rental income and eliminate the need to support buildings that are no longer viable. This kind of decontrol will result in substantial savings by reducing the burden of obsolete buildings, reducing the red-tape that adds costs to every transaction and ending unfunded mandates. Any sound real estate enterprise requires it.

Income and Eligibility

PHAs need local flexibility to select from among households on their waiting list to achieve a broad range of incomes in public housing. There is far-reaching consensus that greater income mixing in public housing is a benefit to the quality and sustainability of communities as well as generating more rental income. The incomes among public housing residents dropped from 30 percent of national median household income in 1981 to 19 percent in 1993. Simply serving more families with incomes over 19 percent of median will have an impact on the stability of public housing and the ability of PHAs to increase rental income over time.

PHAs should be able to serve households up to 80 percent of area median income as long as: (1) at least 40 percent of the households have less than 30 percent of median income in PHA-owned units; and (2) aggregate funding remains level over the next five years

PHAs should be able to serve households up to 80 percent of area median income as long as: (1) at least 40 percent of the households have less than 30 percent of median income in PHA-owned units; and (2) aggregate funding remains level over the next five years. This ensures that very low income households continue to be served while still providing considerable local flexibility to achieve greater social mixing and increase rental income. Currently, 78 percent of non-elderly families in public housing have incomes less than 30 percent of median. If operating subsidies are cut below our recommended funding levels, PHAs should be released from serving those below 30 percent of median to the degree commensurate with the loss of funding required to serve very low income households.

All federal preferences for selection should be repealed and localities should be able to determine their own preferences with emphasis on working families or families with members preparing for work. CLPHA strongly urges Congress to amend laws to maintain critical family support such as health coverage and child care while families make the transition to employment.

Rent Structure

PHAs need local flexibility to set rents to achieve a broader range of incomes both PHA-wide and development-wide and to better reflect the operating needs of their individual developments and their local market conditions The ability to set rents also permits incentives to attract and retain working families through ceiling rents, earned income disallowances and phased rents. Many PHAs want to establish minimum rents so that all tenants pay some amount of rent to the PHA every month. Currently, under the "Brooke Amendment," PHAs must charge 30 percent of every tenant's income without any flexibility. This requirement must change.

Rents can be set at local discretion as long as households below 30 percent of median income do not pay more than 35 percent of their income

CLPHA supports greater freedom to establish rent structures while ensuring some affordability standard for the lowest income households who typically have the highest rent burdens. Rents can be set at local discretion as long as households below 30 percent of median income do not pay more than 35 percent of their income. Changes in rent structures should be phased-in for existing residents so that their rent does not increase more than 10 percent a year. PHAs can establish minimum rents that do not exceed $25 per month per bedroom.

PHA Choice on Project-Based and Tenant-Based Assistance

Dictating the use of tenant-based approaches for all PHAs, as HUD has proposed, will be costly, inefficient and continue to undermine the local flexibility needed to reform the program. While project-based subsidies are cost-effective and efficient for most of the stock, PHAs should have the flexibility to use tenant-based subsidies to address non-viable housing stock and other properties not suitable for project-based subsidies by substituting tenant-based assistance. The decision should be made at the local level in response to local conditions.

Funding for incremental tenant-based assistance must be available to relocate families currently residing in non-viable developments and accomplish the demolition or disposition of these developments.

In addition, PHAs should also be allowed, for example, to offer public housing residents Section 8 certificates or vouchers from their current allocations, as they become available, to provide a broader choice of housing assistance to residents.

Assessing Viable Developments

Such a significant reduction in funding will require every PHA to carefully assess the viability and operating costs of each of their developments. The ability to absorb such a significant reduction in funding is based on the ability to demolish or dispose of the non-viable, high-cost public housing units. CLPHA estimates that more than 80,000 units may fall into this category. Eliminating them from the public housing stock could result in annual savings of operating and modernization costs of over $400 million, if not replaced. There should be no requirement to replace these units. PHAs should be able to shift scarce resources to viable properties, including transferring operating and capital funds from non-viable properties to viable properties or replacement units.

Performance Standards

Every PHA receiving operating and capital funds should be subject to performance standards based on the following:

- Serve no less than 40 percent of those assisted at or below 30 percent of median income;
- Charge no more than 35 percent of income in rent for households below 30 percent of median income;
- Maintain safe, decent and habitable housing.

Non-performing PHAs should be subject to intervention that establishes direct lines of authority to resolve management problems such as receiverships and other forms of management. Some non-performing PHAs should be restructured into more efficient operating units based on local circumstances. HUD should be mandated to deal with non-performing PHAs through such methods as receiverships, takeovers, removal of the board and insertion of new key management. HUD should be required to report regularly to Congress on the status of non-performing PHAs and the steps they are taking to improve performance.

Conclusion

Public housing has met the housing needs of countless numbers of low income households over the past fifty years. The need for affordable decent housing has not changed over time but the way in which we provide it must change. The burden of unfunded mandates and excessive regulation combined with the declining incomes of low income households require fundamental changes to the role of PHAs and their ability to create and maintain viable communities. This five year plan will change the way PHAs function. With greater flexibility, deregulation and predictable funding, PHAs can employ prudent and sensible management practices to better serve low income households and realize cost efficiencies. This balances dramatic budget constraints with the need to strengthen and improve the irreplaceable $90 billion asset that public housing represents.

[1] Congress has passed a rescission bill that reduces public housing appropriations to $6.6 billion. President Clinton has stated that he will veto the rescission bill.

[2] In addition, income levels for the poorest households have fallen substantially relative to the median income of the nation as a whole.

[3] National Commission on Severely Distressed Public Housing estimate as of 1992.

[4] Consideration should be given to separate funding for drug elimination grants during a transition period of three years to assist in the improvement and redevelopment of public housing communities. The program has been of great benefit to many PHAs who have used the funds creatively and effectively

[5] See Footnote 1.

Center for Community Change

Why the Public Housing Project-Based System* Should be Maintained ... and Improved

The current public housing project-based system provides 1.34 million badly needed, low-cost houses and apartments that shelter 3.4 million low-income and moderate-income individuals. In today's economy, the public housing inventory is worth about $90 billion.

Most units -- as well as the land which they occupy -- are debt-free. Thus, when properly managed (and many are), **public housing can be operated at a per-unit cost that is much lower than the voucher system which HUD is vigorously proposing as an alternative.**

HUD's proposed system would give residents short-term vouchers to subsidize their rent. But, by eliminating both direct subsidies to maintain public housing units, as well as the rules that now limit demolition, **this new system will inevitably lead to the loss of tens of thousands of badly needed units, higher rents on remaining units and far fewer families getting the help they need to pay their rent and stay off the streets.**

Other reasons to maintain our current system of direct support for public housing developments include:

- **Public housing units are permanent.** In contrast, tens of thousands of privately owned, publicly subsidized apartments will probably soon be lost because the owners are legally obligated to maintain low rents for only 20 years. (For many of these units, expiration of the 20 years is at hand.)

- **The vast majority of the public housing stock is sound.** Contrary to the media-fostered image, more than half of public housing consists of single family or garden apartments. Two-thirds are less than 30 years old. The average development contains about 100 units -- not rows of vast towers. Less than 20% are troubled.

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*Actual structures that are designated for use by low-income and moderate-income individuals. Structures are owned and managed by a housing authority, non-profit organization and/or resident organization.

1000 Wisconsin Avenue, NW, Washington, D.C. 20007 202-342-0519 FAX: 202-342-1132

- **Public housing regulations encourage and assist residents to participate in the governance of their respective developments, thus helping to foster a sense of accountability and community among residents.** Even though public housing developments should do much more to encourage resident involvement, there are far more active resident organizations in public housing than in any other type of low-rent housing.

- **Public housing also offers residents a broad range of much-needed support services for several reasons.** Public housing is often near the center of cities, near services and transportation. Many developments are, in essence, small communities, with the ability to provide a range of services which include:

  -- Anti-crime initiatives
  -- Relevant, targetted advocacy
  -- Public education and training
  -- Economic development
  -- Health services
  -- Direct employment

- **Perhaps most important, public housing offers a much larger measure of protection against homelessness for its 3.4 million residents.** The proposed new system would guarantee vouchers for only three years. Vouchers are merely pieces of paper -- not buildings -- which means they could be cut far more easily, especially in this budget-cutting climate.

  The vouchers also don't guarantee anyone an affordable home; they merely provide a limited subsidy. Indeed, many people who received vouchers (or "certificates") in the past have been unable to find a home and ultimately had to return the vouchers to the government. Many others succeeded in finding a unit that was advertised for rent, but because of their profile, were rejected.

At first glance, vouchers -- with their promise of choice -- sound great. But HUD's proposed voucher system ignores many of the tough realities of the housing market at the bottom: **there are far more low-income households seeking housing than there is low-rent housing. Thus, the average low-income family pays more than half its income for housing.** Because of this high demand, much private low-rent housing costs more than it should, and too much of it is allowed to terribly deteriorate. Further, with so much demand, it's much easier to blatantly discriminate against minorities.

Public housing has a terrible image. It has many very troubled developments (though far fewer than most people assume). But, it also has around a million people on waiting lists to get in, waiting lists that have had to be closed in many cities. The fact that so many people want to move in is a loud scream of a profound point that policymakers must heed: **public housing is one of the country's most valuable and needed resources.**

For further information, contact:

Othello W. Poulard, Director, Public Housing Initiative
Gregory Brown, Public Housing Specialist
Virgie Tilghman, Public Housing Program Assistant
(202) 342-0519

October 24, 1995

MEMORANDUM FOR: Interested Parties

FROM: Deborah Austin, National Low Income Housing Coalition (202-662-1530)
Deepak Bhargava and Othello Poulard, Center for Community Change (202-342-0519)
Nancy Bernstine, National Housing Law Project (202-783-5140)
Jerry Jones, ACORN (202-547-2500)

SUBJECT: Proposed Amendements to Lazio and Mack Housing Bills

Both the House and Senate are now beginning to consider legislation which would drastically alter the nation's sixty-year commitment to public housing residents. Most of this legislation is poorly advised, and much will do active harm to public housing residents and their communities. We strongly oppose the House and Senate bills, H.R. 2406 and S. 1260, in their current forms.

This memorandum outlines the most significant issues contained in these two bills and proposes appropriate amendments. We would be pleased to work with any member of Congress to fashion legislative language to address these key issues.

I. Public Housing Rents

The Issue:

The current rent structure in public housing assures that poor people do not pay more than they can afford for housing by limiting the rents that can be charged by public housing authorities to a percentage of adjusted income. The Brooke amendment was the result of minimum rents in public housing which made it too expensive for the very poor.

What do the Lazio and Mack Bills Do?

The House authorization bill removes the safety net for the poor by eliminating the Brooke amendment through the total repeal of the 1937 Housing Act. This repeal permits PHA to implement rent structures not tied to income. What results is unfettered authority by PHAs to decide what tenants' rents should be. The Senate bill, while not repealing the Brooke amendment, does authorize PHAs to impose a minimum $30 rent on public housing tenants, regardless of the family's income or circumstances. The Senate appropriations bill authorizes a $25 minimum rent. The House authorization bill would authorize a $50 minimum monthly rent. These changes in rent structure follow action in the House Appropriations bill to raise rents for Section 8 tenants to 32% of income.

The effect of the rent structure revisions are exacerbated by the House authorization bill's repeal of the current mandatory exclusions from income of the minor's earned income and the new earned income of tenants moving from work to welfare. The Senate bill similarly abdicates any federal responsibility or mandate for assuring fair adjustments to income to prevent penalties for tenants with earned income or who have moved from work to welfare. It would repeal the provision of existing law that caps annual rent increases for public housing tenants who obtain employment through job training programs.

Coupled with grossly reduced federal resources to the PHAs, repeal of the federal preferences and the anti-skipping provisions, and the sanctioning of deregulation that will permit PHAs to serve higher income tenants, these changes in the rent structure lead inexorably to the erosion of the guarantee that poor people will share in some of the available federal housing assistance.

Amendments Needed:

The House authorization bill should be amended to:

- Preserve the Brooke amendment;
- Mandate fair adjustments to income which remove disincentives to work and self-sufficiency, including elimination of the repeal of the 18 month disregard of new earned income;
- Modify the wide discretion given to PHAs to set rents;
- Eliminate the $50 minimum monthly rent;
- Target a fair share of public housing to poor applicants;
- Prohibit PHAs from skipping over lower income waiting list applicants in order to admit higher income people;
- Require PHAs to hold a public hearing in establishing local preferences.

The Senate authorization bill should be amended to:

- Require that of <u>all</u> units -- both turnovers and new units -- which a PHA has available during any fiscal year to rent, 50% be made available to persons below 30% of median;
- Prohibit the PHA from skipping over lower income applicants on the waiting list;

- Eliminate the $30 minimum monthly rent;
- Remove the repeal of the 18 month disregard for newly earned income.

II. Demolition and Disposition

The Issue:

The one-for-one replacement requirements under Section 18 of the U.S. Housing Act have served to assure that a supply of low income housing remains available for the very poor. Those requirements have guaranteed that when one unit of public housing is lost from the stock by demolition or disposition, it is replaced by another hard unit. Both the House and Senate bills make permanent the repeal of one-for-one replacement requirements adopted in the FY 1995 Rescission Act as well as both the House and Senate appropriations bills.

What do the Lazio and Mack Bills Do?

In fashioning demolition and disposition requirements for the future, the House bill confers unbridled discretion in the PHAs to demolish severely distressed or obsolete projects without consideration of the feasibility of rehabilitation. Replacement with hard units is not required and the PHA is permitted to consolidate occupancy among developments. PHAs could require that tenants be relocated with vouchers regardless of the tenants' desires and tenant organizations would have no right of first refusal to purchase their building in the event of a demolition.

The Senate bill would permit demolitions of obsolete projects if they could not be rehabilitated in a cost-effective way. HUD's participation in the decision to demolish or sell, which has long afforded some protection against the loss of viable units, is reduced to a check of a mere certification that conditions permitting demolition or sale have been met. The Senate bill would repeal existing requirements that affected tenants and tenant organizations be notified and their views considered in a decision to demolish or sell.

Amendments Needed:

The House authorization bill should be amended to:

- Ensure HUD an effective oversight role by requiring that it make an independent determination of whether grounds exist for demolition or disposition;
- Provide more limited and concise grounds for demolition, that speak to severe design or construction deficiencies which make rehabilitation infeasible;

- Require that tenants to be relocated are given the option of vouchers or project-based affordable housing at the same rent as public housing;

- Lengthen the time during which a tenant organization can exercise its right of first refusal to purchase a building.

The Senate authorization bill should be amended to:

- Mandate a broader role for HUD that mere approval of a certification by a PHA that conditions permitting demolition or sale exist;

- Retain the requirement that the PHA notify affected tenants and tenant organizations and consider their views prior to demolition or sale;

- Guarantee relocated tenants the right to housing of their choice, whether vouchers or project-based assistance;

- Retain the provision of current law that PHAs give tenants an opportunity to purchase their building if proposed for demolition.

III. Lease and Grievance and Evictions

The Issue:

The administrative procedures for lease and grievance in existing law are designed to provide some measure of due process before drastic measures such as termination of a public housing tenancy occur. The statutory minimum notice periods in current law - 14 days in nonpayment cases, a reasonable time in health and safety cases and 30 days in all other cases -- are a recognition that eviction is especially devastating to poor people whose housing options are severely limited.

What do the Lazio and Mack Bills Do?

The House bill would permit eviction for less than serious or repeated lease violations and would hold tenants responsible for the conduct of others regardless of the tenant's lack of knowledge. Completely counter to the concept of devolution which runs through the proposed reforms, the bill would -- in the case of both nonpayment and threats to health and safety -- require only 14 days for notice of lease termination where the notice provision of the applicable law of the jurisdiction is longer. Each PHA would be required to establish and implement its own grievance procedure for disposition of resident grievances. However, the bill fails to provide that disposition must include a fair opportunity to be heard.

The Senate bill modifies existing lease and grievance and good cause for eviction provisions by making drug-related criminal activity grounds for eviction no matter where it occurs rather than requiring, as current law does, that the activity be "on or near such premises." In addition, the bill would make State law govern the minimum notice periods for eviction in current law noted above.

Amendments Needed:

The House authorization bill should be amended to:

- State that only serious or repeated lease violations are grounds for eviction;
- Remove the provisions holding tenants responsible for the acts of others of which they have no knowledge;
- Strike the requirement that criminal activity that occurs other than on or near the premises serve as grounds for eviction;
- Exclude from the grievance process <u>only</u> evictions relating to criminal conduct;
- Retain the statutory minimum eviction notice periods in existing law;
- Require that a fair opportunity for the affected tenant to be heard is a mandatory element of the PHA's procedure for disposition of a tenant's grievance.

The Senate authorization bill should be amended to:

- Retain the provision of existing law that evictions for drug-related activity be limited to activity that is "on or near the premises";
- Retain the statutory minimum eviction notice periods in existing law.

IV. Public Housing Agency Plans

What do the Lazio and Mack Bills Do?

Both the House and the Senate authorization bills require that local housing authorities develop an agency plan which describes the agency's operations and plans for using formula funds. The Senate bill would have the plans approved by operation of law if the Secretary failed to disapprove a plan within 45 days, while the Senate has 60 day automatic approval provision. We recommend that the review period be extended to at least 90 days and that HUD be given the authority to extend the time if HUD has to go back to the agency for information that was omitted.

Given the Secretary's limited review authority (which the legislatiion would restrict to whether the plan is plainly inconsistent with the requirements in the bill), scrutiny by the community is even more important. We strongly recommend that

Section 108 be amended to provide citizens with an avenue to challenge the plan. Tenants ought to be given the right to appeal to HUD to disapprove or modify a plan up to and after approval by HUD. The amendment should make clear that expiration of the time for approval does not prejudice the rights of citizens and residents who seek administrative or judicial relief. The administrative procedure should be available to challenge plans that are inappropriate to meeting local needs, incomplete, or inconsistent with data or information available to residents.

As an added safeguard, any recommendations made by residents to the Board preparing the plan, should be given great weight. We would like to see the bill amended to require the agency to make written findings on the disposition of resident and community recommendations.

Amendments Needed:

- The review period be extended to at least 90 days;
- Residents should be provided an opportunity to challenge plans that are inappropriate to meeting local needs.

V. Conversion of Public Housing to Vouchers

What do the Lazio and Mack Bills Do?

The House bill would mandate the conversion of distressed public housing to vouchers in the following instances:

1) A building is distressed or substantially vacant;

2) There is enough affordable rental housing to make the use of Section 8 feasible; and

3) The cost of vouchers is cheaper than the cost of continued modernization.

The Senate provisions would allow for a more liberal use of vouchers. Housing to be converted to vouchers would be identified in a conversion plan which would look at the factors described in the House bill. However, this process can be streamlined or waived entirely by the Secretary.

We generally oppose the use of vouchers as a replacement for public housing units. Nationwide there is a shortage of 4.7 million affordable rental units. Vouchers will simply not provide housing in markets with low vacancies, high rents or non-existent housing supply. However, if vouchers are ever to be used as a replacement for hard units, affected residents and those on waiting lists should be consulted. We agree that vouchers should only be used if the three factors in the House bill exist, however, we would make the decision to convert to vouchers optional and not mandatory.

Amendments needed:

- House and Senate bills should be amended to grant the option -- not mandate -- to convert to vouchers.

- Senate legislation should be amended to include House stipulations for voucher conversion.

VI. Income Targeting and Federal Preferences

The Issue:

The nation's public housing system currently provides shelter for millions of the very poorest families in our nation. The Mack/Bond and Lazio bills would drastically loosen income targeting requirements and eliminate altogether federal preferences, which together ensure that this scarce public resource serves families most in need of help. We believe that it would be a serious mistake to decrease the targeting of scarce federal subsidies to very poor families.

What Do the Lazio and Mack Bills Do?

Current Law: Under current law, no more than 25% of public housing units built before 1981 may be occupied by families with incomes greater than 50% of the Area Median Income (AMI). For developments built after 1981, no more than 15% may be occupied by families earning more than 50% of AMI. Current law also establishes a system of federal 'preferences' for admission to public housing. Under this regime, at least 50% of units are reserved for families that occupy substandard housing (including homeless families), are paying more than 50% of their income toward rent, or are involuntarily displaced. For all other units, Public Housing Authorities may establish 'local preferences' that respond to local needs but conform to broad federal guidelines.

Lazio Bill: H.R. 2410, sponsored by Rep. Lazio (R-NY), would repeal the United States Housing Act of 1937, and therefore eliminate altogether federal targeting requirements. In its place, the legislation would only require that units be rented to families that have incomes at the time of occupancy that are below 80% of Area Median Income (AMI). The bill also repeals federal preferences for admission to public housing.

Mack Bill: S. 1260, sponsored by Sen. Mack (R-FL), would repeal current income targeting requirements and replace them with a regime under which no less than 40% of tenants would have to have incomes under 30% of AMI, 30% between 30% and 50% of AMI, and 20% between 50% and 80% of AMI. Recent information suggests that the bill's sponsor may revise the bill during mark-up to increase to include a requirement that 50% of units be reserved for families with incomes below 30% of AMI. The bill also repeals federal preferences for admission to public housing.

Amendment Needed:

Both bills would significantly dilute or eliminate provisions in current law that target scarce federal housing dollars to those most in need of help. If Congress insists on decreasing targeting requirements, and eliminating federal preferences, we suggest the following amendments to the legislation:

- Preserve current targeting requirements *as per* the overall stock of public housing. Loosen income eligibility restrictions only for vacant units. Applicants for these vacant units should meet the following income guidelines:

  >not less than 50% @ or below 30% of AMI
  >no more than 30% between 30% of AMI and 50% of AMI
  >no more than 20% between 50% of AMI and 80% of AMI

- If federal preferences are abolished, require that local preferences:

  >reflect the most pressing housing needs, as identified in a jurisdiction's Comprehensive Housing Affordability Strategy and Consolidated Plan;
  >as under current law, be established in writing after a public hearing is held; and
  >afford priority treatment to homeless families.

VII. Resident Participation

The Issue:

A key element of improving the nation's public housing is increased involvement by public housing residents in every aspect of public housing operations and governance. As Congress moves to block-grant public housing funding streams, and deregulate public housing, it is critically important that residents have the means and capacity to participate in decisions that will affect their quality of life. We therefore urge the Congress to provide for (a) resident membership on governing boards of PHA's; and (b) no less than $25 million for a strengthened, and federally administered Tenant Opportunity Program (TOP).

1. *Mandatory membership of residents on governing boards of local housing agencies*

Background: The desperately-needed improvements in the governance of public housing are likely to occur only if residents are properly trained and elected to governing boards. Residents are the prime stake-holders and not mere consumers in the public housing system. In failing to insure their membership on governing boards, the federal statute fosters further the friction between residents and managers. The statute should, instead, help create conditions that foster a genuine partnership between these two key parties.

Current Law: In 1974, Congress amended 42 USC 1437 to provide that residents should not be prevented from membership on governing boards; however, most of the 3,400 local housing agencies still lack resident members.

Lazio and Mack Bills: The Mack bill relegates residents to mere advisory boards. To its credit, the Lazio bill requires that at least one resident of public housing or Section 8 tenant be a member of the governing board.

Amendment Needed:

The Lazio and Mack bills should be amended to provide that:

- The governing board of each local public housing agency shall include residents.

- Prospective resident board members shall be drawn from a pool of qualified public housing resident applicants. Residents shall become qualified after successfully completing training conducted by a qualified independent trainer, funded by HUD.

- Resident members of the housing agency boards shall be elected by residents from among qualified residents through a fair election, supervised by an independent third party, under guidelines established by HUD.

2. *Tenant Opportunity Program*

Background: The TOP program is the only source of funds to support organizational development for public housing resident councils. In most instances, the program works well and is critical to ensure that residents can play an active role in improving the quality of life in public housing.

Lazio and Mack Bills: The Lazio bill provides no funds for resident organizations, while the Mack bill provides $25 million earmarked from the capital account.

Amendment Needed:

The Lazio and Mack bills should be amended to:

- Retain a program explicitly for the purpose of strengthening the capacity of local public housing resident organizations. The program should be federally administered to ensure the autonomy of resident organizations.

- Set aside $25 million to support the program.
- Establish a roster of HUD-certified consultants from which residents would be required to select trainers and technical advisors. This will ensure that funds are spent wisely.

Center for Community Change

May 13, 1995

TO: Advocates of Improved, Unit-Based Public Housing

FROM: CWP

SUBJECT: Residents' Proposal

Proposals by HUD officials to de-regulate management of public housing and by the Congressional Budget Resolution process to rescind current funds and cut future funding should be kept in proper perspective -- **they're proposals and not legally binding statutes**.

But, the Congressional committees which will convene the very next round of debates on public housing will make binding decisions, probably before its August recess.

So, residents and their supporters must move quickly and decisively in attempt to effect the defeat of the HUD and Congressional proposals, and to get their own proposals enacted.

The Center is working very closely with resident organizations during this brief, critical period to achieve these tasks by helping them to:

- Place their proposals (see attachment) into the hands of key staff and members of all relevant Senate and House committees, and convene in members' Districts and Washington offices, face-to-face meetings.
- Forward their proposals to relevant national and other network organizations, and request that leaders widely circulate the proposals to network members.
- Convene symposiums, town meetings, demonstrations and press conferences.

And, residents solicit your support as they try to get their proposals enacted into law.

Center for Community Change

PROPOSAL by PUBLIC HOUSING RESIDENTS to REMEDY the PUBLIC HOUSING PROBLEM: MAINTAIN the UNIT-BASED SYSTEM and REFORM MANAGEMENT

Several radical public housing reform proposals have emerged out of the recent political frenzy of government officials and other non-residents. **Residents**, however, are unified and steadfast in their proposal that decision-makers should:

Preserve the existing unit-based system;
Make necessary improvements in the units/development sites; and
Reform management.

The "Projects" or "Developments" or "Properties", as non-residents call public housing, is **"home"** to public housing residents. And for most residents, it's the best, more certain available option of a home. Seventy-five percent of their units are fairly sound -- they're less than 30 years old, two-story garden apartments or townhouses, located in developments which have fewer than 100 units. Further, rent payments do not exceed 30% of the income of residents, 40% of whom are elderly, and a near-equal number are female-headed households with small children. Many are disabled.

Residents insist that good management -- broadly defined -- is the primary element that's needed to make their unit-based system work. Hoping to influence the Authorization process that's leading to the next housing statute, residents have specified principles that can improve management and strengthen the case for preserving the current unit-based system.

For many months, the Center has intensely worked with resident leaders from all over the nation, helping them fashion a consensus vision and precise proposals to reform management of public housing. The Center, then, helped residents advocate their vision and proposals with key HUD officials, House and Senate members and staff, media and others. We've also helped establish and continue to assist a coalition of national public housing resident organizations.

Out of these activities, the following key principles to reform management have emerged:

- Maintain the Public Housing Authority (PHA) mechanism; however, eliminate its designation as the presumptive manager of public housing. (Many PHAs -- though certainly not all -- have evolved into mere cronies of their respective local unit of government which, ironically, schemes to rid its jurisdiction of much of its public housing. Public housing commissioners and staff are often disrespectful of residents' interests.)

- Establish an independent accrediting body for PHAs and other managers of public housing. The Public Housing Management Assessment Program (PHMAP) could be used by managers as a tool in assessing the adequacy of management services.

- Enact the 1994 Waters' Amendment which stipulates (as H.R. 3838 also does) that the local governing boards of public housing shall consist of a majority of residents who satisfactorily complete management training and are democratically elected by residents of their respective development.

- Maintain and support the concept of Resident Management Corporations, not always to function as the sole manager of a development, but also, in some situations, to act as co-managers or to provide appropriate services, foster accountability in management, etc.

- Foster mixed-income population -- though heavily weighted toward low-income individuals -- by such measures as:

  - Exclude in rent calculations 100% of household earned income (up to 200% of the poverty level) for two years.

  - Do not include in rent calculation the income of youth who are full-time students.

- Require court-appointed (not HUD-appointed) Receivers to provide interim management in instances when a PHA scores below 70 on the PHMAP, and fails to make required improvements within one year.

- o Eliminate the "Impaction" statute which categorically forbids the construction -- or even the rehabilitation -- of public housing in racially and poverty impacted areas. Often the effect of this statute has been to prevent even agreed-upon improvements in some of the worst public housing developments.

- o Consistently implement the Tenant Opportunity Program (TOP) Regulations (24 CFR Parts 905, 93, 964 and 990) issued in August, 1994. These rules were drafted primarily by a national public housing advisory group of residents and their advisors. The TOP Regulations succinctly state the rights of local resident organizations to systemically participate in the operations of their development, and they require PHAs to provide $15 per year per household to support resident organizations.

- o Absolutely no rescission of appropriated funds nor cuts in the level of future funding should occur! The current level of funding for public housing is extremely modest. (Less than $7 billion per year is budgeted to subsidize 1.34 million units and 3.4 million low-income individuals! That's about $450 per unit per month... Is that not a real bargain?)

As the recent research conducted by ACORN in 19 cities documents, operating subsidies are lower than the cost of the voucher system which HUD is proposing. Analysis by the National Housing Law Project also maintains the view that vouchers are more costly than operating subsidies. Virtually all of the public housing buildings and the land they occupy are paid for. So, after current necessary renovations and repairs are made, and **with proper management**, the unit-based public housing system (currently worth $90-100 billion), is a treasure that must be preserved!